

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ACTUARIAL VALUATION REPORT FOR THE YEAR ENDING
DECEMBER 31, 2007

April 11, 2008

Board of Trustees
Policemen's Annuity and Benefit Fund
City of Chicago
221 North LaSalle Street, Suite 1626
Chicago, IL 60601

Subject: Actuarial Valuation Report for the Year Ending December 31, 2007

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the Policemen's Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2007. This valuation has been performed to measure the funded status of the Fund and to determine the contribution levels for 2008. In addition, it includes disclosure information required under GASB Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. These actuarial valuations of the Fund are performed annually.

We have prepared the supporting schedules for the actuarial section of the comprehensive annual financial report, including:

- Summary of Actuarial Valuation Methods and Assumptions
- Schedule of Active Member Data
- Retirements and Beneficiaries Added to and Removed from Rolls
- Solvency (Termination) Test
- Development of Annual Required Contributions under GASB Statements No. 25 and No. 43
- Development of Actuarial Gains and Losses
- Summary of Basic Actuarial Values

We have also provided the following schedules in the financial section of the report.

- Schedule of Funding Progress
- Schedule of Employer Contributions
- Notes to Required Supplementary Information

This valuation is based upon:

Data relative to the members of the Fund — Data for active members and persons receiving benefits from the Fund was provided by the Fund's staff. We have tested this data for reasonableness.

Asset Values — The value of assets of the Fund was provided by the Fund's staff. Book values of assets are used to develop actuarial results for the state reporting basis. Actuarial value of assets are used for financial reporting under GASB Statement No. 25 and Statement No. 27.

Actuarial Method — The actuarial method utilized by the Fund is the Entry-Age Normal Actuarial Cost Method. The objective of this method is to amortize the costs of Fund benefits over the entire career of each member as a level of percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.

Actuarial Assumptions — All actuarial assumptions remain unchanged from the prior valuation. The assumptions used are set forth in Appendix 4: Actuarial Methods and Assumptions of the Valuation Report.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be twice the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 2:1 relationship. The most recent actuarial valuation of the Fund on the State reporting basis shows that a ratio of 4.98:1 is needed to adequately finance the Fund.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provision of the Fund as of the valuation date. Based on these items, we certify these results to be true and correct.

Respectfully yours,

Alex Rivera, FSA
Senior Consultant

Michael R. Kivi, FSA
Senior Consultant

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POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS

This report sets forth the results of the actuarial valuation of the Policemen's Annuity and Benefit Fund of the City of Chicago ("Fund") as of December 31, 2007. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2008.
2. To develop the annual required contributions (ARC) under GASB #25 and GASB #43.
3. To develop the annual pension and OPEB costs under GASB #27 and GASB #45.
4. To review the funded status of the Fund.

The funded status, in basic terms, is a comparison of Fund liabilities to Fund assets expressed as either unfunded liability or as a ratio of assets to liabilities. This comparison can be measured in various ways. Fund liabilities are dependent on the actuarial assumptions and actuarial cost method. Fund assets can be measured at market value, book value, or some variation to smooth the fluctuations that invariably occur from year to year.

Funded status is measured differently for reporting to the State and for Fund and City financial reports. The following chart shows how funded status is determined for each purpose.

Purpose	Actuarial Method	Asset Value
State reporting	Entry Age Normal	Cost
Fund and City reporting after 1996 (GASB #25, #27, #43, #45)	Entry Age Normal	Actuarial (Market-Related) Value of Assets

Under the Entry-Age Normal Actuarial Cost Method, each participant's benefits are assumed to be funded by annual installments, equal to a level percentage of compensation, payable from date of participation to assumed retirement. The total "Normal Cost" is the sum of the current year's annual installments determined for all active participants. The "Actuarial Accrued Liability" is the excess of the discounted value of projected benefits for all participants (both active and retired) over the discounted value of Normal Costs determined for future years of service.

The actuarial (market-related) value of assets is determined from market value with investment gains and losses smoothed over a five-year period. The actuarial assumptions used to determine the liabilities are the same in all three measures.

Comments on Results

For State reporting purposes, the minimum actuarially determined contribution for the year ending December 31, 2008, is \$535.3 million (51.5 percent of covered payroll), or \$439.5 million (42.3 percent) after expected employee contributions are subtracted. The 2008 minimum actuarially determined contribution of \$535.3 million compares with \$516.6 million for 2007.

The annual required contribution (ARC) under GASB #25 for the year ending December 31, 2008, is \$318.2 million, which is 30.6 percent of the total payroll. This amount is for pension benefits only. This amount is net of employee contributions of \$95.8 million.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

GASB #43 requires the calculation of a separate ARC for Other Postemployment Benefits (OPEB). The ARC for the 2008 fiscal year is determined in this actuarial valuation as of December 31, 2007. The OPEB ARC for the fiscal year ending December 31, 2008, is \$11.3 million, which is 1.1 percent of the total payroll.

Because of the requirements of GASB #43, there are some differences between the calculation of the ARC for pension benefits and the ARC for OPEB. These differences are summarized below.

	Pension ARC	OPEB ARC
Investment Return	8.0% per year	4.5% per year
Assets	5-year smoothed market	No assets (Pay-as-you-go)

GASB #43 requires the investment return assumption (or “discount rate”) used to value OPEB liabilities to be based on the estimated long-term yield of the investments expected to be used to finance the payment of benefits. The investment return assumption of 4.5 percent reflects the fact that OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare account exists to pay the health insurance supplement.

Beginning with the December 31, 2006, actuarial valuation, GASB #25 requires the use of at most a 30-year amortization period to determine the pension ARC, which is already required for the OPEB ARC.

On the State reporting basis, the unfunded liability increased from \$4.36 billion to \$4.53 billion and the funded ratio decreased from 46.33% to 46.05%. The funded ratio comparing actuarial value of assets to actuarial liabilities increased from 49.26% to 50.38%. The funded ratio comparing market value of assets to actuarial liabilities decreased from 51.65% to 51.59%.

On a market value basis, the unfunded liability increased due primarily to contribution shortfalls and some losses on liabilities. The main source of liability loss was salary experience. There was a gain on invested assets due to an actual return of 8.6% compared with the assumed return of 8.0%. The rate of return on an actuarial value basis was 11.4% compared to the assumed return of 8.0%, producing a gain.

On a book value basis, the unfunded liability increased due to the previously mentioned contribution shortfalls and losses on liabilities. The funded ratio increased due to a gain on invested assets. The actual return of 8.7% was above the assumed return of 8.0%.

The total ARC for 2007 was \$323.9 million compared to actual contributions of \$178.7 million. This difference has increased over the last five years and the impact can be seen in the GASB #27 Net Pension Obligation (NPO). The NPO has increased from \$635.6 million at December 31, 2002, to \$1,188.2 million as of December 31, 2007.

Please also note the highlighted area on page 26 showing the age/service distribution for active members. A large portion of the population is at or nearing retirement. We should continue to monitor this as the ratio of actives to retirees has been steadily declining which can ultimately have a large impact on contribution requirements. A more thorough examination of these and other factors can be found in the Experience Analysis section and the gain/loss calculation of Table 5. A summary of the primary results of this valuation is shown in the following table.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF VALUATION RESULTS (CONT'D)

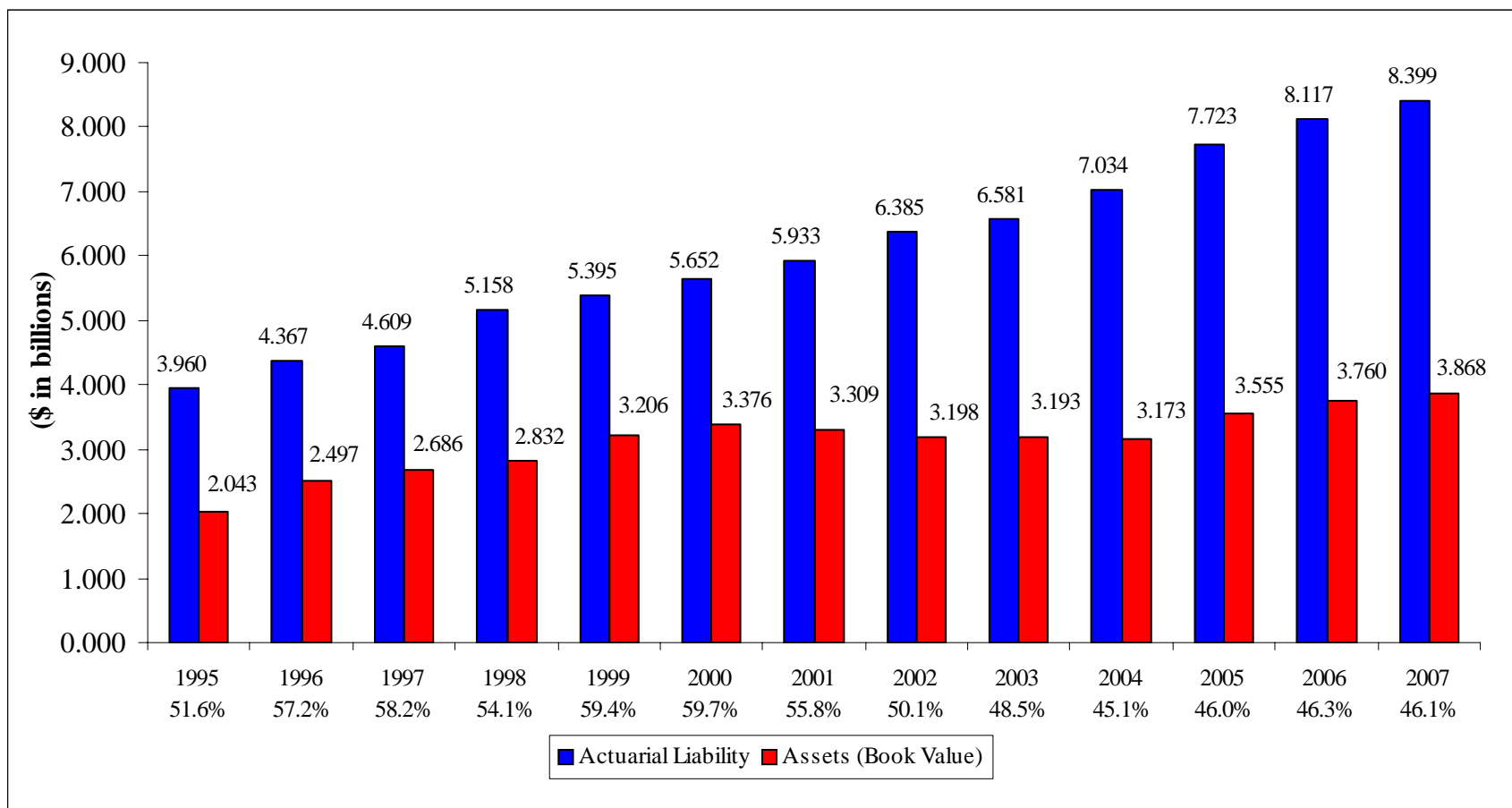
	2006		2007	
	\$ in Millions	% of Pay	\$ in Millions	% of Pay ¹
Contribution Levels				
Minimum Actuarially Determined Contribution (State Reporting) ²	\$ 516.64	51.00%	\$ 535.33	51.53%
Annual Required Contribution ³ (GASB 25 and 43)	323.95	31.98	329.58	31.72
Funded Status				
Book Value of Assets	\$ 3,760.38	371.22%	\$ 3,868.24	372.32%
Actuarial Liability	8,116.54	801.25	8,399.39	808.44
Funded Ratio	46.33%	N/A	46.05%	N/A
Funded Status-Market Value				
Market Value of Assets	\$ 4,192.08	413.83%	\$ 4,333.23	417.07%
Actuarial Liability	8,116.54	801.25	8,399.39	808.44
Funded Ratios	51.65%	N/A	51.59%	N/A
Funded Status - GASB #25 and #43				
Market-Related Value of Assets	\$ 3,997.99	394.67%	\$ 4,231.68	407.30%
Actuarial Liability	8,116.54	801.25	8,399.39	808.44
Funded Ratios	49.26%	N/A	50.38%	N/A

¹ Payroll was \$1,013 million in 2006 and \$1,039 million in 2007.

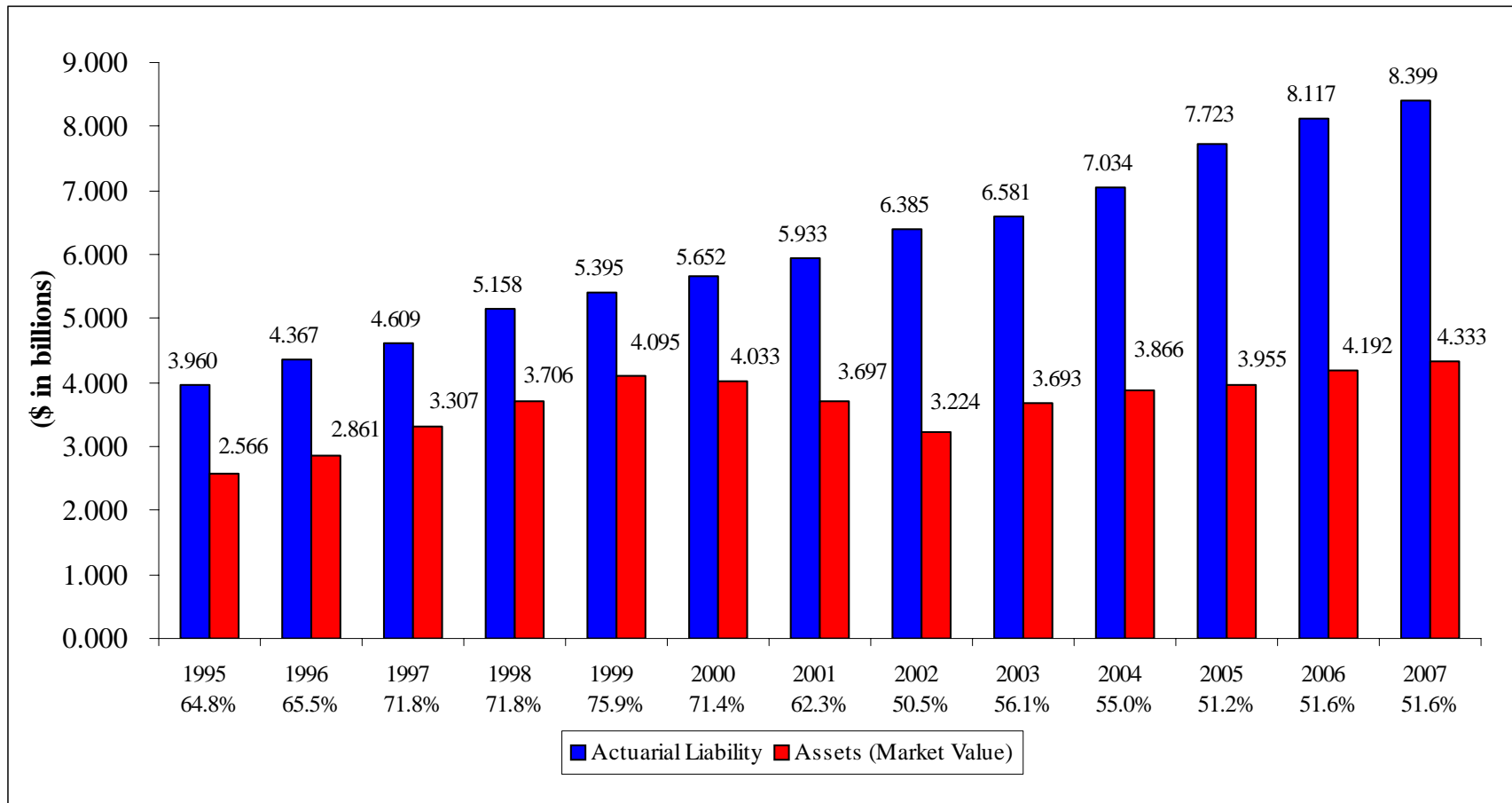
² Includes estimated employee contributions of \$93.4 million for 2006 and \$95.8 million for 2007.

³ For the following fiscal year net of employee contributions. ARC for both pension and healthcare benefits under GASB #25 and GASB #43.

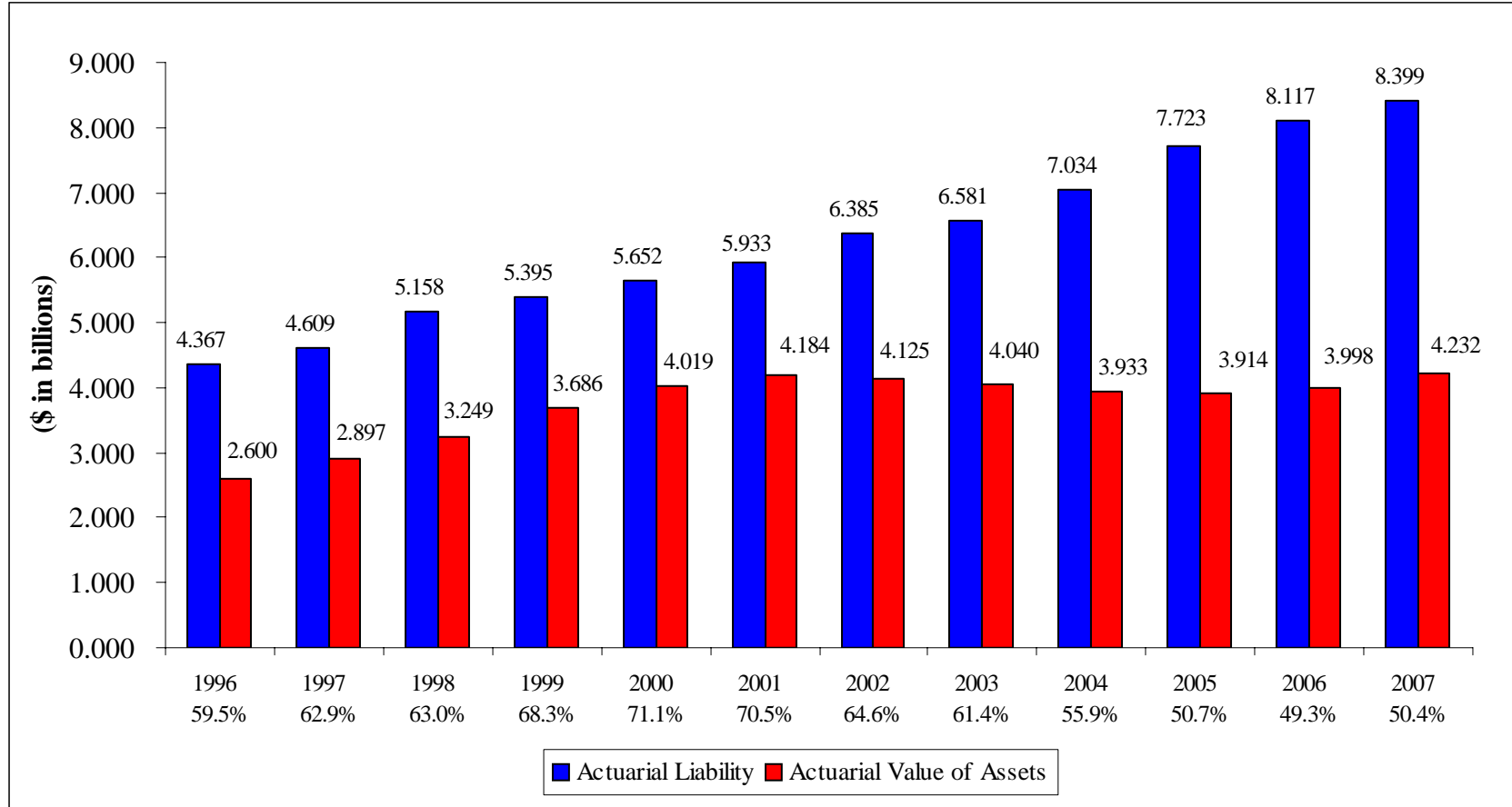
**POLICEMEN'S ANNUITY AND BENEFIT FUND
COMPONENTS OF FUNDED RATIO
STATE REPORTING**



**POLICEMEN'S ANNUITY AND BENEFIT FUND
COMPONENTS OF FUNDED RATIO
BASED ON MARKET VALUE**



POLICEMEN'S ANNUITY AND BENEFIT FUND
COMPONENTS OF FUNDED RATIO
GASB #25/#43



POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF VALUATION RESULTS (CONT'D)

Participants

	<u>December 31, 2006</u>	<u>December 31, 2007</u>
Active Participants		
Number	13,749	13,748
Average Age	41.5	41.8
Average Service	12.8	13.1
Average Annual Salary	73,677 ¹	75,572 ²
Retirees		
Number	8,083	8,155
Average Age	66.9	67.3
Average Monthly Benefit	3,807	3,949
Survivors		
Number	3,157	3,201
Average Age	73.9	73.9
Average Monthly Benefit	1,391	1,438

The major characteristics of the data on the members of the Fund are summarized as follows:

A large portion of the active participant population is nearing or is eligible for retirement; 25.1% of the workforce is between the ages of 45 and 54, while 22.0% have 20 or more years of service. The last several years have seen a substantial increase in the total number of retirees and the number of active participants retiring annually. Although there were fewer retirements in 2007 than there were in 2006, the total number of retirees still increased. Both statistics should continue to increase because of population aging. Total participants receiving benefits under the Fund, including disabilities, survivors, and children, increased 0.91% during 2007 from 12,026 to 12,135. The total retiree count increased by 0.9% during 2007. Total expenditures for benefits increased from \$458.1 million in 2006 to \$477.7 million during 2007, or 4.28%.

¹. Average annual salary would have been \$70,878 without the addition of duty availability pay.

². Average annual salary would have been \$72,759 without the addition of duty availability pay.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

Changes in Provisions of the Fund

PA 95-0279 was passed in 2007 and made the following change to the Fund provisions:

Beginning January 1, 2008, removes restriction that a child be born or legally adopted before withdrawal from service for a child's annuity. Removes restriction requiring that adoption proceedings must have been initiated six months prior to the policeman's death.

PA 95-0504 was also passed in 2007 and made the following change to the Fund provisions:

Beginning August 28, 2007, a widow's annuity shall no longer be subject to termination or suspension due to remarriage. Any widow's annuities previously terminated or suspended due to remarriage shall be resumed upon application, but the resumption shall not be retroactive.

At the discretion of the Board, a widow's annuity may be granted to a widow who was denied a benefit for having been married less than one year at the time of the member's death.

Removes age limitation on child's annuity for children who are so physically or mentally handicapped as to be unable to support themselves.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

Analysis of Actuarial Assumptions

Actuarial assumptions are used to project future demographic and economic expectations for purposes of valuing the liabilities of the plan. The assumptions should reflect current patterns. However, their primary orientation is the long-term outlook for each factor affecting the valuation. Thus, while actual experience will fluctuate over the short run, actuarial assumptions are chosen in an attempt to model the future long run experience.

There are two general types of actuarial assumptions:

1. Demographic Assumptions — reflect the flow of participants into and out of a retirement system, and
2. Economic Assumptions — reflect the effect of the economic climate on a retirement system.

Demographic assumptions can be readily studied over recent plan experience. Economic assumptions can be studied against recent experience; however, future experience is more likely to be a result of outside factors than of plan specifics. The most significant demographic assumptions are: active turnover, retirement, disability incidence, and post-retirement mortality. The most significant economic assumptions are: pay increases, investment return, and inflation. Other actuarial assumptions include: active mortality and percent married.

2007 Gain/Loss Analysis

We performed a gain/loss analysis of the major sources which contributed to the change in the unfunded actuarial liability. Our analysis by source follows.

Turnover

We reviewed all exits in 2007 from the Fund for reasons other than retirement, death, or disability for members with less than 20 years of service. The ratio of actual withdrawals to expected withdrawals was 55.0%. The overall result is a small actuarial loss.

Retirement

The number of retirements during 2007 was lower than expected. The ratio of actual retirements to expected retirements was 50.5%. The overall net effect in this instance is an actuarial gain to the plan.

Disability

The number of new disabled participants during 2007 was lower than expected. The ratio of actual to expected disability was 90.0% resulting in a gain to the plan.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

Mortality

There were fewer deaths during 2007 than expected for active members, and more deaths for annuitants than expected. Overall, an actuarial gain to the fund resulted.

Pay Increase

The average salary for continuing actives in 2007 increased by 1.4% less than expected from the 2006 average salary. The slightly lower than expected salary increases resulted in an actuarial gain to the fund.

Investment Return

We compared investment returns against the assumed 8.0% annual return. The actual rate of return at book was 8.7%, while the actual rate of return at market was 8.6%, resulting in an actuarial gain. The actuarial value of assets rate of return was 11.4%, which resulted in an actuarial gain.

Data

Changes in data can produce either gains or losses depending on the nature of the change. During 2007, multiple data adjustments caused actuarial losses of \$8.5 million as follows:

- \$12.4 million loss for new beneficiaries in payment status without a prior record,
- \$3.9 million gain due to other experience and data changes.

The total increase in liabilities of \$8.5 million due to data changes represents about 0.10 percent of total liabilities.

Changes in Plan Provisions

The changes in plan provisions did not materially impact the liabilities.

Changes in Actuarial Assumptions and Methods

There were no changes in actuarial assumptions or methods.

Conclusion

Overall, we believe that current assumptions are doing a reasonable job of modeling experience. Table 5 of Appendix 1 shows a more detailed development of the actuarial gains and losses for the year.

APPENDIX 1

RESULTS OF ACTUARIAL VALUATION

POLICEMEN'S ANNUITY AND BENEFIT FUND SUMMARY

Table 1

	December 31,	
	2006	2007
<u>Assets</u>		
Book Value - Beginning of Year	\$ 3,555,381,191	\$ 3,760,378,124
<u>Income</u>		
Investment Income Net Expenses	\$ 415,032,369	\$ 316,615,222
Employer Contributions	157,689,286	178,678,154
Employee Contributions	91,965,685	93,299,996
Miscellaneous	1,069,991	27,821
Subtotal	\$ 665,757,331	\$ 588,621,193
 <u>Outgo (Refunds, Benefits, & Administration)</u>	 \$ 460,760,398	 \$ 480,762,399
 Book Value - End of Year	 \$ 3,760,378,124	 \$ 3,868,236,918
Market Value - End of Year	4,192,076,199	4,333,233,927
Actuarial Value - End of Year	3,997,990,919	4,231,681,817
 <u>Members</u>		
Active	13,749	13,748
Retirees	8,083	8,155
Survivors	3,157	3,201
Disabilities	399	401
Inactives	595	554
Children	387	378
 <u>Payroll Data</u>		
Valuation Payroll	\$ 1,012,983,634	\$ 1,038,957,026
Average Salary	73,677	75,572

POLICEMEN'S ANNUITY AND BENEFIT FUND SUMMARY

Table 1 (cont.)

	December 31,	
	2006	2007
<u>ACTUARIAL VALUES</u>		
<u>Funding - State Basis</u>		
Actuarial Liability	\$ 8,116,543,174	\$ 8,399,392,479
Assets - Book Value - Net	3,760,378,124	3,868,236,918
Unfunded Liability	4,356,165,050	4,531,155,561
Funded Ratio	46.33%	46.05%
Actuarially Required Total Contribution ¹	\$ 516,643,788	\$ 535,331,936
Deficiency in Required Contribution (est.)	245,037,298	255,630,577
Required Employer Contribution Multiple	4.95	4.98
<u>Termination Values</u>		
Liability	\$ 5,869,691,179	\$ 6,107,684,044
Deficiency	2,109,313,055	2,239,447,126
Quick Ratio	64.06%	63.33%
<u>Funding using Market Values</u>		
Actuarial Liability	\$ 8,116,543,174	\$ 8,399,392,479
Assets - Market Value	4,192,076,199	4,333,233,927
Unfunded Liability	3,924,466,975	4,066,158,552
Funded Ratio	51.65%	51.59%
<u>GASB #25 and #43 Values</u>		
Actuarial Liability ³	\$ 8,116,543,174	\$ 8,399,392,479
Assets - Actuarial Value	3,997,990,919	4,231,681,817
Unfunded Liability	4,118,552,255	4,167,710,662
Funded Ratio	49.26%	50.38%
Annual Required Contribution (ARC) ²	323,946,689	329,583,829

1 Includes estimated employee contributions of \$93,386,490 for December 31, 2006, and \$95,770,359 for December 31, 2007.

2 ARC is for the following fiscal year, and is the total under GASB#25 and GASB#43. The fiscal year 2008 ARC for Pension benefits is \$ 318,234,870, and the fiscal year 2008 ARC for OPEB is \$11,348,959.

3 Disclosures under GASB#25 and GASB#43 shows Actuarial Accrued Liability separately for Pensions and OPEB.

POLICEMEN'S ANNUITY AND BENEFIT FUND
SUMMARY OF BASIC ACTUARIAL VALUES

Table 2

	APV of Projected Benefits	Actuarial Accrued Liability (AAL)
<u>(1) Values for Active Members</u>		
(a) Retirement	\$4,606,484,497	\$3,169,092,581
(b) Termination	97,304,697	23,626,045
(c) Disability	401,355,191	150,386,599
(d) Death	98,010,894	27,932,348
Total for Actives	\$5,203,155,279	\$3,371,037,573
<u>(2) Values for Inactive Members</u>		
(a) Retired	4,273,914,361	4,273,914,361
(b) Survivor	472,936,587	472,936,587
(c) Disability	247,121,494	247,121,494
(d) Inactive (Deferred Vested)	21,423,613	21,423,613
(e) Children	12,958,851	12,958,851
Total for Inactives	5,028,354,906	5,028,354,906
<u>(3) Grand Totals</u>	\$10,231,510,185	\$8,399,392,479
<u>(4) Normal Cost for Active Members</u>	\$ 184,545,154	
<u>(5) Actuarial Present Value of Future Compensation</u>	\$10,735,480,285	

POLICEMEN'S ANNUITY AND BENEFIT FUND
DEVELOPMENT OF ACTUARIAL
CALCULATED CONTRIBUTION FOR 2008
(STATE BASIS)

Table 3

<u>(1) Normal Cost (see Table 2)</u>	\$ 184,545,154
<u>(2) Actuarial Accrued Liability (AAL)</u>	\$ 8,399,392,479
<u>(3) Unfunded AAL (UAAL)</u>	
(a) Assets at Book	\$ 3,868,236,918
(b) UAAL (2-3(a))	4,531,155,561
<u>(4) Interest on UAAL Payable at End of Year</u>	\$ 356,226,050
<u>(5) Minimum Actuarially Calculated Contribution</u>	
(a) Interest Adjustment for Semimonthly Payment	\$ (5,439,268)
(b) Total Minimum Contribution (1+4+5(a))	\$ 535,331,936
(c) Total Minimum Contribution (Percent of Pay)	51.53%
<u>(6) Estimated Total Contribution</u>	
(a) City	\$ 183,931,000
(b) Members	95,770,359
(c) Total	\$ 279,701,359
<u>(7) Deficiency/(Excess)</u>	
(a) in Dollars (5(b)-6(c))	\$ 255,630,577
(b) as a Percentage of Pay	24.60%

POLICEMEN'S ANNUITY AND BENEFIT FUND
DEVELOPMENT OF ANNUAL REQUIRED
CONTRIBUTION UNDER GASB #25 AND GASB #43 FOR 2008¹

Table 4

	Pension	Health Ins. Supplement	Total
<u>(1) Normal Cost (see Table 2)</u>	\$ 179,844,821	\$ 4,700,333	\$ 184,545,154
<u>(2) Actuarial Accrued Liability (AAL)</u>	\$ 8,220,352,638	\$ 179,039,841	\$ 8,399,392,479
<u>(3) Unfunded AAL (UAAL)</u>			
(a) Actuarial Value of Assets	\$ 4,231,681,817	\$ 0	\$ 4,231,681,817
(b) UAAL (2-3(a))	3,988,670,821	179,039,841	4,167,710,662
<u>(4) Amortization Payable at Beginning of Year²</u>	\$ 217,991,664	\$ 6,392,299	\$ 224,383,963
<u>(5) Estimated Member Contributions</u>	\$ 95,770,359	\$ 0	\$ 95,770,359
<u>(6) Annual Required Contribution (ARC)</u>			
(a) Interest Adjustment for Semimonthly Payment	16,168,744	256,327	16,425,071
(b) Annual Required Contribution (1 + 4 - 5 + 6(a))	\$ 318,234,870	\$ 11,348,959	\$ 329,583,829
(c) Annual Required Contribution (Percent of Pay)	30.63%	1.09%	31.72%
<u>(7) Estimated City Contribution</u>	\$ 172,754,714	\$ 11,176,286 ³	\$ 183,931,000
<u>(8) Deficiency/(Excess)</u>			
(a) in Dollars (6(b)-7)	\$ 145,480,156	\$ 172,673	\$ 145,652,829
(b) as a Percentage of Pay	14.00%	0.02%	14.02%

¹ Pension liabilities were discounted at 8.0% per year, and OPEB liabilities discounted at 4.5% per year.

² Amortization is over a 30-year period as a level percent of pay.

³ Represents expected health insurance supplemental benefits for fiscal year 2008.

POLICEMEN'S ANNUITY AND BENEFIT FUND
DEVELOPMENT OF ACTUARIAL GAINS AND LOSSES FOR 2007

Table 5

UNFUNDED ACTUARIAL ACCRUED LIABILITY - BEGINNING OF 2007

(1) Actuarial Accrued Liability - 12/31/2006	\$8,116,543,174
(2) Assets at Book Value - 12/31/2006	<u>3,760,378,124</u>
(3) Unfunded Accrued Actuarial Liability - 12/31/2006	\$4,356,165,050

EXPECTED UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2007

(4) Normal Cost for 2007	\$ 179,482,922
(5) Total Contributions for 2007	272,005,971
(6) Interest on (3), (4), & (5) at Valuation Rate	<u>345,961,524</u>
(7) Expected Unfunded Actuarial Accrued Liability - 12/31/2007	\$4,609,603,525
((3)+(4)-(5)+(6))	

DEVIATIONS FROM EXPECTED

(8) (Gain)/Loss on Investment Return (Book Value)	\$ (20,776,800)
(9) (Gain)/Loss from Salary Changes	(58,809,297)
(10) (Gain)/Loss from Retirement	(6,546,688)
(11) (Gain)/Loss from Turnover	1,576,799
(12) (Gain)/Loss from Mortality	(689,504)
(13) (Gain)/Loss from Disability	(4,231,389)
(14) (Gain)/Loss from Data Changes	8,456,974 ⁽¹⁾
(15) (Gain)/Loss from New Entrants	2,571,941
(16) Composite Actuarial (Gain)/Loss	(\$78,447,964)

UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2007

(17) Unfunded Accrued Actuarial Liability - 12/31/2007 ((7)+(16))	\$4,531,155,561
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¹ The main components of the data loss are: \$12.4 million for new beneficiaries in payment status without a prior record, and \$3.9 million gain due to other experience and data changes.

POLICEMEN'S ANNUITY AND BENEFIT FUND
HISTORY OF RECOMMENDED EMPLOYER MULTIPLES

Table 6

Year of Report	Statutory Multiple	Normal Cost Plus Interest	Normal Cost Plus Amortization ⁴	
			Level \$	Level % of Salary
1974	1.90	2.90	-	-
1975 ¹	1.97	2.87	-	-
1976 ¹	1.97	3.23	3.46	2.42
1977	1.97	3.24	3.47	2.49
1978	1.97	3.32	3.55	2.57
1979 ¹	1.97	3.11	3.32	2.41
1980	1.97	3.07	3.27	2.38
1981 ¹	1.97	3.06	3.26	2.39
1982 ^{1,2}	2.00	3.29	3.44	2.60
1983 ^{1,2}	2.00	4.11	4.29	3.12
1984	2.00	4.26	4.46	3.24
1985 ^{1,2}	2.00	4.50	4.70	3.48
1986 ¹	2.00	4.15	4.31	3.18
1987 ¹	2.00	4.13	4.29	3.16
1988	2.00	4.16	4.32	3.18
1989 ^{1,2}	2.00	3.79	3.91	2.85
1990 ³	2.00	3.58	3.68	2.73
1991	2.00	3.80	3.91	2.98
1992 ¹	2.00	3.23	3.36	2.11
1993	2.00	3.23	3.37	2.10
1994	2.00	3.05	3.18	1.98
1995	2.00	3.34	3.49	2.17
1996	2.00	3.19	3.32	2.10
1997	2.00	3.10	3.23	2.04
1998 ^{1,2}	2.00	3.63	3.77	2.56
1999	2.00	3.15	3.27	2.24
2000 ¹	2.00	3.27	3.39	2.32
2001 ²	2.00	3.63	3.78	2.56
2002	2.00	4.62	4.79	3.33
2003 ^{1,2}	2.00	4.46	4.63	3.23
2004 ²	2.00	4.99	5.18	3.60
2005 ^{1,2}	2.00	5.33	5.56	3.85
2006	2.00	4.95	5.40	3.94
2007	2.00	4.98	5.43	3.97

¹Change in actuarial assumptions

²Change in benefits

³Change in actuary

⁴Prior to 2005, amortizations were over a 40-year period. In 2005, pension unfunded liability was amortized over a 40-year period and OPEB liability over a 30-year period. Starting 2006, both pension and OPEB amortizations are over a 30-year period.

POLICEMEN'S ANNUITY AND BENEFIT FUND
ORDINARY DEATH BENEFIT RESERVE

Table 7

Actuarial Balance Sheet – 6% Basis

December 31, 2007

ASSETS

Fund Balance	\$ (12,276,133)
Present Values of Future Contributions:	
Contributions by Members at \$30.00 a Year	5,096,514
Annual City Contribution of \$224,000	2,767,964
Unfunded Liability	33,998,813
TOTAL ASSETS	\$ 29,587,158

LIABILITIES

Present Value of Future Death Benefits (6%, 83 GAM)	
Active & Disabled Members	7,147,487
Retired Members	22,439,671
TOTAL LIABILITIES	\$ 29,587,158

POLICEMEN'S ANNUITY AND BENEFIT FUND
ACTUARIAL ACCRUED LIABILITY PRIORITIZED SOLVENCY TEST

Table 8

Valuation Date 12/31	(1)	(2)	(3)	Actuarial Value of Assets	Portion (%) of Present Value Covered By Assets		
	Active and Inactive Member Contribution	Retirees and Beneficiaries	Active and Inactive Members (ER Financed Portion)		(1)	(2)	(3)
1996	\$ 717,890,959	\$ 2,150,952,000	\$ 1,498,186,586	\$ 2,599,760,692	100.00%	87.49%	0.00%
1997	750,341,108	2,333,523,000	1,525,303,810	2,896,754,452	100.00%	91.98%	0.00%
1998 ^{1,2}	777,205,937	2,690,216,494	1,690,773,788	3,249,729,847	100.00%	91.91%	0.00%
1999	763,729,532	2,939,332,536	1,691,810,150	3,685,681,671	100.00%	99.41%	0.00%
2000 ¹	818,382,556	3,228,954,418	1,604,693,684	4,019,467,561	100.00%	99.14%	0.00%
2001 ²	803,453,930	3,463,944,097	1,665,112,602	4,183,796,025	100.00%	97.59%	0.00%
2002	846,622,627	3,769,125,439	1,769,097,893	4,124,579,960	100.00%	86.97%	0.00%
2003 ^{1,2}	893,425,839	3,856,262,804	1,831,744,607	4,039,695,590	100.00%	81.59%	0.00%
2004 ²	910,480,098	4,313,531,046	1,810,260,330	3,933,031,342	100.00%	70.07%	0.00%
2005 ^{1,2}	950,764,942	4,677,632,909	2,094,339,296	3,914,431,654	100.00%	63.36%	0.00%
2006	1,016,217,810	4,858,554,051	2,241,771,313	3,997,990,919	100.00%	61.37%	0.00%
2007	1,082,742,927	5,006,931,293	2,309,718,259	4,231,681,817	100.00%	62.89%	0.00%

¹Change in actuarial assumptions

²Change in benefits

APPENDIX 2

ASSETS OF THE PLAN

POLICEMEN'S ANNUITY AND BENEFIT FUND

ASSETS OF THE PLAN

The book value of the plan assets, net of accounts payable, increased from \$3.760 billion as of December 31, 2006, to \$3.868 billion as of December 31, 2007, while the market value of the plan assets, net of accounts payable, increased from \$4.192 billion as of December 31, 2006, to \$4.333 billion as of December 31, 2007. Table 8 details the development of asset values during 2007 and Table 9 shows the development of the actuarial value of assets as of December 31, 2007.

POLICEMEN'S ANNUITY AND BENEFIT FUND
RECONCILIATION OF ASSETS
AS OF DECEMBER 31, 2007

Table 9

	Market Value	Book Value
1. Value of assets as of 12/31/2006	\$4,192,076,199	\$3,760,378,124
2. Income for plan year:		
a) Member contributions	\$ 93,299,996	\$ 93,299,996
b) City contributions	178,678,154	178,678,154
c) Investment income net of expenses	349,914,156	316,615,222
d) Miscellaneous revenue	27,821	27,821
e) Total income	\$ 621,920,127	\$ 588,621,193
3. Disbursements for plan year:		
a) Benefit payments	\$ 471,478,512	\$ 471,478,512
b) Refunds	6,206,814	6,206,814
c) Administration	3,077,073	3,077,073
d) Total disbursements	\$ 480,762,399	\$ 480,762,399
4. Value of assets as of 12/31/2007	\$4,333,233,927	\$3,868,236,918
5. Estimated rate of return in 2007: ¹		
a) Gross	8.94%	9.08%
b) Net of investment expense (Investment expense of \$14,679,451)	8.56%	8.66%

¹ Method used for calculating rate of return does not reflect specific timing of income and outflows. It is also based on total assets, not invested assets.

**POLICEMEN'S ANNUITY AND BENEFIT FUND
DEVELOPMENT OF ACTUARIAL (MARKET-RELATED)
VALUE OF ASSETS
AS OF DECEMBER 31, 2007**

Table 10

1. Expected Return on Market Value of Assets for Prior Year

- a) Market value of assets as of 12/31/2006 \$4,192,076,199
b) Actual income and disbursements in prior year weighted for timing

Item	Amount	Weight for Timing	Weighted Amount
i) Member contributions	\$ 93,299,996	50.0%	\$ 46,649,998
ii) City contributions	178,678,154	50.0%	89,339,077
iii) Miscellaneous revenue	27,821	50.0%	13,911
iv) Benefit payments	(471,478,512)	50.0%	(235,739,256)
v) Refunds	(6,206,814)	50.0%	(3,103,407)
vi) Administration	(3,077,073)	50.0%	(1,538,537)
vii) Total			\$(104,378,214)

- c) Market value of assets adjusted for actual income and disbursements [(a) + (b)(vii)] \$4,087,697,985
d) Assumed rate of return on plan assets for the year 8.00%
e) Expected return [(c) * (d)] \$ 327,015,839

2. Actual Return on Market Value of Assets for Prior Year

- a) Market value of assets as of 12/31/2006 \$4,192,076,199
b) Income (less investment income) for prior plan year 272,005,971
c) Disbursements paid in prior year 480,762,399
d) Market value of assets as of 12/31/2007 4,333,233,927
e) Actual return [(d) + (c) - (b) - (a)] \$ 349,914,156

3. Investment Gain/(Loss) for Prior Year [2(e) - 1(e)]

\$ 22,898,317

4. Actuarial Value of Assets as of 12/31/2007

- a) Market value of assets as of 12/31/2007 4,333,233,927
b) Deferred investment gains and (losses) for last 5 years

	Plan Year	Gain/(Loss)	Percent Deferred	Deferred Amount
i)	2003	\$375,689,876	0.00%	\$ 0
ii)	2004	80,260,745	20.00%	16,052,149
iii)	2005	(40,981,038)	40.00%	(16,392,415)
iv)	2006	139,289,537	60.00%	83,573,722
v)	2007	22,898,317	80.00%	18,318,654
vi)	Total	\$577,157,437		\$ 101,552,110

- c) Actuarial Value of Assets 4,231,681,817

The calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 5 years at the rate of 20% per year.

APPENDIX 3

DATA REFLECTING PLAN MEMBERS

EXHIBIT A
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF CHANGES IN ACTIVE PARTICIPANTS
FOR FISCAL YEAR ENDING DECEMBER 31, 2007

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Participants at Beginning of Fiscal Year	10,444	3,305	13,749
Increases:			
Participants Added During Year	287	86	373
Participants Returning From Inactive or Disability Status	29	9	38
Totals	10,760	3,400	14,160
Decreases:			
Terminations During Year	319	93	412
Number of Participants at End of Fiscal Year	10,441	3,307	13,748
Total Inactive Participants			554
<u>Terminations:</u>			
Withdrawal (With Refunds) ¹	26	10	36
Withdrawal (Without Refunds)	26	7	33
Ordinary Disability Benefit	13	12	25
Occupational Disease Disability Benefit	6	0	6
Duty Disability Benefit	8	4	12
Retirements	227	58	285
Deaths (Occupational)	0	0	0
Deaths (Non-occupational)	13	2	15
Totals	319	93	412

¹ This total differs from the total of 83 shown in Exhibit D due to the fact that only 36 of the refunds were paid to participants who were considered to be active as of December 31, 2006.

EXHIBIT B
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2007

	<u>Number at Beginning of Year</u>	<u>Additions During Year</u>	<u>Terminations During Year</u>	<u>Number at End of Year</u>
Service Retirement Annuities	8,083	336	264	8,155
Widow Annuities	3,093	202	158	3,137
Children's Annuities	255	20	33	242
Ordinary Disability Benefit (Non-Occupational)	39	27	14	52
Occupational Disease Disability Benefit	69	6	10	65
Duty Disability Benefit (Occupational)	291	14	21	284
Children's Disability Benefit	132	22	18	136
Widows' Compensation Annuities (Service Connected Death)	64	0	0	64
Totals	<u>12,026</u>	<u>627</u>	<u>518</u>	<u>12,135</u>

EXHIBIT C – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE MALE PARTICIPANTS
CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2007

AGE	Years of Service									Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over		
Under 20	-	-	-	-	-	-	-	-	-	0	\$ 0
20 to 24	85 3,663,840	51 2,852,906	-	-	-	-	-	-	-	136	6,516,746
25 to 29	130 5,605,467	731 45,661,652	240 17,141,222	-	-	-	-	-	-	1,101	68,408,341
30 to 34	47 2,025,888	428 27,150,380	902 64,838,170	97 7,445,314	-	-	-	-	-	1,474	101,459,752
35 to 39	25 1,077,600	245 15,623,165	804 57,730,649	938 72,205,836	196 16,045,902	-	-	-	-	2,208	162,683,152
40 to 44	1 43,104	90 5,860,224	321 22,957,064	710 53,844,028	588 48,075,576	209 18,677,151	-	-	-	1,919	149,457,147
45 to 49	-	2 132,764	120 8,594,784	308 23,166,303	405 32,414,616	463 40,296,015	52 4,890,700	-	-	1,350	109,495,182
50 to 54	-	2 139,094	56 3,991,898	150 11,189,046	205 16,248,568	365 31,051,702	264 24,459,258	45 4,624,044	1 80,926	1,088	91,784,536
55 to 59	-	1 67,912	22 1,572,880	53 3,951,500	69 5,386,218	123 10,139,232	271 23,577,940	250 23,127,372	147 14,293,656	936	82,116,710
60 to 64	-	-	2 142,364	6 441,456	12 923,376	21 1,695,474	37 3,194,524	47 4,236,434	104 9,639,704	229	20,273,332
65 and over	-	-	-	-	-	-	-	-	-	0	0
Total Active	288	1,550	2,467	2,262	1,475	1,181	624	342	252	10,441	
Annual Salary	\$12,415,899	\$97,488,097	\$176,969,031	\$172,243,483	\$119,094,256	\$101,859,574	\$56,122,422	\$31,987,850	\$ 24,014,286		\$ 792,194,898

EXHIBIT C – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE FEMALE PARTICIPANTS
CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2007

AGE	Years of Service									Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over		
Under 20	-	-	-	-	-	-	-	-	-	0	\$ 0
20 to 24	16 689,664	10 576,299	-	-	-	-	-	-	-	26	1,265,963
25 to 29	31 1,336,224	215 13,345,956	47 3,370,856	-	-	-	-	-	-	293	18,053,036
30 to 34	26 1,120,704	138 8,652,811	256 18,334,204	20 1,596,539	-	-	-	-	-	440	29,704,258
35 to 39	11 474,144	97 6,124,106	237 16,999,922	241 18,206,944	60 4,726,920	-	-	-	-	646	46,532,036
40 to 44	1 43,104	37 2,385,495	127 9,074,757	193 14,469,586	174 14,173,238	57 4,899,281	-	-	-	589	45,045,461
45 to 49	-	1 71,182	55 3,918,966	138 10,286,250	167 13,245,950	181 15,549,376	23 2,187,728	-	-	565	45,259,452
50 to 54	-	-	29 2,073,422	80 5,958,664	130 10,159,764	139 11,741,572	60 5,604,648	4 370,234	-	442	35,908,304
55 to 59	-	-	7 498,274	32 2,396,588	76 5,877,640	66 5,384,844	46 4,081,384	23 2,122,148	8 753,752	258	21,114,630
60 to 64	-	-	1 71,182	8 594,398	15 1,160,976	13 1,066,456	3 268,446	7 627,256	1 90,274	48	3,878,988
65 and over	-	-	-	-	-	-	-	-	-	0	0
Total Active	85	498	759	712	622	456	132	34	9	3,307	
Annual Salary	\$3,663,840	\$31,155,849	\$54,341,583	\$53,508,969	\$49,344,488	\$38,641,529	\$12,142,206	\$3,119,638	\$ 844,026		\$ 246,762,128

EXHIBIT C – PART III
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
TOTAL LIVES AND ANNUAL SALARIES OF ALL ACTIVE PARTICIPANTS
CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2007

AGE	Years of Service										Annual Salary	
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over	Total		
Under 20	-	-	-	-	-	-	-	-	-	-	0	
	-	-	-	-	-	-	-	-	-	-	\$	0
20 to 24	101	61	-	-	-	-	-	-	-	-	162	
	4,353,504	3,429,205	-	-	-	-	-	-	-	-		7,782,709
25 to 29	161	946	287	-	-	-	-	-	-	-	1,394	
	6,941,691	59,007,608	20,512,078	-	-	-	-	-	-	-		86,461,377
30 to 34	73	566	1,158	117	-	-	-	-	-	-	1,914	
	3,146,592	35,803,191	83,172,374	9,041,853	-	-	-	-	-	-		131,164,010
35 to 39	36	342	1,041	1,179	256	-	-	-	-	-	2,854	
	1,551,744	21,747,271	74,730,571	90,412,780	20,772,822	-	-	-	-	-		209,215,188
40 to 44	2	127	448	903	762	266	-	-	-	-	2,508	
	86,208	8,245,719	32,031,821	68,313,614	62,248,814	23,576,432	-	-	-	-		194,502,608
45 to 49	-	3	175	446	572	644	75	-	-	-	1,915	
	-	203,946	12,513,750	33,452,553	45,660,566	55,845,391	7,078,428	-	-	-		154,754,634
50 to 54	-	2	85	230	335	504	324	49	1	1,530		
	-	139,094	6,065,320	17,147,710	26,408,332	42,793,274	30,063,906	4,994,278	80,926		127,692,840	
55 to 59	-	1	29	85	145	189	317	273	155	1,194		
	-	67,912	2,071,154	6,348,088	11,263,858	15,524,076	27,659,324	25,249,520	15,047,408		103,231,340	
60 to 64	-	-	3	14	27	34	40	54	105	277		
	-	-	213,546	1,035,854	2,084,352	2,761,930	3,462,970	4,863,690	9,729,978		24,152,320	
65 and over	-	-	-	-	-	-	-	-	-	0		
	-	-	-	-	-	-	-	-	-		0	
Total Active	373	2,048	3,226	2,974	2,097	1,637	756	376	261	13,748		
Annual Salary	\$16,079,739	\$128,643,946	\$231,310,614	\$225,752,452	\$168,438,744	\$140,501,103	\$68,264,628	\$35,107,488	\$24,858,312		\$1,038,957,026	

EXHIBIT D – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING NUMBER OF REFUND PAYMENTS MADE DURING YEAR
TO MALE EMPLOYEES FOR FISCAL YEAR ENDING DECEMBER 31, 2007

Age at Date of Refund	Length of Service at Date of Refund						Total
	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and over	
Under 20							0
20 to 24	2	1					3
25 to 29	4	4	2	1		1	12
30 to 34		1		1		13	15
35 to 39	1	1	2	1	1	13	19
40 to 44			1			10	11
45 to 49						3	3
50 to 54					1		1
55 to 59							0
60 & over							0
Totals	7	7	5	3	2	40	64

Includes only number of actual refunds paid or accrued during fiscal year reported.

EXHIBIT D – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING NUMBER OF REFUND PAYMENTS MADE DURING YEAR
TO FEMALE EMPLOYEES FOR FISCAL YEAR ENDING DECEMBER 31,
2007

Age at Date of Refund	Length of Service at Date of Refund						Total
	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and over	
Under 20							0
20 to 24	1						1
25 to 29	1						1
30 to 34	1			1	2	2	6
35 to 39				1		2	3
40 to 44	2					4	6
45 to 49						1	1
50 to 54						1	1
55 to 59							0
60 & over							0
Totals	5	0	0	2	2	10	19

Includes only number of actual refunds paid or accrued during fiscal year reported.

EXHIBIT E
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON SERVICE RETIREMENT ANNUITIES
CLASSIFIED BY AGE AS OF DECEMBER 31, 2007

AGE	MALE		FEMALE		TOTAL	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 50	6	\$ 75,600	8	\$ 100,800	14	\$ 176,400
50	7	368,609	4	116,546	11	485,155
51	12	453,175	12	524,238	24	977,413
52	20	934,317	8	305,016	28	1,239,333
53	28	1,333,229	16	593,524	44	1,926,753
54	47	2,148,598	25	1,132,663	72	3,281,261
55	97	4,694,402	28	1,290,876	125	5,985,278
56	204	10,837,526	36	1,739,465	240	12,576,991
57	243	13,301,370	48	2,197,515	291	15,498,885
58	326	17,236,463	30	1,391,267	356	18,627,730
59	349	18,345,612	65	3,015,718	414	21,361,330
60	476	25,563,377	42	1,941,462	518	27,504,839
61	480	25,248,900	35	1,376,406	515	26,625,306
62	329	17,256,096	27	1,145,836	356	18,401,932
63	407	21,420,728	41	1,747,623	448	23,168,351
64	425	22,045,200	40	1,491,915	465	23,537,115
65	398	20,235,100	25	996,884	423	21,231,984
66	352	17,264,746	19	816,277	371	18,081,023
67	286	14,084,610	16	667,374	302	14,751,984
68	265	12,896,562	4	132,764	269	13,029,326
69	266	12,757,768	4	187,797	270	12,945,565
70	199	8,977,008	6	263,020	205	9,240,028
71	182	8,287,000	5	247,070	187	8,534,070
72	173	8,018,634	0	0	173	8,018,634
73	166	7,504,695	0	0	166	7,504,695
74	185	8,164,920	0	0	185	8,164,920
75	192	8,488,835	0	0	192	8,488,835
76	177	7,787,267	0	0	177	7,787,267
77	175	7,394,638	0	0	175	7,394,638
78	170	7,216,838	0	0	170	7,216,838
79	140	5,319,096	0	0	140	5,319,096
80	121	4,821,816	0	0	121	4,821,816
81	127	4,633,322	0	0	127	4,633,322
82	104	3,808,606	0	0	104	3,808,606
83	114	4,018,969	0	0	114	4,018,969
84	76	2,443,295	2	42,336	78	2,485,631
85 to 89	231	6,591,678	3	61,066	234	6,652,744
90 to 94	38	779,163	1	12,600	39	791,763
95 to 99	10	164,675	0	0	10	164,675
100+	2	25,200	0	0	2	25,200
Totals	7,605	\$362,947,643	550	\$23,538,058	8,155	\$386,485,701

EXHIBIT F

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON WIDOW'S ANNUITIES
CLASSIFIED BY AGE AS OF DECEMBER 31, 2007

Age	No.	Annual Payments	Age	No.	Annual Payments
Under 30	3	\$ 60,830	65	79	\$ 1,469,792
30	0	0	66	71	1,422,513
31	0	0	67	61	1,182,603
32	2	39,480	68	73	1,374,063
33	0	0	69	100	1,678,228
34	1	19,097	70	97	1,678,915
35	4	77,899	71	87	1,598,348
36	3	52,556	72	85	1,490,486
37	2	33,156	73	73	1,260,381
38	7	167,395	74	101	1,647,053
39	2	39,632	75	95	1,609,785
40	4	73,384	76	119	1,983,961
41	3	57,023	77	101	1,658,043
42	5	92,881	78	97	1,605,928
43	5	101,870	79	104	1,566,050
44	6	104,628	80	121	1,868,212
45	4	77,150	81	117	1,655,701
46	9	159,241	82	119	1,760,630
47	11	212,439	83	94	1,342,677
48	9	168,026	84	94	1,305,931
49	11	192,424	85	70	972,165
50	15	280,231	86	78	1,098,611
51	16	350,037	87	79	997,506
52	17	300,296	88	45	590,415
53	28	597,987	89	55	687,300
54	20	391,849	90	41	505,342
55	24	500,647	91	32	392,897
56	30	497,083	92	42	507,151
57	39	742,905	93	24	288,000
58	49	923,666	94	19	228,558
59	41	815,835	95	14	168,000
60	59	1,200,618	96	10	122,748
61	67	1,375,686	97	15	178,800
62	66	1,209,822	98	14	168,000
63	60	1,164,598	99	5	60,000
64	70	1,236,087	100+	14	204,974
			Total	3,137	\$51,646,225

EXHIBIT G
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON MISCELLANEOUS ANNUITIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2007

	No.	Annual Payments
Children's Annuities	242	\$1,335,474
Widows' Compensation Annuities	64	3,587,607
Ordinary Disability Benefits	52	2,031,907
Occupational Disease Disability Benefits	65	2,883,426
Duty Disability Benefits	284	13,834,395
Children's Disability Benefits	136	162,310
Totals	843	\$23,835,119

EXHIBIT H – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING MALE PARTICIPANTS RECEIVING DUTY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2007

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total Annual Payments	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments		
UNDER 30					1	53,386							1	\$ 53,386
30 to 34			1	42,394	1	48,656							2	91,050
35 to 39			4	167,929	7	332,556							11	500,485
40 to 44			6	265,073	8	367,259	4	197,298	2	105,564			20	935,194
45 to 49			4	168,701	8	369,073	5	231,836	1	32,631	1	61,506	19	863,747
50 to 54			8	347,461	4	196,579	9	437,644	12	605,158	4	223,553	37	1,810,395
55 to 59			3	118,156	9	439,309	13	623,533	20	972,760	42	2,188,515	87	4,342,273
60 & over			1	48,442	5	238,932	10	491,612	5	254,318	30	1,538,212	51	2,571,516
Totals	0	\$0	27	\$1,158,156	43	\$2,045,750	41	\$1,981,923	40	\$1,970,431	77	\$4,011,786	228	\$ 11,168,046

EXHIBIT H – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING FEMALE PARTICIPANTS RECEIVING DUTY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2007

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30			1	40,977									1	\$ 40,977
30 to 34			1	38,052	1	34,922							2	72,974
35 to 39			4	172,981	3	135,729	1	43,070					8	351,780
40 to 44			1	40,957	1	47,742	1	49,587	1	54,837			4	193,123
45 to 49					6	277,614	1	45,490	2	96,965	3	187,779	12	607,848
50 to 54					2	94,658	7	327,581	3	153,849			12	576,088
55 to 59			2	83,965	2	100,732	2	97,442	1	45,490	5	261,026	12	588,655
60 & over			1	46,804			3	155,063			1	33,037	5	234,904
Totals	0	\$0	10	\$423,736	15	\$691,397	15	\$718,233	7	\$351,141	9	\$481,842	56	\$ 2,666,349

EXHIBIT I – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING MALE PARTICIPANTS RECEIVING ORDINARY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2007

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39					2	69,844	1	36,095					3	105,939
40 to 44							3	95,246	1	38,018			4	133,264
45 to 49							1	34,922	3	106,765	2	77,426	6	219,113
50 to 54									4	143,649	2	79,332	6	222,981
55 to 59									1	37,301	3	130,098	4	167,399
60 & over									1	33,997			1	33,997
Totals	0	\$0	0	\$0	2	\$69,844	5	\$166,263	10	\$359,730	7	\$286,856	24	\$ 882,693

EXHIBIT I- PART II
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING FEMALE PARTICIPANTS RECEIVING ORDINARY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2007

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34					1	34,922							1	34,922
35 to 39					1	118,842							1	118,842
40 to 44							1	36,095			1	37,301	2	73,396
45 to 49							1	36,095	4	143,659			5	179,754
50 to 54							1	34,156	7	251,619	2	78,736	10	364,511
55 to 59							3	104,485	4	202,827	1	35,134	8	342,446
60 & over											1	35,343	1	35,343
Totals	0	\$0	0	\$0	2	\$153,764	6	\$210,831	15	\$598,105	5	\$186,514	28	\$ 1,149,214

EXHIBIT J – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING MALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2007

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39													0	0
40 to 44													0	0
45 to 49									1	48,918			1	48,918
50 to 54							2	78,936	2	88,772	7	350,826	11	518,534
55 to 59							1	37,908	1	38,446	29	1,292,970	31	1,369,324
60 & over									3	115,517	14	625,610	17	741,127
Totals	0	\$0	0	\$0	0	\$0	3	\$116,844	7	\$291,653	50	\$2,269,406	60	\$ 2,677,903

EXHIBIT J- PART II
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING FEMALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2007

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39													0	0
40 to 44							1	42,635					1	42,635
45 to 49							1	35,705	1	45,026			2	80,731
50 to 54									1	40,782			1	40,782
55 to 59											1	41,375	1	41,375
60 & over													0	0
Totals	0	\$0	0	\$0	0	\$0	2	\$78,340	2	\$85,808	1	\$41,375	5	\$ 205,523

EXHIBIT K
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
HISTORY OF AVERAGE ANNUAL SALARIES

Year End	Members in Service	Increase	Current Year Salary	Increase	Average Salary	Increase	Actuarial Assumptions	CPI Chicago
1968	12,427	6.8	\$108,057,504	11.2	\$8,895	6.5	3.50	4.3
1969	12,595	1.4	136,846,000	26.6	10,865	22.1	3.50	5.4
1970	12,948	2.8	160,682,780	17.4	12,410	4.2	3.50	5.6
1971	13,296	2.7	178,077,405	10.8	13,393	7.9	5.00	3.9
1972	13,318	0.2	185,841,384	4.4	13,954	4.2	5.00	2.9
1973	13,692	2.8	196,404,600	5.7	14,344	2.8	5.00	6.2
1974	13,291	(2.9)	205,212,984	4.5	15,440	7.6	5.00	10.7
1975	13,163	(1.0)	226,348,320	10.3	17,196	11.4	5.00	7.9
1976	13,353	1.4	244,004,592	7.8	18,273	6.3	5.00	4.8
1977	13,446	0.7	259,475,784	6.3	19,298	5.6	5.00	6.4
1978	13,107	(2.5)	270,132,744	4.1	20,610	6.8	5.00	8.6
1979	12,635	(3.6)	277,077,160	2.5	21,924	6.4	5.00	12.5
1980	12,587	(0.4)	292,438,368	5.5	23,233	6.0	5.00	14.4
1981	12,465	(1.0)	310,153,128	6.1	24,882	7.1	5.00	9.6
1982	12,810	2.8	348,850,944	12.5	27,233	9.4	6.00	6.8
1983	12,557	(2.0)	381,553,344	9.4	30,386	11.6	6.00	4.0
1984 ¹	12,110	(3.6)	379,686,648	(2.8)	30,610	0.7	6.00	3.8
1985	12,096	(0.1)	395,295,432	6.6	32,680	6.8	6.00	3.8
1986	12,578	4.0	431,883,240	9.3	34,336	5.1	6.00	2.0
1987	12,602	0.2	443,122,728	2.6	35,163	2.4	6.00	4.1
1988 ²	12,495	(0.8)	443,669,520	0.1	35,508	1.0	6.00	3.9
1989	12,060	(3.5)	437,121,504	(1.5)	36,246	2.1	6.00	5.1
1990	12,039	(0.2)	471,544,173	7.9	39,168	8.1	6.00	5.5
1991	12,513	3.9	520,015,930	10.3	41,558	6.1	6.00	3.0
1992	12,570	0.5	538,404,098	3.5	42,832	3.1	5.80	3.3
1993	12,591	0.2	561,156,282	4.2	44,568	4.1	5.80	2.3
1994	13,095	4.0	599,073,276	6.8	45,748	2.6	5.80	2.9
1995	13,437	2.6	622,413,737	3.9	46,321	1.3	5.80	2.2
1996	13,475	0.3	654,149,310	5.1	48,545	4.8	5.80	3.8
1997	13,435	(0.3)	675,515,532	3.7	50,280	3.6	5.80	1.7
1998 ³	13,586	1.1	736,401,756	9.0	54,203	7.8	5.50	1.5
1999	13,829	1.8	755,303,667	2.6	54,617	0.8	5.50	2.6
2000	13,858	0.2	759,343,026	0.5	54,795	0.3	5.50	4.0
2001	13,889	0.2	763,352,475	0.5	54,961	0.3	5.50	0.8
2002	13,720	(1.2)	866,531,789	13.5	63,158	14.9	5.50	2.5
2003	13,746	0.2	887,555,791	2.4	64,568	2.2	5.50	1.7
2004	13,569	(1.3)	874,301,958	(1.5)	64,434	(0.2)	5.50	2.2
2005	13,462	(0.8)	948,973,732	8.5	70,493	9.4	5.50 ⁴	3.6
2006	13,749	2.1	1,012,983,635	6.7	73,677	4.5	5.50 ⁴	0.7
2007	13,748	0.0	1,038,957,026	2.6	75,572	2.6	5.50 ⁴	4.7
Average Increase (Decrease) for the last 5 years:		0.0 %		3.7 %		3.7 %		2.6 %

¹ Members in service does not include those age 63 and over who are still working.

² Figures do not include retroactive raise.

³ Pay definition changed to include duty availability pay. Of the \$1,038,957,026 current year salary, \$38,665,024 is duty availability pay.

⁴ See Appendix 4 for a complete description of the current assumptions.

EXHIBIT L
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
NEW ANNUITIES GRANTED DURING 2007

	Annuitants	Widows/ Widowers of Deceased Employees ¹	Widows/ Widowers of Deceased Annuitants	Compensation Widows/ Widowers
Number retired/deceased	336	11	169	0
Average age attained	58.1	44.7	69.3	0.0
Average length of service	29.3	N/A	N/A	N/A
Average annual salary [4 out of 10]	\$ 78,155	N/A	N/A	N/A
Average annual final salary	\$ 89,351	N/A	N/A	N/A
Total annual annuity	18,639,684	245,601	3,591,744	0
Average annual annuity	55,475	22,327	21,252	0
Total liability [3.0% UP-1984]	\$ 210,134,544	4,131,845	36,649,859	0
Average liability	\$ 625,400	375,622	216,863	0
Total investment [Employee-paid for tax purposes]	\$ 2,619,537	N/A	N/A	N/A
Average investment ²	\$ 7,796	N/A	N/A	N/A
Liability/cost	80.2	N/A	N/A	N/A
Liability/final pay	\$ 7.00	N/A	N/A	N/A

¹ Not including compensation or supplemental

² Based on previously-taxed contributions.

EXHIBIT M
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT

Years	ANNUITANTS			DISABILITY				Widow Comp.	Total
	Employee	Spouse ¹	Child	Ordinary	Duty	Occup.	Child ²		
1979	3,458	3,140	558	145	47			64	7,412
1980	3,546	3,154	511	163	57			66	7,497
1981	3,657	3,170	475	142	72			71	7,587
1982	3,666	3,175	462	125	75			70	7,573
1983	3,642	3,202	446	104	86			70	7,550
1984	3,723	3,152	435	87	113			74	7,584
1985	3,861	3,234	406	95	126			70	7,792
1986	4,212	3,145	380	78	144			69	8,028
1987	4,467	3,100	354	66	156			75	8,218
1988	4,595	3,184	350	63	167			78	8,437
1989	4,772	3,202	335	58	179			71	8,617
1990	4,936	3,214	335	51	187			66	8,789
1991	5,033	3,137	329	75	192			68	8,834
1992	5,109	3,129	310	83	204			66	8,901
1993	5,195	3,151	294	59	211		160	66	9,136
1994	5,309	3,123	281	51	221		159	64	9,208
1995	5,510	3,133	254	51	231	1	144	60	9,384
1996	5,714	3,120	252	67	256	12	158	59	9,638
1997	5,945	3,104	240	59	270	36	130	59	9,843
1998	6,241	3,093	228	56	279	57	150	57	10,161
1999	6,520	3,118	249	57	291	76	150	58	10,519
2000	6,876	3,107	267	48	274	87	149	59	10,867
2001	7,192	3,114	255	52	265	95	143	59	11,175
2002	7,392	3,092	235	38	289	103	150	59	11,358
2003	7,498	3,083	247	29	285	97	139	63	11,441
2004	7,815	3,133	249	44	287	85	130	65	11,808
2005	8,026	3,107	247	35	298	82	139	65	11,999
2006	8,083	3,093	255	39	291	69	132	64	12,026
2007	8,155	3,137	242	52	284	65	136	64	12,135

¹ Includes reversionary.

² Children's Disability Benefit not tracked before 1993.

EXHIBIT N
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
AVERAGE EMPLOYEE RETIREMENT BENEFITS PAYABLE

Years Ended	Average Annual Benefit	Average Current Age of Retirees	Average Age at Retirement Current Year	Average Years of Service at Retirement Current Year
1979	7,920	68	57.3	28.1
1980	8,573	68	57.6	28.2
1981	9,292	68	58.4	28.6
1982	10,020	68	59.1	29.2
1983	10,770	68	59.4	29.3
1984	11,782	68	58.6	29.9
1985	13,070	68	58.7	30.2
1986	15,033	67	57.7	30.0
1987	16,257	67	58.1	30.1
1988	17,855	67	58.8	30.9
1989	19,315	67	58.6	30.7
1990	21,120	68	58.9	30.2
1991	21,782	68	58.4	30.8
1992	23,128	68	57.7	30.3
1993	24,724	68	56.9	29.6
1994	25,636	68	55.7	29.5
1995	26,996	67	55.3	29.2
1996	28,412	67	55.5	29.8
1997	29,867	67	55.0	29.3
1998	31,682	66	54.6	30.0
1999	33,220	66	54.8	29.9
2000	34,880	66	56.3	31.6
2001	36,428	66	56.4	29.8
2002	38,199	66	55.6	29.4
2003	38,998	66	57.1	30.2
2004	41,914	66	57.5	30.4
2005	43,930	67	57.3	30.6
2006	45,680	67	58.0	29.6
2007	47,392	67	58.1	29.3

EXHIBIT O – PART I
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO HISTORY OF ANNUITIES
Employee Annuitants (Male and Female)

Year End	Number of Annuitants	Total Annuities	Average Annuities
1969	3,211	\$ 10,173,594	\$ 3,168
1970	3,121	10,649,172	3,412
1971	3,104	11,464,581	3,693
1972	3,160	13,158,946	4,164
1973	3,204	14,826,780	4,627
1974	3,248	16,453,688	5,065
1975	3,236	19,011,435	5,874
1976	3,232	20,223,986	6,257
1977	3,275	22,088,924	6,745
1978	3,334	24,242,055	7,271
1979	3,458	27,388,663	7,920
1980	3,546	30,399,779	8,573
1981	3,657	33,982,133	9,292
1982	3,666	36,733,987	10,020
1983	3,642	39,223,898	10,770
1984	3,723	43,864,666	11,782
1985	3,861	50,464,782	13,070
1986	4,212	63,319,877	15,033
1987	4,467	72,621,701	16,257
1988	4,595	82,044,371	17,855
1989	4,772	92,170,354	19,315
1990	4,936	104,221,349	21,114
1991	5,033	109,629,175	21,782
1992	5,109	118,162,135	23,128
1993	5,195	128,443,550	24,724
1994	5,309	136,102,089	25,636
1995	5,510	148,748,836	26,996
1996	5,714	162,343,898	28,412
1997	5,945	177,557,655	29,867
1998	6,241	197,728,489	31,682
1999	6,520	216,593,933	33,220
2000	6,876	239,833,436	34,880
2001	7,192	261,991,891	36,428
2002	7,392	282,368,164	38,199
2003	7,498	292,407,321	38,998
2004	7,815	327,560,253	41,914
2005	8,026	352,579,199	43,930
2006	8,083	369,228,619	45,680
2007	8,155	386,485,701	47,392

EXHIBIT O – PART II
POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO HISTORY OF ANNUITIES
Spouse Annuitants (not including Compensation Widows)

Year End	Number of Annuitants	Total Annuities	Average Annuities
1969	2,734	\$ 2,572,908	\$ 941
1970	2,776	2,710,470	976
1971	2,803	4,803,804	1,713
1972	2,817	5,013,376	1,779
1973	2,946	5,315,826	1,804
1974	3,016	5,481,443	1,830
1975	3,016	7,200,052	2,387
1976	3,011	7,251,636	2,408
1977	3,050	7,431,399	2,437
1978	3,120	7,670,165	2,458
1979	3,140	7,797,830	2,483
1980	3,154	7,935,658	2,516
1981	3,169	9,817,789	3,054
1982	3,175	10,090,780	3,092
1983	3,202	10,083,245	3,151
1984	3,152	10,213,392	3,199
1985	3,164	10,339,504	3,228
1986	3,145	12,770,159	4,060
1987	3,100	12,959,691	4,180
1988	3,184	13,701,678	4,303
1989	3,202	16,304,771	5,092
1990	3,214	16,779,894	5,221
1991	3,137	17,342,488	5,528
1992	3,129	20,773,699	6,639
1993	3,151	24,711,076	7,842
1994	3,123	28,041,269	8,979
1995	3,133	28,792,959	9,190
1996	3,120	30,778,518	9,865
1997	3,104	31,492,268	10,146
1998	3,093	32,285,743	10,438
1999	3,118	36,134,606	11,589
2000	3,107	37,022,962	11,916
2001	3,114	38,316,493	12,305
2002	3,092	40,086,748	12,965
2003	3,083	39,924,324	12,950
2004	3,133	44,609,535	14,239
2005	3,107	47,658,776	15,339
2006	3,093	49,187,928	15,903
2007	3,137	51,646,225	16,464

APPENDIX 4

**ACTUARIAL METHODS AND ASSUMPTIONS AS OF
DECEMBER 31, 2007**

ACTUARIAL METHODS AND ASSUMPTIONS

AS OF DECEMBER 31, 2007

I. ACTUARIAL COST METHOD

An Actuarial Cost Method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The Actuarial Cost Method used in this valuation for all purposes is the Entry Age Normal Actuarial Cost Method.

Under the Entry Age Normal Actuarial Cost Method, each participant's benefits are assumed to be funded by annual installments, equal to a level percentage of compensation, payable from date of participation to assumed retirement. The total "Normal Cost" is the sum of the current year's annual installments determined for all active participants. The "Actuarial Accrued Liability" is the excess of the value of projected benefits for all participants (both active and retired) over the discounted value of Normal Costs determined for future years of service.

To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued Liability ("UAAL") develops. The UAAL is generally amortized over a fixed period of time (e.g. 30 years) from the date incurred. At a minimum, interest on UAAL should be funded. The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL. The Minimum Actuarially Determined Contribution contains only an interest payment on the UAAL.

II. CURRENT ACTUARIAL ASSUMPTIONS

The current actuarial assumptions were adopted and became effective December 31, 2003, and were based on an experience study for the period January 1, 1998, to December 31, 2002.

A. Demographic Assumptions

Mortality:	1983 Group Annuity Mortality Table.
Disabled Mortality:	1992 Railroad Retirement Board Disability Mortality Table.
Rate of Disability:	Rates at which members are assumed to become disabled under the provisions of the Fund. Sample rates assumed are as follows:

<u>Attained Age</u>	<u>Rate</u>
22	.0005
27	.0096
32	.0023
37	.0025
42	.0025
47	.0045
52	.0060
57	.0075
62	.0075

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

The distribution of disability types is assumed to be as follows:

Duty Disability	35%
Occupational Disease Disability	35%
Ordinary Disability	30%

Rate of Retirement:

Rates at which members are assumed to retire under the provisions of the Fund. The rates assumed are as follows:

Attained Age	Rate
49	.040
50	.120
51	.120
52	.120
53	.120
54	.160
55	.160
56	.160
57	.160
58	.160
59	.160
60	.250
61	.250
62	.400
63	1.000

Turnover Rates:

The following sample rates exemplify the table:

Years of Service	Rate
0	.040
1	.020
5-9	.012
10+	.008

B. Economic Assumptions

Investment Return Rate:

8.00% per annum for pensions and 4.50% for OPEB. OPEB rate effective as of December 31, 2005.

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

Future Salary Increases: Assumed rates of individual salary increase at 4.0% per year, plus an additional percentage based on the following service scale:

<u>Service</u>	<u>Scale</u>
0	0.1700
1	0.0600
2	0.0500
3	0.0500
4	0.0500
5-9	0.0000
10	0.0350
11-14	0.0000
15	0.0350
16-19	0.0000
20	0.0350
21-24	0.0000
25	0.0350
26-29	0.0000
30	0.0250
Over 30	0.0000

Asset Value: For State reporting, bonds are at amortized value and stocks are at cost.

For GASB #25 and #27, the actuarial value of assets is smoothed by recognizing each year's difference between actual and expected investment return at the rate of 20 percent per year over a five-year period.

C. Other Assumptions

Marital Status: It is assumed that 85% of members have an eligible spouse. The male spouse is assumed to be three years older than the female spouse. No assumption is made about other dependents.

Group Health Insurance: It is assumed for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future widows). The amount of the Fund-paid health insurance from July 1, 2003, until June 30, 2008 is \$85.00 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and \$55.00 if qualified. After June 30, 2008, the amounts will be \$95.00 and \$65.00, respectively. It is assumed that all annuitants age 65 and over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future widows of retirees are assumed to be eligible for Medicare, as well as widow annuitants that are currently receiving a health insurance supplement.

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

Required Ultimate Multiple: The actuarially determined contribution (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.

Loss in Tax Levy: 4% overall loss on tax levy is assumed.

APPENDIX 5

SUMMARY OF PROVISIONS OF THE FUND AS OF
DECEMBER 31, 2007

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2007**

PARTICIPANTS

An employee in the police department of the City of Chicago appointed and sworn or designated by law as a peace officer with the title of policeman, policewoman, chief surgeon, police surgeon, police dog catcher, police kennelman, police matron and members of the police force of the police department.

SERVICE

In computing service rendered by a police officer, the following periods shall be counted, in addition to all periods during which he performed the duties of his position, as periods of service for annuity purposes only: All periods of (a) vacation; (b) leave of absence with pay; (c) military service; (d) disability for which the police officer receives disability benefit. The calculation of service is based on a day-to-day basis for most purposes. For the purpose of calculating benefits under the Dominant Formula, one-year of Service is credited for a year in any portion of which a police officer is compensated.

RETIREMENT

Eligibility

Attainment of age 50 with at least 10 years of service.

Mandatory

Effective in plan year 2003, retirement is mandatory for a participant who has attained age 63.

Accumulation Annuity

At age 50 or more, with 10 or more years of service, the employee is entitled to an annuity based on the sums accumulated for age and service annuity plus 1/10 of the sum accumulated from the contributions by the City for the age and service annuity for each completed year of service after the first 10 years. At age 50 or more with 20 or more years, the employee is entitled to an annuity based on all sums accumulated.

***Formula Minimum
Annuity***

While there are several alternative formulas available with 20 or more years of service, the Dominant Formula is 50% of highest average salary (including duty availability pay) in 48 consecutive months within the last 10 years of service plus 2.5% for each year or fraction of service over 20 years, limited to 75% of average salary.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

Mandatory Retirement Minimum Annuity A police officer who is required to withdraw from service due to attainment of mandatory retirement age who has less than 20 years of service credit may elect to receive an annuity equal to 30% of average salary for the first 10 years of service, plus 2% of average salary for each completed year of service in excess of 10, to a maximum of 48% of average salary. This benefit qualifies for post retirement increases.

Post-Retirement Increase A retiree born before January 1, 1955, with at least 20 years of service, receives an increase of 3% of the original annuity, starting on the first of the month following the first anniversary of his retirement or the first of the month following attainment of age 55, whichever is later, and shall not be subject to a 30% maximum increase. For retirees born after January 1, 1955, automatic increases are 1.5% of the original annuity, commencing at age 60, or the first anniversary of retirement, if later, to a maximum of 30%.

Minimum Annuity The benefit of any retiree who retired from the service before January 1, 1986, at age 50 or over with at least 20 years of service, or due to termination of disability is not less than \$1,050 per month.

Reversionary Annuity A member, prior to retirement, may elect to reduce his own annuity, and provide a reversionary annuity, to begin upon the officer's death, for the officer's spouse.

SURVIVOR INCOME BENEFITS PAYABLE ON DEATH

Death in Service (Non-Duty): Generally, a money purchased benefit is provided, based on total salary deductions and City contributions. However, if a policeman dies in service after December 31, 1985, with at least 1.5 years of service, the widow's annuity is the greater of (a) 30% of the annual maximum salary attached to the classified civil service position of a first class patrolman at the time of his death (without dollar limit) or (b) 50% of the benefit accrued by the policeman at date of death.

The lifetime benefit is payable until death.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

Death in Service (Duty Related)

Compensation Annuity 75% of the member's salary attached to the civil service position that would ordinarily have been paid to such member as though in active discharge of his duties at the time of death payable until the date the policeman would have attained age 63.

Supplemental Annuity

Payable for life and is equal to the difference between the money purchase annuity for the spouse and an amount equal to 75% of the annual salary (including all salary increases and longevity raises) the police officer would have been receiving when he attained age 63 if the police officer had continued in service at the same rank last held in the department.

Death after Retirement

If a police officer retires on or after January 1, 1986, and subsequently dies, the widow's annuity is 40% before 1988 and 50% on and after January 1, 1988 of the retired policeman's annuity at the time of death (without dollar limit).

Maximum Annuity

\$500 a month (after discount for age difference) under both the accumulation method and the old formula method. There is no dollar limit on the 30%, 40% or 50% benefit.

Minimum Annuity

Any spouse is entitled to a minimum annuity of \$1,000 a month.

CHILDREN'S ANNUITIES

Eligibility

Payable at death of the policeman to all unmarried children less than 18 years of age.

Benefit

10% of the annual maximum salary of a first class patrolman during widow (widower) life, 15% otherwise.

Payable Until

Age 18. If the child is disabled, benefit is payable for life or as long as such disablement exists.

Family Maximum

60% (non-duty death) or 100% (duty death) of the salary that would ordinarily been paid to the policeman, if he had been in the active discharge of his duties.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

Parent's Annuities

Eligibility

Payable to a dependent parent at the death of a policeman who is in either active service, or receiving a disability benefit, or on leave of absence, or in receipt of an annuity granted after 20 years of service, or waiting to start receiving an annuity granted for 20 years of service. The benefit is only payable if there are no surviving spouses or children eligible for benefits.

Benefit

18% of the current salary attached to the rank at separation from service.

Payable until

Death of the dependent parent.

DUTY DISABILITY BENEFIT

Eligibility

Disabling condition incurred in the performance of duty.

Benefit

75% of salary at the time the disability is allowed plus \$100.00 per month for each unmarried child less than age 18, (total amount of child's benefits shall not exceed 25% of salary). Beginning January 1, 2000, after 7 years of payment, the benefit shall not be less than 60% of the current salary attached to the rank held by the policemen at the time of disability. Payable to employee's age 63 or by operation of law, whichever is later. Salary deductions are contributed by the City.

OCCUPATIONAL DISEASE DISABILITY BENEFIT

Eligibility

Heart attack or any disability heart disease after 10 years of service.

Benefit

65% of salary attached to the rank held by the police officer at the time of his or her removal from the police department payroll with a minimum after 10 years of 50% of the current salary attached to the rank. Each natural or legally adopted unmarried child of the officer under the age of 18 is entitled to a benefit of \$100 per month. This benefit is not terminated at age 18 if the child is then dependent by reason of physical or mental disability.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

ORDINARY DISABILITY BENEFIT

Eligibility Disabling condition other than duty related.

Benefit 50% of salary at the time of injury, payable for a period not more than 25% of service (excluding any previous disability time) rendered prior to injury, nor more than 5 years. Disability shall cease at age 63. Salary deductions are contributed by the City.

DEATH BENEFIT

Eligibility Payable upon the death of a police officer whose death occurs while in active service; on authorized leave of absence; within 60 days of receipt of salary; while receiving duty or ordinary disability benefit; occurring within 60 days of termination of such benefit; or occurring on retirement while in receipt of annuity and separation was effective after 20 years of service. This benefit is payable to beneficiaries or, if none, to estate.

Benefit

<i>Death in Service:</i>	<u>Age at Death</u>	<u>Benefit</u>
	49 and under	\$12,000
	50-62	\$12,000 less \$400 for each year by which age at death exceeds 49.
	63 and Over	\$6,000
<i>Death after Retirement:</i>	<u>Age at Death</u>	<u>Benefit</u>
	50 and over	\$6,000

If death results from injury incurred in performance of duty before retirement on annuity, the benefit payable is \$12,000 regardless of the attained age.

***GROUP HEALTH
HOSPITAL AND
SURGICAL INSURANCE
PROGRAM***

The pension fund shall provide payments in the amount of \$85 per month for non-Medicare eligible city annuitants and \$55 per month for Medicare eligible city annuitants from July 1, 2003, through June 30, 2008. Thereafter, the pension fund shall provide payments in the amount of \$95 per month for non-Medicare eligible city annuitants and \$65 per month for Medicare eligible city annuitants from July 1, 2008, through June 30, 2013.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2007 (CONT'D)**

REFUNDS

Policemen Without regard to service and under age 50, or with less than 10 years of service and under age 57 at withdrawal: a refund of all salary deductions together with 1.5% simple interest until the date of withdrawal.

For Spouse's Annuity Upon retirement an unmarried policeman will receive a refund of contributions for spouse's annuity, accumulated at 3% (4% for those commencing membership prior to January 1, 1954) compounded annually.

Of Remaining Amounts If at death of a retired policeman the total member contributions paid while active exceed the total retirement benefits paid to date of death, the difference is payable.

CONTRIBUTIONS

Salary Deductions	Employee	7 %	
	Spouse	1½%	
	Annuity Increase	½%	
		9 %	
City Contributions ¹	Employee	9-5/7%	
	Spouse	2 %	
	Annuity Increase	½%	Unallocated
		12-3/14%	

¹ Credited to Participant's Accumulation Annuity and Widow's Annuity Account

In addition to the above contributions, a contribution is made to support the Death Benefit. Policemen contribute \$2.50 per month. City contributes a total of \$224,000 for all policemen. The total City contribution is generated by a tax equal to double the contributions by the policemen to the Fund two years prior to the year of the tax levy.

**"PICK UP" OF
EMPLOYEE SALARY
DEDUCTIONS**

Beginning January 1, 1982, the employee contributions were "picked up" by the employer. The W-2 salary is therefore reduced by the amount of contribution. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is received. For the purpose of benefits, refunds or contributions, these contributions will be treated as employee contributions.

APPENDIX 6

LEGISLATIVE CHANGES 1979 THROUGH 2007

LEGISLATIVE CHANGES 1979 THROUGH 2007

1979 Session

HB 2128

Refund repayment provided at least 3 years of service after reentry, surviving spouse may pay in the case of death of the employee.

HB 2012

Under IRS Code Section 414(h), employer may pick up the employee contributions for all compensation earned after December 31, 1981 by a reduction in the cash salary or an offset to a future salary increase or by a combination of both.

HB 2160

Duty disability benefit based on the salary when the benefit is payable in the case of a disabled policeman who returns to active service for a period of at least 2 years.

1980 Session

HB 3635

Reversed all changes made by HB 2012 and put the pick-up section as a new paragraph; they are treated as employee contributions for all purposes, including refunds and determination of the tax levy.

1981 Session

SB 21

Actuarial reporting standards.

SB 851

Authorizes investments in conventional mortgage pass-through securities.

SB 879

Financial statement required by Department of Insurance within 6 months and actuarial statement within 9 months; \$100 penalty per day if late.

SB 1126

Duty disability benefits based on salary at time disability is allowed; salary for policeman on leave of absence; definition of heart attack.

HB 291

Minimum survivor's annuity from \$200 to \$250.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

Spring 1982 Session

SB 740

Minimum employee annuity from \$350 to \$400 effective July 1, 1982, for policemen who retired before September 1, 1976.

SB 1127

3% post-retirement increase for employees born before January 1, 1930, without 30% maximum, effective January 1, 1983.

Group health hospital and surgical insurance premium \$55 for annuitant not qualified to receive Medicare; \$21 if annuitant is qualified, effective January 1, 1983.

SB 1147

Actuarial reporting to Insurance Department and Pension Laws Commission. Actuarial statements prepared by a qualified actuary for plan years ending after December 31, 1984, including actuarial present value of credited projected benefits.

SB 1579

Permitted investment list moved to general section of the statute. Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant.

Spring 1983 Session

SB 22

Delegation of investment authority restrictions.

HB 514

10% prudent person investment category.

HB 1412

Heart attack; need not result from an injury.

HB 1413

Wrongful death of a police officer bars benefit.

HB 1414

50/20 50%, plus 2% minimum formula; if retire in 1984 qualify with 52 and 22; in 1985, 51 and 21; in 1986 and after, 50 and 20.

HB 2003

Reversionary annuity. Securities lending.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

City Ordinance

Changes compulsory retirement from 63 to 70.

1984 Court Decision

Kaner case awarding widow compensation annuity 75% of the salary attached to the civil service position that would have ordinarily have been paid to him as though he were in active discharge of his duties for widows of policemen who died a duty death after January 1, 1970.

1984 Session

Illinois Public Employees' Pension Laws Commission abolished.

1985 Session

HB 1529

30% (of maximum first class patrolman salary) widow's benefit for death in service, with 1.5 years of service, eliminated the excess spouse refund.

40% (of policeman annuity at the time of death) widow's benefit for death after retirement (for retirements after January 1, 1986 only).

Death benefit increase: retirees \$2,250 to \$6,000, actives \$12,000 before 50 graded down to \$6,000.

Minimum widow pension from \$250 to \$325 under certain conditions.

3% increase for the closed group receiving 2%.

Widow compensation annuity for duty deaths after September 17, 1969.

1986 Session

HB 2630

Expands the widow compensation annuity category to include duty deaths after January 1, 1940.

1987 Session

HB 2715

Beginning January 1, 1988, 50% of employees' annuity at death for widows (present and future) whose spouse retired on or after January 1, 1986.

3% annual increase for life to all employee annuitants (present and future) born before 1940 instead of 1930.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

1988 Session

No legislative changes.

1989 Session

SB 95

Signed August 23, 1989. Changed the amount of fund paid health insurance "supplement" from January 1, 1988, until December 31, 1992, to \$65 per month for each annuitant not qualified to receive Medicare benefits (and \$35 if qualified) and from January 1, 1995, until December 31, 1997, the amounts are \$75 and \$45, respectively. Widows will now be supplemented also. The City will be required to pay 50% of the aggregated cost of health care claims for the retired group under all health care plans offered by the City. A procedure was established for the City to determine, with the help of an independent actuary, the aggregate cost of claims and premiums for each calendar year from 1989 through 1997 for the retired group.

\$150 to \$200 minimum widow's benefit.

Beginning January 1, 1990, minimum widow's annuity shall be \$400.

Transfer of credits to IMRF for a County Sheriff upon application and payment by the Fund.

HB 332

Signed August 23, 1989, age discrimination changes. Removed the age 63 limitations in determining benefits for money purchase employee and widow annuities, disability benefits and refunds. The change requires contributions (deductions from salary) and concurrent City contributions from January 1, 1988, until withdrawal but not for the period between the attainment of age 63 and January 1, 1988.

Allow transfer credits and creditable service under any other pension fund if police officer has 10 years of service and payment before January 1, 1990.

Provides for a transfer of credits to the Municipal Fund or State Fund of any police officer with at least 10 years of service.

1990 Session

SB 1951

Allows policemen to withdraw at age under 50 with at least 20 years of service to receive benefit based on minimum formula commencing at age 50.

Widows of active policemen receive benefit not less than 50% of annuity payable to the policeman had he retired on the date of death.

Compensation and supplemental widows' annuities do not cease upon remarriage.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

1991 Session

HB 969

Increases the minimum monthly benefit to retirees who had at least 20 years of service prior to January 1, 1992 to \$650.

Increases the minimum monthly widow's annuity payable upon death after January 1, 1992 of:

- an active policeman with at least 10 years of service, or
- a policeman who had at least 20 years of service at withdrawal from the Fund to \$500.

1992 Session

No legislative changes.

1993 Session

SB 1650

Increases the minimum monthly benefit to retirees who had at least 20 years of service prior to January 1, 1995 to \$750, and after January 1, 1995 to \$850.

Increases the minimum monthly widow's annuity payable upon death after January 1, 1995 of:

- an active policeman with at least 10 years of service, or
- a policeman who had at least 20 years of service at withdrawal from the Fund to \$600, and after January 1, 1995 to \$700.

1994 Session

No legislative changes.

1995 Session

SB 99

Beginning January 1, 1996, supplemental annuity changed to the difference between the annuity for the widow and an amount equal to 50% of the annual salary (including all salary increases and longevity raises) the policeman would have been receiving when he attained age 63 if the policeman had continued in service at the same rank (whether career service or exempt) that he last held in the police department.

Beginning January 1, 1996, duty disability minimum benefit is stated such that after 10 years of payment the benefit shall not be less than 50% of the current salary attached to the rank held by the policeman at the time of removal from police department payroll.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

1995 Session (Cont'd)

An occupational disease disability benefit has been added for any policeman with at least 10 years of service who suffers a heart attack or any other disability heart disease. The benefit shall be 65% of salary attached to the rank held by the officer at the time of his or her removal from the police department payroll, with a minimum after 10 years of 50% of the current salary attached to the rank. Each natural or legally adopted unmarried child of the officer under age 18 is entitled to a benefit of \$50 per month. This benefit is not terminated at age 18 if child is then dependent by reason of a physical or mental disability.

Beginning January 1, 1996, the age of the commencement of automatic increases in annuities has been lowered to age 55 for policemen born on or after January 1, 1940, but before January 1, 1945. Any policemen born before January 1, 1945, who qualifies for a minimum annuity and retires after September 1, 1967, not receiving the initial increases before January 1, 1996, will receive the initial increase on (1) January 1, 1996, (2) the first anniversary of the date of retirement, or (3) attainment of age 55, whichever occurs last.

Beginning January 1, 1996, the minimum monthly widow's annuity payable upon death increases to \$700.00 for all widow's not previously eligible for the minimum.

1996 Session

SB 1456

Effective August 9, 1996, a parent's annuity equal to 18% of the current salary attached to the rank at separation from service will be provided to each of the natural parents of a police officer who dies under certain conditions. Those conditions include: death in active service, while receiving a disability benefit, during leave of absences, or after 20 years of service and eligible or receiving an annuity. The benefit is payable only if there are no surviving spouse or children eligible for benefits.

1997 Session

PA 90-551

Effective December 12, 1997, the law was amended to include on prospective basis duty availability in the definition of salary. The law also allows policemen who retired or were at least age 50 and had at least 20 years of service between July 1, 1994, and December 31, 1997, to count duty availability pay in the calculation of final average salary. In order for this to happen, the policemen must elect to do so and must contribute the employee contributions (9%) without interest from the duty availability pay that is to be considered in the final average salary calculation.

Effective June 27, 1997, PA 90-0031 was enacted. This law extends the hospitalization plan through June 30, 2002, for annuitants and their eligible dependents.

Effective July 1, 1997, PA 89-643 was amended. This provision extended the parent's annuity eligibility to apply to dependent parents of police officers who died prior to August 9, 1996.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

1998 Session

PA 90-0766

Effective August 16, 1998, this law increased the minimum monthly widow's annuity payable from \$700.00 to \$800.00 effective January 1, 2007. This law also increased the earnings limit maximum for those receiving disability benefits such that the sum of the disability benefit and outside compensation may be up to 150% of the rate of salary which the participant would be receiving if working in his regularly appointed civil service position as a policeman.

2000

In 2000 the City of Chicago has enacted mandatory retirement for Policemen upon attainment of age 63.

2001 Session

PA92-0052

Effective July 12, 2001.

Beginning on January 1, 2000, the minimum duty disability after 7 years of payment shall be 60% of the current salary attached to the rank held by the policeman at the time of removal from police department payroll. If the Board finds that the disability permanently renders the policeman totally disabled for any service of a remunerative character, the minimum disability benefit shall be 75% of the current salary attached to the rank held by the policeman at the time of removal from payroll.

The child's benefit for both duty disability and occupational disease disability was increased to \$100 per month.

The law removed the earnings limit of 150% of regular salary to be eligible to receive disability benefits.

With effect from January 1, 2000, the age of the commencement of the automatic 3% increases in annuities has been lowered to age 55 for policemen born on or after January 1, 1945, but before January 1, 1950. Any policeman born before January 1, 1950, who qualifies for a minimum annuity and retires after September 1, 1967, not receiving the initial increase before January 1, 2000, will receive the initial increase at the latest of (1) January 1, 2000, (2) the first anniversary of the date of retirement, or (3) attainment of age 55.

2002 Session

HB 5168

- Effective June 28, 2002.
- A police officer who is required to withdraw from service due to attainment of mandatory retirement age and who has less than 20 years of service credit, may elect to receive an annuity equal to 30% of average salary for the first 10 years of service, plus 2% of average salary for each completed year of service in excess of 10, to a maximum of 48% of average salary. This benefit qualifies for post-retirement increases.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

- The supplemental annuity payable to the widow of an officer on account of a duty-related death is increased to the difference between the money purchase annuity for the spouse and 75% (previously 50%) of the annual salary the police officer would have been receiving when he attained age 63 if the police officer had continued in service at the same rank last held in the department.
- The pension fund subsidy for retiree health insurance was extended through June 30, 2003. For annuitants (other than child annuitants) taking the employer-provided plan, the subsidy is \$75 per month if the annuitant is not eligible for Medicare and \$45 per month if the annuitant is eligible for Medicare.

2003 Session

SB 1701

- Effective July 1, 2003.
- The healthcare benefits were increased to \$85 per month for non-Medicare eligible participants and \$55 per month for Medicare eligible participants for the period from July 1, 2003, through June 30, 2008. Thereafter, the benefits are increased from \$85 to \$95 and \$55 to \$65 for the period July 1, 2008, to June 30, 2013.
- The healthcare benefits referred to above are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.

2004 Session

PA 93-0654

- Effective January 16, 2004.
- The minimum annuity formula accrual rate for service after 20 years was increased from 2.0% to 2.5% with total benefits limited to 75% of final average pay.
- The minimum benefit for age-service retirements was increased to \$950 per month during 2004 and \$1,050 per month thereafter.
- The minimum widow annuity was increased to \$900 per month during 2004 and \$1,000 per month thereafter.

2005 Session

PA 94-0624

- Effective August 18, 2005.
- Beginning January 1, 2000, removes the limitation for maintaining benefits for non-civil service positions when assigned within three years of retirement for non-civil service positions with the title of Captain.

LEGISLATIVE CHANGES 1979 THROUGH 2007 (CONT'D)

HB 1009

- Effective January 1, 2005, any policeman born after January 1, 1950, but before January 1, 1955 shall receive a benefit increase of 3% compounded annually. Any policeman born before January 1, 1955, who qualifies for a minimum annuity and retires after September 1, 1967, not receiving the initial increase before January 1, 2005, will receive the initial increase at the latest of (1) January 1, 2005, (2) the first anniversary of the date of retirement, or (3) attainment of age 55.

SB 23

- Approved June 27, 2005.
- Prohibits the investment or deposit from the retirement system or pension fund to certain entities doing business in or with the government of the Republic of the Sudan. Fund managing companies must certify that under Section 1-110.5 of the pension code that they have not loaned to, invested in, or otherwise transferred any of the pension fund assets to a forbidden entity.

SB 1446

- Approved August 22, 2005.
- Provides for various changes in provisions and procedures concerning Qualified Illinois Domestic Relations Orders. Allows for alternate payee's benefit to be based on a percentage of employee's benefit. Effective July 1, 2006.

2006 Session

No legislative changes.

2007 Session

PA 95-0279

- Effective January 1, 2008.
- Removes restriction that a child be born or legally adopted before withdrawal from service for a child's annuity. Removes restriction requiring that adoption proceedings must have been initiated 6 months prior to the policeman's death.

PA 95-0504

- Effective August 28, 2007.
- Beginning on the effective date, a widow's annuity shall no longer be subject to termination or suspension due to remarriage. Any widow's annuities previously terminated or suspended due to remarriage shall be resumed upon application, but the resumption shall not be retroactive.
- At the discretion of the Board, a widow's annuity may be granted to a widow who was denied a benefit for having been married less than one year at the time of the member's death.
- Removes age limitation on child's annuity for children who are so physically or mentally handicapped as to be unable to support themselves.

APPENDIX 7

ADDITIONAL EXHIBITS GASB DISCLOSURES

EXHIBIT A-1

GASB #25, #27, #43, AND #45 DISCLOSURES

The Governmental Accounting Standards Board (GASB) has adopted Statement #25, changing the way in which governmental retirement systems must report financial information. GASB #25 is effective for Fund and City reporting in 1997.

GASB #25 and #27 make a number of significant changes to retirement plan reporting. They eliminate the dual reporting of actuarial liabilities that was required under GASB #5. Under GASB #5, many systems including the Fund, reported liabilities determined under one actuarial cost method for internal purposes, but were required to also provide liabilities determined under the Projected Unit Credit method for financial reports. Under GASB #25 and #27, systems select one actuarial method from several acceptable alternatives, and report all information on this one basis.

The GASB has also issued Statements #43 and #45, changing the way in which governmental retirement systems and governmental employers report financial information for other postemployment benefits (OPEB). GASB #43 is effective for the fund in fiscal year 2006 and GASB #45 is effective for the City in fiscal year 2007.

This report includes the following Exhibits with information required to be reported under GASB #25, #27, #43, and #45

Exhibit A-2: Schedule of Funding Progress for GASB #25

This exhibit shows an 11-year history of funding progress. The funding progress is a comparison of Actuarial Value of Assets with the Actuarial Accrued Liability (AAL), and a comparison of the unfunded AAL (UAAL) with compensation.

Exhibit A-3: Schedule of Employer Contributions for GASB #25

This exhibit shows the Annual Required Contribution (ARC) as computed under GASB #25 and the percent of this amount actually received. This exhibit shows an 11-year history.

Exhibit A-4: Supplementary Information for GASB #25

This exhibit has certain information required in the notes to the Fund's financial reports.

Exhibit A-5: Supplementary Information for GASB #27

This exhibit has certain information required in the notes to the City financial reports.

Exhibit A-6: Annual Pension Cost and Contributions Made for GASB #27

This exhibit shows the components of annual pension cost (ARC, interest on the Net Pension Obligation (NPO), and the adjustment to the ARC), increase or decrease in the NPO and the NPO at the end of the year. The exhibit also includes the dollar amount of contributions made.

EXHIBIT A-1

GASB #25, #27, #43, AND #45 DISCLOSURES

Exhibit A-7: Pension Cost Summary for GASB #27

This exhibit has an 11-year summary of annual pension cost; percentage of annual pension cost contributed that year and NPO at the end of the year.

Exhibit A-8: Development of Net Pension Obligation (NPO) at January 1, 1997

This exhibit documents the calculation of the pension liability at transition in accordance with GASB #27.

Exhibit A-9: Schedule of Funding Progress for GASB #43

The funding progress is a comparison of Actuarial Value of Assets with the Actuarial Accrued Liability (AAL), and a comparison of the unfunded AAL (UAAL) with compensation.

Exhibit A-10: Schedule of Employer Contributions for GASB #43

This exhibit shows the Annual Required Contribution (ARC) as computed under GASB #43 and the percent of this amount actually received.

Exhibit A-11: Supplementary Information for GASB #43

This exhibit has certain information required in the notes to the Fund's financial reports.

Exhibit A-12: Annual OPEB Cost and Contributions Made for GASB #45

This exhibit shows the components of annual OPEB cost (ARC, interest on the Net OPEB Obligation (NOO), and the adjustment to the ARC), increase or decrease in the NOO and the NOO at the end of the year. The exhibit also includes the dollar amount of contributions made.

Exhibit A-13: Pension Cost Summary for GASB #45

This exhibit has a one-year summary of annual OPEB cost; percentage of annual OPEB cost contributed that year and NOO at the end of the year.

EXHIBIT A-2
SCHEDULE OF FUNDING PROGRESS FOR GASB #25

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)¹	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/1997	\$ 2,896,754,452	\$ 4,609,167,918	1,712,413,466	62.85%	\$ 675,515,532	253.50%
12/31/1998	3,249,729,847	5,158,196,219	1,908,466,372	63.00%	736,401,756	259.16%
12/31/1999	3,685,681,671	5,394,872,218	1,709,190,547	68.32%	755,303,667	226.29%
12/31/2000	4,019,467,561	5,652,030,658	1,632,563,097	71.12%	759,343,026	215.00%
12/31/2001	4,183,796,025	5,932,510,629	1,748,714,604	70.52%	763,352,475	229.08%
12/31/2002	4,124,579,960	6,384,845,959	2,260,265,999	64.60%	866,531,789	260.84%
12/31/2003	4,039,695,590	6,581,433,250	2,541,737,660	61.38%	887,555,791	286.37%
12/31/2004	3,933,031,342	7,034,271,474	3,101,240,132	55.91%	874,301,958	354.71%
12/31/2005	3,914,431,654	7,722,737,147	3,808,305,493	50.69%	948,973,732	401.31%
12/31/2006	3,997,990,919	7,939,561,277	3,941,570,358	50.36%	1,012,983,634	389.11%
12/31/2007	4,231,681,817	8,220,352,638	3,988,670,821	51.48%	1,038,957,026	383.91%

¹ Actuarial liability excludes OPEB benefits as of December 31, 2006.

EXHIBIT A-3
SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR GASB #25

For Year Ending December 31	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
1997	\$107,607,525	\$109,361,629	101.63%
1998	105,484,624	118,867,416	112.69%
1999	133,535,979	125,281,970	93.82%
2000	125,129,864	139,481,871	111.47%
2001	123,201,657	139,675,766	113.37%
2002	130,237,405	141,989,027	109.02%
2003	181,545,562	140,807,354	77.56%
2004	203,757,534	135,744,173	66.62%
2005	238,423,459	178,278,371	74.77%
2006	¹ 262,657,025	150,717,705	57.38%
2007	312,726,608	170,598,268	54.55%
2008	318,234,870	TBD	TBD

¹ Starting with fiscal year 2006, GASB #25 disclosure includes pension benefits only. The retiree healthcare supplement will be recognized under GASB #43 disclosure.

EXHIBIT A-4
SUPPLEMENTARY INFORMATION FOR
GASB #25

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2007
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	5-year smoothed market
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Pension Investment Rate of Return	8.00%
Projected Salary Increases	4.00% per year, plus additional percentage related to service.
Cost-of-Living Allowance	3.00% (1.50% for retirees born after January 1, 1955)

	2006 ¹	2007 ¹
Payable to Retirees and Beneficiaries	\$4,734,681,654	\$4,904,067,019
Current Employees:		
Accumulated Employee Contributions Including Statutory Interest	1,016,217,810	1,082,742,927
Payable to Vested and Non-Vested Employees	2,188,661,813	2,233,542,692
Total Actuarial Accrued Liability	\$7,939,561,277	\$8,220,352,638
Net Plan Actuarial Assets	3,997,990,919	4,231,681,817
Unfunded AAL (assets in excess of AAL)	\$3,941,570,358	\$3,988,670,821
Percent Funded	50.36%	51.48%
Unfunded AAL as Percent of Payroll	389.11%	383.91%
Payroll	\$1,012,983,634	\$1,038,957,026

¹ Excludes liabilities for retiree healthcare subsidy.

EXHIBIT A-5
SUPPLEMENTARY INFORMATION FOR
GASB #27

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2007
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	5-year smoothed market
Amortization Method	Level percent open
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Pension Investment Rate of Return	8.00%
Projected Salary Increases	4.00% per year, plus additional percentage related to service.
Cost-of-Living Allowance	3.00% (1.50% for retirees born after January 1, 1955)

	2006¹	2007
Payable to Retirees and Beneficiaries	\$4,858,554,051	\$4,904,067,019
Current Employees:		
Accumulated Employee Contributions Including Statutory Interest	1,016,217,810	1,082,742,927
Payable to Vested and Non-Vested Employees	2,241,771,313	2,233,542,692
Total Actuarial Accrued Liability	\$8,116,543,174	\$8,220,352,638
Net Plan Actuarial Assets	3,997,990,919	4,231,681,817
Unfunded AAL (assets in excess of AAL)	\$4,118,552,255	\$3,988,670,821
Percent Funded	49.26%	51.48%
Unfunded AAL as Percent of Payroll	406.58%	383.91%
Payroll	\$1,012,983,634	\$1,038,957,026

¹ Fiscal year 2006 includes liabilities for retiree healthcare subsidy.

EXHIBIT A-6
ANNUAL PENSION COST AND CONTRIBUTIONS
MADE FOR GASB #27

Contribution Rates

City	Proceeds from a tax levy not more than an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 2.00.
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Plan Members	9.0%
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Annual Pension Cost for 2007

Annual Required Contribution (ARC)	\$312,726,608
Interest on Net Pension Obligation	81,371,562
Adjustment to ARC	<u>(55,589,703)</u>
Total	\$338,508,467

Contributions Made in 2007

\$170,598,268 ¹

Net Pension Obligation (NPO):

NPO at 12/31/2006	\$1,017,144,522
Increase/(Decrease) in NPO	<u>167,910,199</u>
NPO at 12/31/2007	\$1,185,054,721

Pension Liability at Transition (January 1, 1997)

\$566,107,984

¹ Includes miscellaneous revenue.

EXHIBIT A-7
PENSION COST SUMMARY
FOR GASB #27

Year Ended December 31	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension Obligation
1997	\$127,842,346	85.54%	\$584,588,700
1998	124,458,001	95.51	590,179,285
1999	152,690,804	82.05	617,588,119
2000	145,174,269	96.08	623,280,517
2001	143,430,813	97.38	627,035,564
2002	150,588,435	94.29	635,634,972
2003	202,175,694	69.65	697,003,312
2004	226,379,433	59.96	787,638,572
2005	263,987,011	67.53	873,347,212
2006	302,556,587	52.47	1,017,144,522
2007 ¹	338,508,467	50.40	1,185,054,721

¹ Annual pension cost for fiscal years on and after 2007 excludes OPEB which are recognized in GASB 45 accounting.

EXHIBIT A-8
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) FOR GASB #27
PRIOR TO JANUARY 1, 1997

Year Ending December 31:	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Assumptions and Method										
Interest Rate	7.5%	7.5%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Amortization Period (years)	40	40	40	40	40	40	40	40	40	40
Cost Method	EAN	EAN	EAN	EAN	EAN	EAN	EAN	EAN	EAN	EAN
Actuarially Determined Contribution (ADC)										
Normal Cost	\$ 88,600,984	\$ 90,317,357	\$ 90,506,052	\$ 79,153,328	\$ 67,782,578	\$ 78,695,560	\$ 66,329,000	\$ 68,617,000	\$ 72,637,000	\$ 76,463,000
Interest on Unfunded	89,867,346	92,162,828	93,180,094	88,948,163	110,558,088	126,460,879	120,691,562	132,733,871	144,248,034	150,876,009
Total ADC	\$ 178,468,330	\$ 182,480,185	\$ 183,686,146	\$ 168,101,491	\$ 178,340,666	\$ 205,156,439	\$ 187,020,562	\$ 201,350,871	\$ 216,885,034	\$ 227,339,009
Interest on NPO	-	5,194,794	10,671,277	16,254,357	19,887,447	23,818,783	29,389,826	32,880,844	36,612,931	40,614,169
Adjustment to ADC	-	(4,758,157)	(11,443,199)	(17,430,139)	(21,421,034)	(25,657,792)	(31,714,118)	(35,473,365)	(39,495,803)	(43,810,319)
Annual Pension Cost	\$ 178,468,330	\$ 182,916,822	\$ 182,914,224	\$ 166,925,709	\$ 176,807,079	\$ 203,317,430	\$ 184,696,270	\$ 198,758,350	\$ 214,002,162	\$ 224,142,859
Net Pension Obligations (NPO)										
NPO at Beginning of Year	\$ -	\$ 69,263,914	\$ 142,283,691	\$ 203,179,467	\$ 248,593,093	\$ 297,734,789	\$ 367,372,826	\$ 411,010,553	\$ 457,661,636	\$ 507,677,114
Annual Pension Cost	178,468,330	182,916,822	182,914,224	166,925,709	176,807,079	203,317,430	184,696,270	198,758,350	214,002,162	224,142,859
Total Contributions	(109,204,416)	(109,897,045)	(122,018,448)	(121,512,083)	(127,665,383)	(133,679,393)	(141,058,542)	(152,107,267)	(163,986,684)	(165,711,990)
NPO at End of Year	\$ 69,263,914	\$ 142,283,691	\$ 203,179,467	\$ 248,593,093	\$ 297,734,789	\$ 367,372,826	\$ 411,010,553	\$ 457,661,636	\$ 507,677,114	\$ 566,107,984

EXHIBIT A-8 (CONT'D)
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) FOR GASB #27
AFTER JANUARY 1, 1997

Year Ending December 31: Assumptions and Method	1997	1998	1999	2000	2001	2002
Interest Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Salary Scale	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%
Amortization Period (years)	40	40	40	40	40	40
Cost Method	EAN	EAN	EAN	EAN	EAN	EAN
Annual Pension Cost						
Annual Required Contribution (ARC)	\$107,607,525	\$105,484,624	\$133,535,979	\$125,129,864	\$123,201,657	\$130,237,405
Interest on Net Pension Obligation	45,288,639	46,767,096	47,214,343	49,407,050	49,862,441	50,162,845
Adjustment to ARC	(25,053,818)	(27,793,719)	(28,059,518)	(29,362,645)	(29,633,285)	(29,811,815)
Total	\$127,842,346	\$124,458,001	\$152,690,804	\$145,174,269	\$143,430,813	\$150,588,435
Net Pension Obligations (NPO)						
NPO at Beginning of Year	\$566,107,984	\$584,588,700	\$590,179,285	\$617,588,119	\$623,280,517	\$627,035,564
Annual Pension Cost	127,842,346	124,458,001	152,690,804	145,174,269	143,430,813	150,588,435
Total Contributions	(109,361,629)	(118,867,416)	(125,281,970)	(139,481,871)	(139,675,766)	(141,989,027)
NPO at End of Year	\$584,588,700	\$590,179,285	\$617,588,119	\$623,280,517	\$627,035,564	\$635,634,972

EXHIBIT A-8 (CONT'D)
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) FOR GASB #27
AFTER JANUARY 1, 1997

Year Ending December 31: Assumptions and Method	2003	2004	2005	2006	2007	
Interest Rate	8.0%	8.0%	8.0%	8.0%	8.0%	1
Salary Scale	4.0%	4.0%	4.0%	4.0%	4.0%	
Amortization Period (years)	40	40	40	40	30	2
Cost Method	EAN	EAN	EAN	EAN	EAN	
 Annual Pension Cost						
Annual Required Contribution (ARC)	\$181,545,562	\$203,757,534	\$238,423,459	\$273,733,047	\$312,726,608	
Interest on Net Pension Obligation	50,850,798	55,760,265	63,011,086	69,867,777	81,371,562	
Adjustment to ARC	(30,220,666)	(33,138,366)	(37,447,534)	(41,044,237)	(55,589,703)	
Total	<u>\$202,175,694</u>	<u>\$226,379,433</u>	<u>\$263,987,011</u>	<u>\$302,556,587</u>	<u>\$338,508,467</u>	
 Net Pension Obligations (NPO)						
NPO at Beginning of Year	\$635,634,972	\$697,003,312	\$787,638,572	\$873,347,212	\$1,017,144,522	
Annual Pension Cost	202,175,694	226,379,433	263,987,011	302,556,587	338,508,467	3
Total Contributions	(140,807,354)	(135,744,173)	(178,278,371)	(158,759,277)	(170,598,268)	
NPO at End of Year	<u>\$697,003,312</u>	<u>\$787,638,572</u>	<u>\$873,347,212</u>	<u>\$1,017,144,522</u>	<u>\$1,185,054,721</u>	

¹ 8.0% for Pension and 4.5% for OPEB, beginning with fiscal year 2006.

² 40 years for Pension and 30 years for OPEB for fiscal year 2006.

³ Annual Pension Cost for fiscal years on and after 2007 excludes OPEB which are recognized in GASB 45 accounting.

EXHIBIT A-9
SCHEDULE OF FUNDING PROGRESS FOR GASB #43

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2005	\$ 0	\$ 176,117,539	\$ 176,117,539	0.00%	\$ 948,973,732	18.56%
12/31/2006	0	176,981,897	176,981,897	0.00%	1,012,983,634	17.47%
12/31/2007	0	179,039,841	179,039,841	0.00%	1,038,957,026	17.23%

EXHIBIT A-10
SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR GASB #43

For Year Ending December 31	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2006	\$11,076,022	\$8,041,573	72.60%
2007	11,220,081	8,107,708	72.26%
2008	11,348,959	TBD	TBD

EXHIBIT A-11
SUPPLEMENTARY INFORMATION FOR
GASB #43

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	December 31, 2007
Actuarial Cost Method	Entry Age Normal
Actuarial Value of Assets	No assets (Pay-as-you-go)
Amortization Method	Level percent open
Remaining Amortization Period	30 years

Actuarial Assumptions:

OPEB Investment Rate of Return	4.50%
Projected Salary Increases	4.00% per year, plus additional percentage related to service.

	2006	2007
Payable to Retirees and Beneficiaries	\$ 123,872,397	\$ 124,287,887
Current Employees:		
Accumulated Employee Contributions Including Statutory Interest	-	-
Payable to Vested and Non-Vested Employees	53,109,500	54,751,954
Total Actuarial Accrued Liability	\$ 176,981,897	\$ 179,039,841
Net Plan Actuarial Assets	-	-
Unfunded AAL (assets in excess of AAL)	\$ 176,981,897	\$ 179,039,841
Percent Funded	0.00%	0.00%
Unfunded AAL as Percent of Payroll	17.47%	17.23%
Payroll	\$1,012,983,634	\$1,038,957,026

EXHIBIT A-12
ANNUAL OPEB COST AND CONTRIBUTIONS
MADE FOR GASB #45

Contribution Rates

City	Pay-as-you-go
Plan Members	None

Annual OPEB Cost for 2007

Annual Required Contribution (ARC)	\$ 11,220,081
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Total	\$ 11,220,081

Contributions Made in 2007

\$ 8,107,708

Net OPEB Obligation (NOO):

NOO at 12/31/2006	\$ -
Increase/(Decrease) in NOO	3,112,373
NOO at 12/31/2007	\$ 3,112,373

EXHIBIT A-13
OPEB COST SUMMARY FOR
GASB #45

<u>Year Ended</u> <u>December 31</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>% of Annual</u> <u>OPEB Cost</u> <u>Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2007	\$11,220,081	72.26%	\$3,112,373