

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
ACTUARIAL VALUATION REPORT FOR THE YEAR ENDING
DECEMBER 31, 2009



April 19, 2010

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, 2009

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, 2009. This valuation has been performed to measure the funded status of the Fund and to determine the contribution levels for 2010. 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 — The actuarial assumptions have been changed since the last report to reflect the results of the experience study performed for the period of January 1, 2003 through December 31, 2008. 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 5.87:1 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, 2009. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2010.
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, and #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, 2010, is \$618.2 million (61.1 percent of covered payroll), or \$525.0 million (51.9 percent) after expected employee contributions are subtracted. The 2010 minimum actuarially determined contribution of \$618.2 million compares with \$581.0 million for 2009.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

The annual required contribution (ARC) under GASB #25 for the year ending December 31, 2010, is \$363.6 million, which is 36.0 percent of the total payroll. This amount compares with an ARC of \$339.5 million or 33.2 percent of payroll for the year ending December 31, 2009. These amounts are for pension benefits only and are net of employee contributions of \$93.2 million for fiscal year 2010 and \$94.3 million for fiscal year 2009.

GASB #43 requires the calculation of a separate ARC for Other Postemployment Benefits (OPEB). The ARC for the fiscal year 2010 is based on this actuarial valuation as of December 31, 2009. The OPEB ARC for the fiscal year ending December 31, 2010, is \$10.7 million, which is 1.1 percent of the total payroll. This amount compares with an OPEB ARC of \$11.8 million or 1.2 percent of the total payroll for the year ending December 31, 2009.

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 prefund or pay the health insurance supplement.

Beginning with the actuarial valuation as of December 31, 2006, 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.

The actuarial liabilities decreased by approximately \$102 million or 1.1 percent of the expected value. The key factors impacting the actuarial liabilities include salary and other demographic gains of \$223 million that were offset by an increase in the actuarial liabilities of \$121 million due to assumption changes.

On the State reporting basis, the unfunded liability increased from \$5.15 billion to \$5.68 billion and the funded ratio decreased from 40.52% to 36.15%. The funded ratio comparing actuarial value of assets to actuarial liabilities decreased from 47.31% to 43.65%. The funded ratio comparing market value of assets to actuarial liabilities increased from 34.68% to 37.37%.

On a market value basis, the unfunded liability decreased due primarily to investment and liability gains, despite contribution shortfalls. There was a gain on invested assets due to an estimated market return of 19.7% compared with the assumed return of 8.0%. The rate of return on an actuarial value basis was 0.8% compared to the assumed return of 8.0%, producing a loss.

On a book value basis, the unfunded liability increased due to the realized asset losses and contribution shortfalls. The funded ratio decreased due to a loss on invested assets. The actual return of (1.4)% was below the assumed return of 8.0%.

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

The total ARC for 2009 was \$351.3 million compared to actual contributions of \$180.5 million. This difference has increased over the last six 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 \$1,562.4 million as of December 31, 2009.

Please also note the highlighted area on page 29 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)

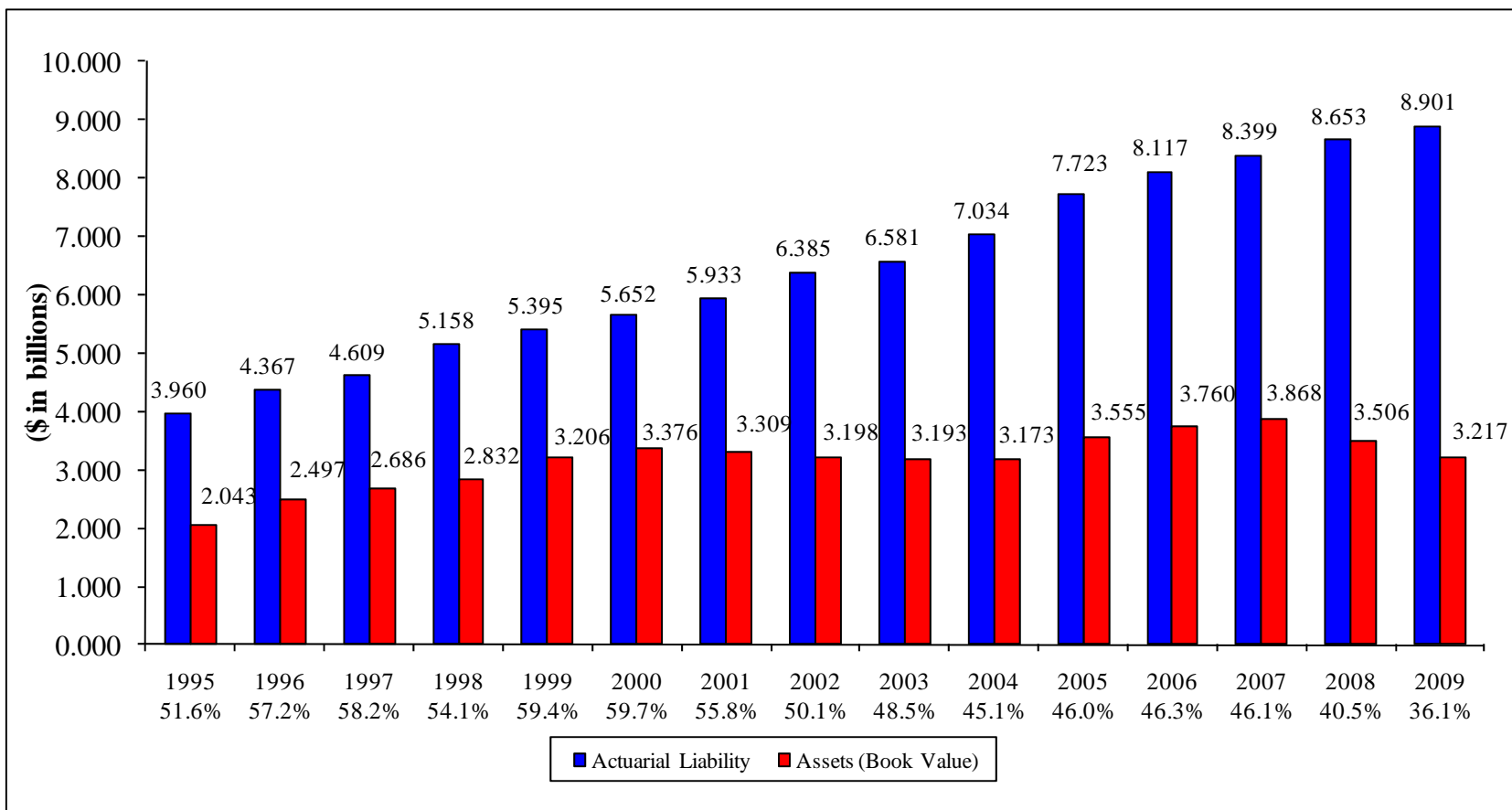
	2008		2009	
	\$ in Millions	% of Pay	\$ in Millions	% of Pay¹
Contribution Levels				
Minimum Actuarially Determined Contribution (State Reporting) ²	\$ 580.95	56.76%	\$ 618.24	61.14%
Annual Required Contribution ³ (GASB 25 and 43)	351.30	34.32	374.28	37.01
Funded Status				
Book Value of Assets	\$ 3,505.77	342.50%	\$ 3,217.38	318.17%
Actuarial Liability	8,652.55	845.32	8,900.90	880.23
Funded Ratio	40.52%	N/A	36.15%	N/A
Funded Status-Market Value				
Market Value of Assets	\$ 3,001.00	293.19%	\$ 3,326.05	328.92%
Actuarial Liability	8,652.55	845.32	8,900.90	880.23
Funded Ratios	34.68%	N/A	37.37%	N/A
Funded Status - GASB #25 and #43				
Market-Related Value of Assets	\$ 4,093.72	399.94%	\$ 3,884.98	384.19%
Actuarial Liability	8,652.55	845.32	8,900.90	880.23
Funded Ratios	47.31%	N/A	43.65%	N/A

¹ Payroll was \$1,024 million in 2008 and \$1,011 million in 2009.

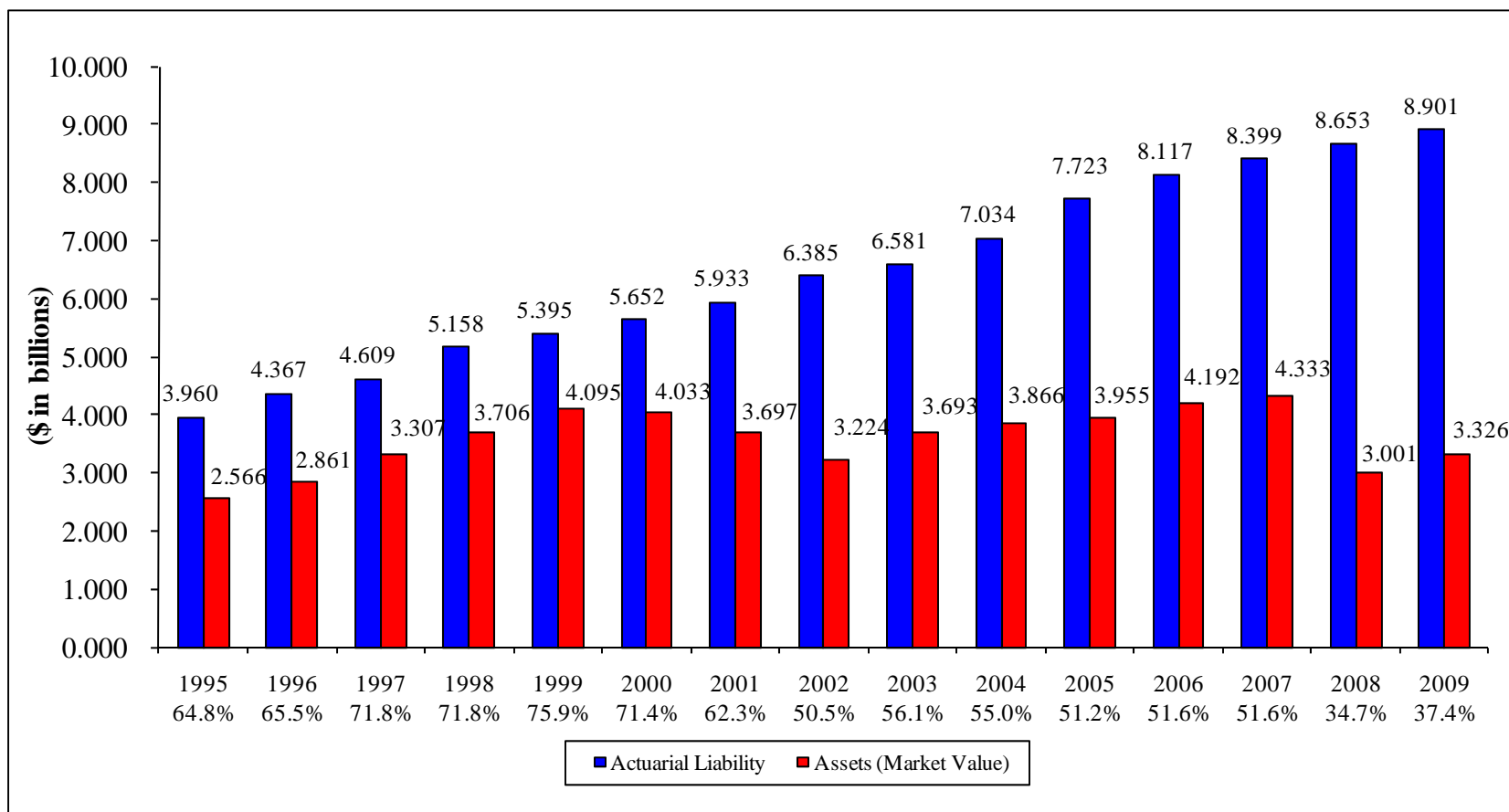
² Includes estimated employee contributions of \$94.3 million for 2008 and \$93.2 million for 2009.

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

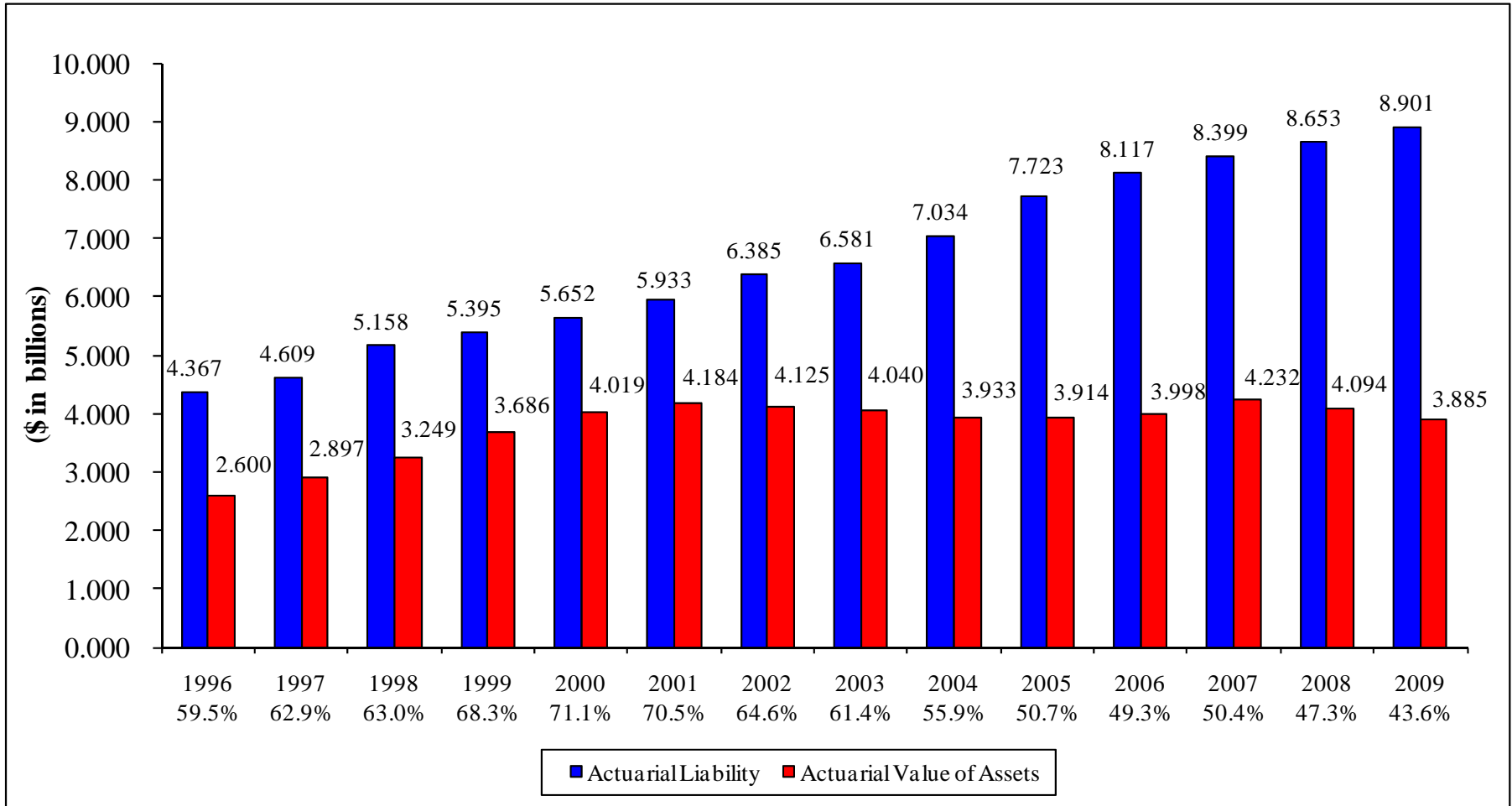
**POLICEMEN’S ANNUITY AND BENEFIT FUND
COMPONENTS OF FUNDED RATIO
STATE REPORTING**



**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, 2008</u>	<u>December 31, 2009</u>
Active Participants		
Number	13,373	13,154
Average Age	42.4	43.0
Average Service	13.6	14.3
Average Annual Salary	\$76,541 ¹	\$76,874 ²
Retirees		
Number	8,210	8,227
Average Age	67.6	68.1
Average Monthly Benefit	\$4,103	\$4,233
Survivors		
Number	3,214	3,177
Average Age	74.0	74.2
Average Monthly Benefit	\$1,482	\$1,498

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; 28.4% of the workforce is between the ages of 45 and 54, while 21.8% have 20 or more years of service. Total participants receiving benefits under the Fund, including disabilities, survivors, and children, decreased 0.24% during 2009 from 12,183 to 12,154. The total retiree count increased by 0.2% during 2009. Total expenditures for benefits increased from \$497.7 million in 2008 to \$514.7 million during 2009, or 3.41%.

¹. Average annual salary would have been \$73,639 without the addition of duty availability pay.

². Average annual salary would have been \$73,982 without the addition of duty availability pay.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

Changes in Plan Provisions

P.A. 95 -1036

For purposes of tax levy, contributions by the policeman to the Fund shall not include payments made by a policeman to establish credit under Section 5-214.2.

An officer with prior service credit under article 3,7,9,10,13,14,15 Funds may transfer up to 10 years of service in six month increments provided the transfer of service results in no increase to the unfunded actuarial accrued liability of the Fund.

PA 96-0006

The Illinois Governmental Ethics Act

P.A. 96 -285

Extends PA 95-1036 service purchase eligibility to include members of Article 8 Funds and law enforcement officers with any agency of the United States Government.

P.A. 96 -727

Allows an officer with at least 10 years of PABF service to transfer up to 48 months of eligible service as a County Correctional Officer. The officer is required to pay to the Fund the difference between contributions transferred by the County on behalf of the officer and the amount of employee and employer contributions that would have been contributed had the officer been a member of this Fund plus interest at the actuarially assumed rate.

P.A. 96 -745

Transfer of service to Article 14 (State Employees' Retirement System) now includes investigators for the Office of the Attorney General and investigators for The Department of Revenue. Interest on the repayment of refund is changed from 6% to the actuarially assumed rate.

PA 96-753

Encourages the public pension Funds, and any State entity investing on behalf of the public pension funds, to promote the economy of Illinois through the use of economic opportunity investments.

Instructs the fund's investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.

The preceding changes in plan provisions did not impact the actuarial liabilities at December 31, 2009.

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.

An experience review of the economic and demographic assumption was performed using data for plan years 2003 through 2008, and adjustments were made to the assumption set, including:

- Reducing retirement rates and removing rates for those not eligible for a formula annuity.
- Slightly decreasing termination rates.
- Decreasing disability rates.
- Modifying the initial five-year service-based component of the salary scale and removing the service-based increase at 30 years of service.
- Changing the standard mortality table to the 1994 Group Annuity Mortality for all healthy members.
- Changing the disability mortality table to the 1994 Group Annuity Mortality set forward six years for all disabled members.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

SUMMARY OF VALUATION RESULTS (CONT'D)

Changes in Actuarial Assumptions and Methods

The valuation as of December 31, 2009, reflects the results of the experience study performed for the period from January 1, 2003, through December 31, 2008. The change in assumptions increased actuarial liabilities by \$121.7 million or 1.4% of total liabilities.

2009 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 2009 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 100%. The overall result is a small actuarial loss.

Retirement

The number of retirements during 2009 was lower than expected. The ratio of actual retirements to expected retirements was 37%. The overall net effect in this instance is an actuarial gain to the plan.

Disability

The number of new disabled participants during 2009 was lower than expected. The ratio of actual to expected disability was 73% resulting in a gain to the plan.

Mortality

There were fewer deaths during 2009 than expected for active members, and more deaths for annuitants than expected which resulted in an actuarial gain to the fund.

Pay Increase

The average salary for continuing actives in 2009 increased by 3.6% less than expected from the 2008 average salary. The lower than expected salary increases resulted in a significant actuarial gain to the fund.

Investment Return

During 2009, assets earned 19.7% on a market basis, -1.4% on a book basis, and 0.8% on an actuarial basis which compares to the assumed return of 8.0%. Overall, the fund experienced an actuarial loss due to investment performance, on a book value basis, during the year.

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

Data and Other Sources

There were actuarial gains in liabilities due to data corrections and other sources.

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,	
	2008	2009
<u>Assets</u>		
Book Value - Beginning of Year	\$ 3,868,236,918	\$ 3,505,768,152
<u>Income</u>		
Investment Income Net Expenses	\$ (135,142,686)	\$ (46,129,117)
Employer Contributions	181,526,448	180,510,851
Employee Contributions	93,207,408	95,614,390
Miscellaneous	159,543	799,364
Subtotal	\$ 139,750,713	\$ 230,795,488
 <u>Outgo (Refunds, Benefits, & Administration)</u>	 \$ 502,219,479	 \$ 519,187,055
Book Value - End of Year	\$ 3,505,768,152	\$ 3,217,376,585
Market Value - End of Year	3,000,998,381	3,326,050,754
Actuarial Value - End of Year	4,093,719,894	3,884,978,241
 <u>Members</u>		
Active	13,373	13,154
Retirees	8,210	8,227
Survivors	3,214	3,177
Disabilities	383	380
Inactives	636	634
Children	376	370
 <u>Payroll Data</u>		
Valuation Payroll	\$ 1,023,580,667	\$ 1,011,205,359
Average Salary	76,541	76,874

POLICEMEN'S ANNUITY AND BENEFIT FUND SUMMARY

Table 1 (cont.)

	December 31,	
	2008	2009
<u>ACTUARIAL VALUES</u>		
<u>Funding - State Basis</u>		
Actuarial Liability	\$ 8,652,546,189	\$ 8,900,901,485
Assets - Book Value - Net	3,505,768,152	3,217,376,585
Unfunded Liability	5,146,778,037	5,683,524,900
Funded Ratio	40.52%	36.15%
Actuarially Required Total Contribution ¹	\$ 580,950,254	\$ 618,236,085
Deficiency in Required Contribution (est.)	300,002,424	338,615,660
Required Employer Contribution Multiple	5.43	5.87
<u>Termination Values</u>		
Liability	\$ 6,373,350,627	\$ 6,637,577,241
Deficiency	2,867,582,475	3,420,200,656
Quick Ratio	55.01%	48.47%
<u>Funding using Market Values</u>		
Actuarial Liability	\$ 8,652,546,189	\$ 8,900,901,485
Assets - Market Value	3,000,998,381	3,326,050,754
Unfunded Liability	5,651,547,808	5,574,850,731
Funded Ratio	34.68%	37.37%
<u>GASB #25 and #43 Values</u>		
Actuarial Liability ³	\$ 8,652,546,189	\$ 8,900,901,485
Assets - Actuarial Value	4,093,719,894	3,884,978,241
Unfunded Liability	4,558,826,295	5,015,923,244
Funded Ratio	47.31%	43.65%
Annual Required Contribution (ARC) ²	351,298,953	374,283,576

1 Includes estimated employee contributions of \$94,347,830 for December 31, 2008, and \$93,205,425 for December 31, 2009.

2 ARC is for the following fiscal year, and is the total under GASB#25 and GASB#43. The fiscal year 2010 ARC for Pension benefits is \$ 363,624,570, and the fiscal year 2010 ARC for OPEB is \$10,659,006.

3 Disclosures under GASB#25 and GASB#43 show 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	\$4,779,852,112	\$3,286,629,640
(b) Termination	66,976,900	7,359,704
(c) Disability	402,817,632	160,497,189
(d) Death	87,905,814	20,277,176
Total for Actives	\$5,337,552,458	\$3,474,763,709
<u>(2) Values for Inactive Members</u>		
(a) Retired	4,641,804,446	4,641,804,446
(b) Survivor	479,404,373	479,404,373
(c) Disability	255,570,315	255,570,315
(d) Inactive (Deferred Vested)	34,764,046	34,764,046
(e) Children	14,594,596	14,594,596
Total for Inactives	5,426,137,776	5,426,137,776
<u>(3) Grand Totals</u>	<u>\$10,763,690,234</u>	<u>\$8,900,901,485</u>
<u>(4) Normal Cost for Active Members</u>	\$ 178,396,098	
<u>(5) Actuarial Present Value of Future Compensation</u>	\$10,900,791,829	

POLICEMEN'S ANNUITY AND BENEFIT FUND
DEVELOPMENT OF ACTUARIAL
CALCULATED CONTRIBUTION FOR 2010
(STATE BASIS)

Table 3

<u>(1) Normal Cost (see Table 2)</u>	\$ 178,396,098
<u>(2) Actuarial Accrued Liability (AAL)</u>	\$ 8,900,901,485
<u>(3) Unfunded AAL (UAAL)</u>	
(a) Assets at Book	\$ 3,217,376,585
(b) UAAL (2-3(a))	5,683,524,900
<u>(4) Interest on UAAL Payable at End of Year</u>	\$ 448,913,998
<u>(5) Minimum Actuarially Calculated Contribution</u>	
(a) Interest Adjustment for Semimonthly Payment	<u>\$ (9,074,011)</u>
(b) Total Minimum Contribution (1+4+5(a))	\$ 618,236,085
(c) Total Minimum Contribution (Percent of Pay)	61.14%
<u>(6) Estimated Total Contribution</u>	
(a) City	\$ 186,415,000
(b) Members	<u>93,205,425</u>
(c) Total	\$ 279,620,425
<u>(7) Deficiency/(Excess)</u>	
(a) in Dollars (5(b)-6(c))	\$ 338,615,660
(b) as a Percentage of Pay	33.49%

POLICEMEN'S ANNUITY AND BENEFIT FUND
DEVELOPMENT OF ANNUAL REQUIRED
CONTRIBUTION UNDER GASB #25 AND GASB #43 FOR 2010¹

Table 4

	Pension	Health Ins. Supplement	Total
<u>(1) Normal Cost (see Table 2)</u>	\$ 173,861,719	\$ 4,534,379	\$ 178,396,098
<u>(2) Actuarial Accrued Liability (AAL)</u>	\$ 8,736,101,666	\$ 164,799,819	\$ 8,900,901,485
<u>(3) Unfunded AAL (UAAL)</u>			
(a) Actuarial Value of Assets	\$ 3,884,978,241	\$ 0	\$ 3,884,978,241
(b) UAAL (2-3(a))	4,851,123,425	164,799,819	5,015,923,244
<u>(4) Amortization Payable at Beginning of Year²</u>	\$ 265,127,035	\$ 5,883,884	\$ 271,010,919
<u>(5) Estimated Member Contributions</u>	\$ 93,205,425	\$ 0	\$ 93,205,425
<u>(6) Annual Required Contribution (ARC)</u>			
(a) Interest Adjustment for Semimonthly Payment	17,841,241	240,743	18,081,984
(b) Annual Required Contribution (1 + 4 - 5 + 6(a))	\$ 363,624,570	\$ 10,659,006	\$ 374,283,576
(c) Annual Required Contribution (Percent of Pay)	35.96%	1.05%	37.01%
<u>(7) Estimated City Contribution</u>	\$ 176,999,949	\$ 9,415,051 ³	\$ 186,415,000
<u>(8) Deficiency/(Excess)</u>			
(a) in Dollars (6(b)-7)	\$ 186,624,621	\$ 1,243,955	\$ 187,868,576
(b) as a Percentage of Pay	18.46%	0.12%	18.58%

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 2010.

POLICEMEN'S ANNUITY AND BENEFIT FUND
DEVELOPMENT OF ACTUARIAL GAINS AND LOSSES FOR 2009

Table 5

UNFUNDED ACTUARIAL ACCRUED LIABILITY - BEGINNING OF 2009

(1) Actuarial Accrued Liability - 12/31/2008	\$8,652,546,189
(2) Assets at Book Value - 12/31/2008	3,505,768,152
(3) Unfunded Accrued Actuarial Liability - 12/31/2008	\$5,146,778,037

EXPECTED UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2009

(4) Normal Cost for 2009	\$ 182,505,483
(5) Total Contributions for 2009	276,924,605
(6) Interest on (3), (4), & (5) at Valuation Rates	409,495,455
(7) Expected Unfunded Actuarial Accrued Liability - 12/31/2009	\$5,461,854,370
((3)+(4)-(5)+(6))	

DEVIATIONS FROM EXPECTED

(8) (Gain)/Loss on Investment Return (Book Value)	\$321,739,338
(9) (Gain)/Loss from Salary Changes	(127,740,761)
(10) (Gain)/Loss from Retirement	(24,843,807)
(11) (Gain)/Loss from Turnover	814,317
(12) (Gain)/Loss from Mortality	(8,165,666)
(13) (Gain)/Loss from Disability	(4,783,268)
(14) (Gain)/Loss from Assumption Changes	121,674,574
(15) (Gain)/Loss from New Entrants	2,245,254
(16) (Gain)/Loss from All Other Sources	(59,269,451)
(17) Composite Actuarial (Gain)/Loss	\$221,670,530

UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2009

(18) Unfunded Accrued Actuarial Liability - 12/31/2009 ((7)+(17))	\$5,683,524,900
---	-----------------

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
2008	2.00	5.43	5.94	4.30
2009 ¹	2.00	5.87	6.42	4.61

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 in 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, 2009

ASSETS

Fund Balance	\$ (16,017,798)
Present Values of Future Contributions:	
Contributions by Members at \$30.00 a Year	4,763,194
Annual City Contribution of \$224,000	2,703,754
Unfunded Liability	38,683,030
TOTAL ASSETS	\$ 30,132,180

LIABILITIES

Present Value of Future Death Benefits (6%, 83 GAM)	
Active & Disabled Members	6,958,807
Retired Members	23,173,373
TOTAL LIABILITIES	\$ 30,132,180

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%
2008	1,144,380,257	5,208,199,833	2,299,966,099	4,093,719,894	100.00%	56.63%	0.00%
2009 ¹	1,217,645,647	5,391,373,730	2,291,882,108	3,884,978,241	100.00%	49.47%	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, decreased from \$3.506 billion as of December 31, 2008, to \$3.217 billion as of December 31, 2009, and the market value of the plan assets, net of accounts payable, increased from \$3.001 billion as of December 31, 2008, to \$3.326 billion as of December 31, 2009. Table 8 details the development of asset values during 2009 and Table 9 shows the development of the actuarial value of assets as of December 31, 2009.

POLICEMEN'S ANNUITY AND BENEFIT FUND
RECONCILIATION OF ASSETS
AS OF DECEMBER 31, 2009

Table 9

	Market Value	Book Value
1. Value of assets as of 12/31/2008	\$3,000,998,381	\$3,505,768,152
2. Income for plan year:		
a) Member contributions	\$ 95,614,390	\$ 95,614,390
b) City contributions	180,510,851	180,510,851
c) Investment income net of expenses	567,314,823	(46,129,117)
d) Miscellaneous revenue	799,364	799,364
e) Total income	\$ 844,239,428	\$ 230,795,488
3. Disbursements for plan year:		
a) Benefit payments		
i) Pension, disability and death benefit payments	\$ 499,249,553	\$ 499,249,553
ii) Healthcare premiums	9,266,431	9,266,431
b) Refunds	6,193,872	6,193,872
c) Administration	4,477,199	4,477,199
d) Total disbursements	\$ 519,187,055	\$ 519,187,055
4. Value of assets as of 12/31/2009	\$3,326,050,754	\$3,217,376,585
5. Estimated rate of return in 2009: ¹		
a) Gross	20.04%	-1.07%
b) Net of investment expense (Investment expense of \$9,801,489)	19.70%	-1.36%

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, 2009**

Table 10

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

- a) Market value of assets as of 12/31/2008 \$3,000,998,381
- b) Actual income and disbursements in prior year weighted for timing

Item	Amount	Weight for Timing	Weighted Amount
i) Member contributions	\$ 95,614,390	50.0%	\$ 47,807,195
ii) City contributions	180,510,851	50.0%	90,255,426
iii) Miscellaneous revenue	799,364	50.0%	399,682
iv) Benefit payments	(508,515,984)	50.0%	(254,257,992)
v) Refunds	(6,193,872)	50.0%	(3,096,936)
vi) Administration	(4,477,199)	50.0%	(2,238,600)
vii) Total			<u>\$(121,131,225)</u>

- c) Market value of assets adjusted for actual income and disbursements [(a) + (b)(vii)] \$2,879,867,156
- d) Assumed rate of return on plan assets for the year 8.00%
- e) Expected return [(c) * (d)] \$ 230,389,372

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

- a) Market value of assets as of 12/31/2008 \$3,000,998,381
- b) Income (less investment income) for prior plan year 276,924,605
- c) Disbursements paid in prior year 519,187,055
- d) Market value of assets as of 12/31/2009 3,326,050,754
- e) Actual return [(d) + (c) - (b) - (a)] \$ 567,314,823

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

\$ 336,925,451

4. Actuarial Value of Assets as of 12/31/2009

- a) Market value of assets as of 12/31/2009 3,326,050,754
- b) Deferred investment gains and (losses) for last 5 years

	Plan Year	Gain/(Loss)	Percent Deferred	Deferred Amount
i)	2005	(\$40,981,038)	0.00%	\$ 0
ii)	2006	139,289,537	20.00%	27,857,907
iii)	2007	22,898,317	40.00%	9,159,327
iv)	2008	(1,442,475,137)	60.00%	(865,485,082)
v)	2009	336,925,451	80.00%	269,540,361
vi)	Total	<u>(\$984,342,870)</u>		<u>(\$558,927,487)</u>

- c) Actuarial Value of Assets 3,884,978,241

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, 2009

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Participants at Beginning of Fiscal Year	10,134	3,239	13,373
Increases:			
Participants Added During Year	108	25	133
Participants Returning From Inactive or Disability Status	24	6	30
Totals	10,266	3,270	13,536
Decreases:			
Terminations During Year	304	78	382
Number of Participants at End of Fiscal Year	9,962	3,192	13,154
Total Inactive Participants			634
<u>Terminations:</u>			
Withdrawal (With Refunds) ¹	22	6	28
Withdrawal (Without Refunds)	72	12	84
Ordinary Disability Benefit	6	8	14
Occupational Disease Disability Benefit	2	0	2
Duty Disability Benefit	16	3	19
Retirements	171	46	217
Deaths (Occupational)	1	0	1
Deaths (Non-occupational)	14	3	17
Totals	304	78	382

¹ This total differs from the total of 75 shown in Exhibit D due to the fact that only 28 of the refunds were paid to participants who were considered to be active as of December 31, 2008.

EXHIBIT B
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2009

	<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	8,210	261	244	8,227
Widow Annuities	3,148	137	174	3,111
Children's Annuities	237	16	21	232
Ordinary Disability Benefit (Non-Occupational)	39	18	13	44
Occupational Disease Disability Benefit	58	2	8	52
Duty Disability Benefit (Occupational)	286	22	24	284
Children's Disability Benefit	139	20	21	138
Widows' Compensation Annuities (Service Connected Death)	66	0	0	66
Totals	<u>12,183</u>	<u>476</u>	<u>505</u>	<u>12,154</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, 2009

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	8 344,832										8	344,832
25 to 29	54 2,327,616	551 35,816,328	155 11,044,174								760	49,188,118
30 to 34	27 1,163,808	397 26,315,462	840 60,288,968	157 11,838,388							1,421	99,606,626
35 to 39	13 588,430	181 11,950,595	514 36,792,549	1,032 78,259,067	152 12,682,718						1,892	140,273,359
40 to 44	2 86,208	76 5,100,545	280 19,997,017	733 55,322,493	876 71,162,915	46 4,085,096					2,013	155,754,274
45 to 49			96 6,833,636	329 24,594,179	609 48,656,986	548 47,897,006	28 2,713,443				1,610	130,695,250
50 to 54			22 1,566,003	140 10,369,258	269 21,271,479	481 41,320,036	141 13,262,580	13 1,184,235			1,066	88,973,591
55 to 59			8 575,162	58 4,295,666	121 9,488,159	190 15,665,254	300 26,751,456	132 12,322,879	96 9,460,186		905	78,558,762
60 to 64			4 298,992	13 960,009	20 1,556,761	38 3,031,332	47 4,153,740	43 3,805,514	122 11,267,439		287	25,073,787
65 and over											0	0
Total Active	104	1,205	1,919	2,462	2,047	1,303	516	188	218	9,962		
Annual Salary	\$4,510,894	\$79,182,930	\$137,396,501	\$185,639,060	\$164,819,018	\$111,998,724	\$46,881,219	\$17,312,628	\$ 20,727,625		\$ 768,468,599	

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, 2009

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	1 43,104									1	43,104
25 to 29	23 991,392	161 10,510,250	48 3,416,734							232	14,918,376
30 to 34	5 215,520	102 6,757,964	212 15,206,052	43 3,203,528						362	25,383,064
35 to 39	1 43,104	88 5,763,396	192 13,716,750	266 20,076,935	32 2,587,243					579	42,187,428
40 to 44		36 2,421,845	109 7,787,132	199 14,877,748	244 19,573,878	12 1,034,970				600	45,695,573
45 to 49			43 3,069,968	147 10,939,236	189 15,026,842	188 16,154,181	10 1,049,146			577	46,239,373
50 to 54		1 67,912	15 1,067,729	88 6,527,079	150 11,764,782	180 15,222,889	45 4,091,476	2 204,176		481	38,946,043
55 to 59			3 213,546	26 1,937,389	86 6,642,899	88 7,151,064	49 4,335,860	19 1,726,851	7 688,648	278	22,696,257
60 to 64			1 71,182	9 671,496	35 2,719,093	18 1,489,655	6 502,350	7 619,204	6 554,562	82	6,627,542
65 and over										0	0
Total Active	30	388	623	778	736	486	110	28	13	3,192	
Annual Salary	\$1,293,120	\$25,521,367	\$44,549,093	\$58,233,411	\$58,314,737	\$41,052,759	\$9,978,832	\$2,550,231	\$ 1,243,210		\$ 242,736,760

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, 2009

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	9 387,936									9	387,936
25 to 29	77 3,319,008	712 46,326,578	203 14,460,908							992	64,106,494
30 to 34	32 1,379,328	499 33,073,426	1,052 75,495,020	200 15,041,916						1,783	124,989,690
35 to 39	14 631,534	269 17,713,991	706 50,509,299	1,298 98,336,002	184 15,269,961					2,471	182,460,787
40 to 44	2 86,208	112 7,522,390	389 27,784,149	932 70,200,241	1,120 90,736,793	58 5,120,066				2,613	201,449,847
45 to 49			139 9,903,604	476 35,533,415	798 63,683,828	736 64,051,187	38 3,762,589			2,187	176,934,623
50 to 54		1 67,912	37 2,633,732	228 16,896,337	419 33,036,261	661 56,542,925	186 17,354,056	15 1,388,411		1,547	127,919,634
55 to 59			11 788,708	84 6,233,055	207 16,131,058	278 22,816,318	349 31,087,316	151 14,049,730	103 10,148,834	1,183	101,255,019
60 to 64			5 370,174	22 1,631,505	55 4,275,854	56 4,520,987	53 4,656,090	50 4,424,718	128 11,822,001	369	31,701,329
65 and over										0	0
Total Active	134	1,593	2,542	3,240	2,783	1,789	626	216	231	13,154	
Annual Salary	\$5,804,014	\$104,704,297	\$181,945,594	\$243,872,471	\$223,133,755	\$153,051,483	\$56,860,051	\$19,862,859	\$ 21,970,835		\$ 1,011,205,359

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, 2009

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				2
25 to 29	1	2	5	5	1	1	15
30 to 34		2	2	2	1	4	11
35 to 39	2	1				6	9
40 to 44				1	1	10	12
45 to 49						2	2
50 to 54	1	3				1	5
55 to 59						2	2
60 & over		1				1	2
Totals	4	9	9	8	3	27	60

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,
2009

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			2
30 to 34	1	1		1	1		4
35 to 39	2	2				3	7
40 to 44							0
45 to 49						1	1
50 to 54							0
55 to 59							0
60 & over							0
Totals	4	4	0	2	1	4	15

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, 2009

AGE	MALE		FEMALE		TOTAL	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 50	6	\$ 125,023	6	\$ 99,096	12	\$ 224,119
50	10	395,496	7	286,725	17	682,221
51	10	436,777	6	206,727	16	643,504
52	18	882,771	11	495,299	29	1,378,070
53	17	701,191	20	884,985	37	1,586,176
54	29	1,479,859	16	665,717	45	2,145,576
55	43	2,533,482	25	1,108,927	68	3,642,409
56	65	3,332,432	34	1,734,069	99	5,066,501
57	116	6,135,440	34	1,713,461	150	7,848,901
58	231	13,336,713	46	2,378,754	277	15,715,467
59	265	15,681,981	55	2,650,621	320	18,332,602
60	363	20,651,093	37	1,864,310	400	22,515,403
61	419	23,953,941	75	3,741,514	494	27,695,455
62	513	29,248,725	52	2,575,146	565	31,823,871
63	557	31,388,584	45	1,851,593	602	33,240,177
64	378	20,966,704	36	1,563,606	414	22,530,310
65	395	21,914,011	41	1,876,813	436	23,790,824
66	415	22,482,117	38	1,522,382	453	24,004,499
67	375	19,942,936	23	938,254	398	20,881,190
68	332	16,872,382	18	813,606	350	17,685,988
69	273	13,998,042	16	700,316	289	14,698,358
70	250	12,686,372	3	71,365	253	12,757,737
71	250	12,465,906	3	156,566	253	12,622,472
72	186	8,750,949	6	275,171	192	9,026,120
73	171	8,118,376	5	258,189	176	8,376,565
74	159	7,680,968	0	0	159	7,680,968
75	152	7,202,254	0	0	152	7,202,254
76	167	7,660,691	0	0	167	7,660,691
77	178	8,235,265	0	0	178	8,235,265
78	155	7,220,316	0	0	155	7,220,316
79	158	6,994,833	0	0	158	6,994,833
80	151	6,605,749	0	0	151	6,605,749
81	124	4,943,124	0	0	124	4,943,124
82	102	4,238,381	0	0	102	4,238,381
83	98	3,769,267	0	0	98	3,769,267
84	91	3,433,778	0	0	91	3,433,778
85 to 89	294	9,711,032	3	67,311	297	9,778,343
90 to 94	36	961,789	1	764	37	962,553
95 to 99	13	284,729	0	0	13	284,729
100+	0	0	0	0	0	0
Totals	7,565	\$387,423,479	662	\$30,501,287	8,227	\$417,924,766

EXHIBIT F
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON WIDOW'S ANNUITIES
CLASSIFIED BY AGE AS OF DECEMBER 31, 2009

<u>Age</u>	<u>No.</u>	<u>Annual Payments</u>	<u>Age</u>	<u>No.</u>	<u>Annual Payments</u>
Under 30	2	\$ 41,432	65	65	\$ 1,266,525
30	1	19,399	66	78	1,520,148
31	0	0	67	88	1,816,436
32	0	0	68	79	1,610,210
33	0	0	69	73	1,505,265
34	3	60,835	70	79	1,505,165
35	2	45,097	71	107	1,820,314
36	1	19,097	72	98	1,706,240
37	4	72,905	73	90	1,646,333
38	3	52,556	74	95	1,736,358
39	4	82,823	75	79	1,378,182
40	7	128,106	76	100	1,714,866
41	3	125,739	77	90	1,571,641
42	4	73,384	78	109	1,772,323
43	3	57,023	79	107	1,782,333
44	5	92,881	80	99	1,646,019
45	6	123,224	81	96	1,561,289
46	7	133,530	82	116	1,741,459
47	5	106,392	83	111	1,575,950
48	9	158,472	84	107	1,539,699
49	14	317,286	85	85	1,222,812
50	13	260,639	86	81	1,101,312
51	13	236,781	87	63	885,294
52	15	277,554	88	67	887,596
53	16	307,099	89	68	871,883
54	19	372,917	90	39	506,007
55	35	783,086	91	40	498,500
56	26	573,845	92	30	364,770
57	30	659,870	93	24	293,916
58	39	704,244	94	34	408,796
59	45	889,638	95	14	168,000
60	54	1,019,284	96	11	132,558
61	57	1,235,364	97	7	84,000
62	66	1,317,098	98	2	14,800
63	77	1,526,060	99	6	72,000
64	75	1,447,327	100+	11	132,000
			Total	3,111	\$53,381,986

EXHIBIT G
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
SHOWING STATISTICS ON MISCELLANEOUS ANNUITIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2009

	No.	Annual Payments
Children's Annuities	232	\$1,333,668
Widows' Compensation Annuities	66	3,735,351
Ordinary Disability Benefits	44	1,675,568
Occupational Disease Disability Benefits	52	2,414,209
Duty Disability Benefits	284	14,155,198
Children's Disability Benefits	138	175,898
Totals	816	\$23,489,892

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, 2009

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	41,796	1	53,386							2	95,182
35 to 39			6	264,221	7	316,970	5	263,801	1	54,837			19	899,829
40 to 44			4	182,606	7	330,991	4	160,008					15	673,605
45 to 49			6	259,405	8	387,226	9	455,705	2	92,355	2	118,368	27	1,313,059
50 to 54			4	177,080	5	261,730	11	593,276	9	468,979	4	326,981	33	1,828,046
55 to 59			5	220,010	6	290,219	11	537,036	17	821,541	22	1,224,021	61	3,092,827
60 & over			2	71,352	6	290,876	12	585,220	10	488,664	32	1,657,790	62	3,093,902
Totals	0	\$0	28	\$1,216,470	40	\$1,931,398	52	\$2,595,046	39	\$1,926,376	60	\$3,327,160	219	\$ 10,996,450

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, 2009

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	38,052
35 to 39			3	130,587	2	90,890			1	57,027			6	278,504
40 to 44			1	42,394	2	98,811	3	141,953					6	283,158
45 to 49			1	42,394	5	243,347	2	89,780	4	201,901	2	121,226	14	698,648
50 to 54					3	144,601	8	391,954	4	196,858	1	66,553	16	799,966
55 to 59			2	87,761	1	43,870	4	186,740	3	149,089	4	208,011	14	675,471
60 & over					1	43,870	3	147,833			3	152,269	7	343,972
Totals	0	\$0	9	\$382,165	14	\$665,389	20	\$958,260	12	\$604,875	10	\$548,059	65	\$ 3,158,748

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, 2009

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			1	33,956			1	36,788					2	70,744
40 to 44							3	107,696					3	107,696
45 to 49							1	36,788	4	158,206	1	39,368	6	234,362
50 to 54							1	36,788			5	197,820	6	234,608
55 to 59											6	234,823	6	234,823
60 & over									1	37,301			1	37,301
Totals	0	\$0	1	\$33,956	0	\$0	6	\$218,060	5	\$195,507	12	\$472,011	24	\$ 919,534

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, 2009

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	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34					1	35,591							1	35,591
35 to 39													0	0
40 to 44					1	35,591							1	35,591
45 to 49					1	34,131	2	79,226					3	113,357
50 to 54							1	36,788	2	71,457	4	164,738	7	272,983
55 to 59							1	34,813	6	228,565	1	35,134	8	298,512
60 & over													0	0
Totals	0	\$0	0	\$0	3	\$105,313	4	\$150,827	8	\$300,022	5	\$199,872	20	\$ 756,034

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, 2009

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													0	\$ 0
30 to 34													0	0
35 to 39													0	0
40 to 44													0	0
45 to 49													0	0
50 to 54									3	142,370	5	288,556	8	430,926
55 to 59						3	117,939	3	131,146	16	754,674	22	1,003,759	
60 & over								3	130,567	14	643,434	17	774,001	
Totals	0	\$0	0	\$0	0	\$0	3	\$117,939	9	\$404,083	35	\$1,686,664	47	\$ 2,208,686

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, 2009

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													0	0
60 & over											1	41,375	1	41,375
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	Current Year		Average		Actuarial Assumptions	CPI Chicago	
		Increase	Salary	Increase	Salary			
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
2008	13,373	(2.7)	1,023,580,667	(1.5)	76,541	1.3	5.50 ⁴	(0.6)
2009	13,154	(1.6)	1,011,205,359	(1.2)	76,874	0.4	5.50 ⁴	2.5
Average Increase (Decrease) for the last 5 years:		(0.6)%		3.0 %		3.6 %		2.2 %

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 \$1,011,205,358 current year salary, \$38,046,080 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 2009

	Annuitants	Widows/ Widowers of Deceased Employees ¹	Widows/ Widowers of Deceased Annuitants	Compensation Widows/ Widowers
Number retired/deceased	261	8	129	0
Average age attained	59.2	46.7	69.8	N/A
Average length of service	28.6	N/A	N/A	N/A
Average annual salary [4 out of 10]	\$ 86,043	N/A	N/A	N/A
Average annual final salary	\$ 91,420	N/A	N/A	N/A
Total annual annuity	16,039,190	271,170	3,464,506	0
Average annual annuity	61,453	33,896	26,856	0
Total liability [(Based on 3% Comb. and 4% Amer. Exp.)]	\$ 280,365,611	4,957,041	43,187,191	0
Average liability	\$ 1,074,198	619,630	334,784	0
Total investment [Employee-paid for tax purposes]	\$ 1,853,664	N/A	N/A	N/A
Average investment ²	\$ 7,102	N/A	N/A	N/A
Liability/cost	151.2	N/A	N/A	N/A
Liability/final pay	\$ 11.75	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	Total
	Employee	Spouse ¹	Child	Ordinary	Duty	Occup.	Child ²	Comp.	
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
2008	8,210	3,148	237	39	286	58	139	66	12,183
2009	8,227	3,111	232	44	284	52	138	66	12,154

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
2008	49,239	68	58.3	29.4
2009	50,799	68	59.2	28.6

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
2008	8,210	404,254,060	49,239
2009	8,227	417,924,766	50,799

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
2008	3,148	53,489,665	16,992
2009	3,111	53,381,986	17,159

EXHIBIT P
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Counts of Retirees and Beneficiaries with Healthcare Coverage Subsidies

Year End	Employee	Spouse ¹	Total
2006	7,552	2,104	9,656
2007	7,637	2,253	9,890
2008	7,731	2,286	10,017
2009	7,763	2,285	10,048

¹ Includes children.

APPENDIX 4

ACTUARIAL METHODS AND ASSUMPTIONS AS OF
DECEMBER 31, 2009

ACTUARIAL METHODS AND ASSUMPTIONS

AS OF DECEMBER 31, 2009

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, 2009, and were based on an experience study for the period January 1, 2003, to December 31, 2008.

A. Demographic Assumptions

Mortality:	1994 Group Annuity Mortality Table.
Disabled Mortality:	1994 Group Annuity Mortality Table set forward six years.
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	.0003
27	.0006
32	.0012
37	.0015
42	.0020
47	.0045
52	.0050
57	.0060
62	.0060

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2009 (CONT'D)**

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

Duty Disability	45%
Occupational Disease Disability	15%
Ordinary Disability	40%

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 ¹
49	.00
50	.80
51	.80
52	.80
53	.80
54	.15
55	.15
56	.15
57	.15
58	.15
59	.15
60	.25
61	.30
62	.35
63	1.00

¹ Only for members eligible for a formula annuity.

Turnover Rates:

The following sample rates exemplify the table:

Years of Service	Rate
0	0.028
1	0.022
2	0.014
3	0.013
4-9	0.012
10	0.011
11	0.010
12	0.009
13	0.008
14	0.007
15	0.006
16	0.005
17-25	0.004

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2009 (CONT'D)**

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.

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

Completed Years of Service ^a	Scale
1	0.250
2	0.060
3	0.050
4	0.050
5	0.040
6-9	0.000
10	0.035
11-14	0.000
15	0.035
16-19	0.000
20	0.035
21-24	0.000
25	0.035
Over 25	0.000

^a Includes increases at 12 and 18 months of service.

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.

ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2009 (CONT'D)

- 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 is \$95.00 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and \$65.00 if qualified. 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.
- 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, 2009

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2009**

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, 2009 (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 or receiving a mandatory retirement minimum annuity, 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-purchase 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, 2009 (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, 2009 (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. Salary deductions are contributed by the City.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2009 (CONT'D)**

ORDINARY DISABILITY BENEFIT

Eligibility Disabling condition other than duty or occupational 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 \$95 per month for non-Medicare eligible city annuitants and \$65 per month for Medicare eligible city annuitants through June 30, 2013.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2009 (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% 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%	
		<hr/>	
City Contributions ¹	Employee	9 %	
	Spouse	9-5/7%	
	Annuity Increase	2 %	
		½%	Unallocated
		<hr/>	
		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 2009

LEGISLATIVE CHANGES 1979 THROUGH 2009

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 2009 (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 2009 (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 2009 (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 2009 (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 2009 (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 2009 (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, 2009. 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 2009 (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 2009 (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.

LEGISLATIVE CHANGES 1979 THROUGH 2009 (CONT'D)

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

2008 Session

No legislative changes.

2009 Session

P.A. 95 -1036

- Effective February 17, 2009.
 - For purposes of tax levy, contributions by the policeman to the Fund shall not include payments made by a policeman to establish credit under Section 5-214.2.
 - An officer with prior service credit under article 3,7,9,10,13,14,15 Funds may transfer up to 10 years of service in 6 month increments provided the transfer of service results in no increase to the unfunded actuarial accrued liability of the Fund.

PA 96-0006

- Effective April 3, 2009.
 - The Illinois Governmental Ethics Act.

P.A. 96 -285

- Effective August 11, 2009.
 - Extends PA 95-1036 service purchase eligibility to include members of article 8 Funds and law enforcement officers with any agency of the United States Government.

P.A. 96 -727

- Effective August 25, 2009.
 - Allows an officer with at least 10 years of PABF service to transfer up to 48 months of eligible service as a County Correctional Officer. The officer is required to pay to the Fund the difference between contributions transferred by the County on behalf of the officer and the amount of employee and employer contributions that would have been contributed had the officer been a member of this Fund plus interest at the actuarially assumed rate.

P.A. 96 -745

- Effective August 25, 2009.
 - Transfer of service to Article 14 (State Employees' Retirement System) now includes investigators for the Office of the Attorney General and investigators for
 - The Department of Revenue. Interest on the repayment of refund is changed from 6% to the actuarially assumed rate.

LEGISLATIVE CHANGES 1979 THROUGH 2009 (CONT'D)

PA 96-753

- Effective August 25, 2009.
- Encourages the public pension funds, and any State entity investing on behalf of the public pension funds, to promote the economy of Illinois through the use of economic opportunity investments.
- Instructs the fund's investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.

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.

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 a 13-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 a 13-year history.

Exhibit A-4: Supplementary Information for GASB #25/27

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

Exhibit A-5: 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-6: Pension Cost Summary for GASB #27

This exhibit has a 13-year summary of annual pension cost; percentage of annual pension cost contributed that year and NPO at the end of the year.

Exhibit A-7: 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-8: 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-9: 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-10: Supplementary Information for GASB #43

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

Exhibit A-11: 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-12: 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%
12/31/2008	4,093,719,894	8,482,574,033	4,388,854,139	48.26%	1,023,580,667	428.77%
12/31/2009	3,884,978,241	8,736,101,666	4,851,123,425	44.47%	1,011,205,359	479.74%

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	172,835,805	54.31%
2009	339,488,187	172,043,784	50.68%
2010	363,624,570	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 #25/27

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, 2009
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)

	2008¹	2009¹
Payable to Retirees and Beneficiaries	\$5,129,234,387	\$5,320,018,749
Current Employees:		
Accumulated Employee Contributions Including Statutory Interest	1,144,380,257	1,217,645,647
Payable to Vested and Non-Vested Employees	2,208,959,389	2,198,437,270
Total Actuarial Accrued Liability	\$8,482,574,033	\$8,736,101,666
Net Plan Actuarial Assets	4,093,719,894	3,884,978,241
Unfunded AAL (assets in excess of AAL)	\$4,388,854,139	\$4,851,123,425
Percent Funded	48.26%	44.47%
Unfunded AAL as Percent of Payroll	428.77%	479.74%
Payroll	\$1,023,580,667	\$1,011,205,359

¹ Excludes liabilities for retiree healthcare subsidy.

EXHIBIT A-5
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 2009

Annual Required Contribution (ARC)	\$339,488,187
Interest on Net Pension Obligation	108,839,337
Adjustment to ARC	<u>(74,354,557)</u>
Total	\$373,972,967

Contributions Made in 2009	\$172,043,784 ¹
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Net Pension Obligation (NPO):

NPO at 12/31/2008	\$1,360,491,714
Increase/(Decrease) in NPO	<u>201,929,183</u>
NPO at 12/31/2009	\$1,562,420,897

¹ Includes miscellaneous revenue.

EXHIBIT A-6
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
2008	348,272,798	49.63	1,360,491,714
2009	373,972,967	46.00	1,562,420,897

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

EXHIBIT A-7
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-7 (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	2003
Interest Rate	8.0%	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%	4.0%
Amortization Period (years)	40	40	40	40	40	40	40
Cost Method	EAN	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	\$181,545,562
Interest on Net Pension Obligation	45,288,639	46,767,096	47,214,343	49,407,050	49,862,441	50,162,845	50,850,798
Adjustment to ARC	(25,053,818)	(27,793,719)	(28,059,518)	(29,362,645)	(29,633,285)	(29,811,815)	(30,220,666)
Total	\$127,842,346	\$124,458,001	\$152,690,804	\$145,174,269	\$143,430,813	\$150,588,435	\$202,175,694
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	\$635,634,972
Annual Pension Cost	127,842,346	124,458,001	152,690,804	145,174,269	143,430,813	150,588,435	202,175,694
Total Contributions	(109,361,629)	(118,867,416)	(125,281,970)	(139,481,871)	(139,675,766)	(141,989,027)	(140,807,354)
NPO at End of Year	\$584,588,700	\$590,179,285	\$617,588,119	\$623,280,517	\$627,035,564	\$635,634,972	\$697,003,312

EXHIBIT A-7 (CONT'D)
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) FOR GASB #27
AFTER JANUARY 1, 1997

Year Ending December 31: Assumptions and Method	2004	2005	2006	2007	2008	2009
Interest Rate	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Salary Scale	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Amortization Period (years)	40	40	40	30	30	30
Cost Method	EAN	EAN	EAN	EAN	EAN	EAN
Annual Pension Cost						
Annual Required Contribution (ARC)	\$203,757,534	\$238,423,459	\$273,733,047	\$312,726,608	\$318,234,870	\$339,488,187
Interest on Net Pension Obligation	55,760,265	63,011,086	69,867,777	81,371,562	94,804,378	108,839,337
Adjustment to ARC	(33,138,366)	(37,447,534)	(41,044,237)	(55,589,703)	(64,766,450)	(74,354,557)
Total	\$226,379,433	\$263,987,011	\$302,556,587	\$338,508,467	\$348,272,798	\$373,972,967
Net Pension Obligations (NPO)						
NPO at Beginning of Year	\$697,003,312	\$787,638,572	\$873,347,212	\$1,017,144,522	\$1,185,054,721	\$1,360,491,714
Annual Pension Cost	226,379,433	263,987,011	302,556,587	338,508,467	348,272,798	373,972,967
Total Contributions	(135,744,173)	(178,278,371)	(158,759,277)	(170,598,268)	(172,835,805)	(172,043,784)
NPO at End of Year	\$787,638,572	\$873,347,212	\$1,017,144,522	\$1,185,054,721	\$1,360,491,714	\$1,562,420,897

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-8
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%
12/31/2008	0	169,972,156	169,972,156	0.00%	1,023,580,667	16.61%
12/31/2009	0	164,799,819	164,799,819	0.00%	1,011,205,359	16.30%

EXHIBIT A-9
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	8,850,186	77.98%
2009	11,810,766	9,266,431	78.46%
2010	10,659,006	TBD	TBD

EXHIBIT A-10
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, 2009
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.
Healthcare Cost Trend Rate	0.00% ¹

	2008	2009
Payable to Retirees and Beneficiaries	\$ 106,332,649	\$ 106,119,027
Current Employees:		
Accumulated Employee Contributions Including Statutory Interest	-	-
Payable to Vested and Non-Vested Employees	63,639,507	58,680,792
Total Actuarial Accrued Liability	\$ 169,972,156	\$ 164,799,819
Net Plan Actuarial Assets	-	-
Unfunded AAL (assets in excess of AAL)	\$ 169,972,156	\$ 164,799,819
Percent Funded	0.00%	0.00%
Unfunded AAL as Percent of Payroll	16.61%	16.30%
Payroll	\$1,023,580,667	\$1,011,205,359

¹ Trend not applicable - Fixed dollar subsidy.

EXHIBIT A-11
ANNUAL OPEB COST AND CONTRIBUTIONS
MADE FOR GASB #45

Contribution Rates

City	Pay-as-you-go
Plan Members	None

Annual OPEB Cost for 2009

Annual Required Contribution (ARC)	\$ 11,810,766
Interest on Net OPEB Obligation	253,804
Adjustment to ARC	<u>(201,369)</u>
Total	\$ 11,863,201

Contributions Made in 2009

\$ 9,266,431

Net OPEB Obligation (NOO):

NOO at 12/31/2008	\$ 5,640,081
Increase/(Decrease) in NOO	<u>2,596,770</u>
NOO at 12/31/2009	\$ 8,236,851

EXHIBIT A-12
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
2008	\$11,377,894	77.78%	\$5,640,081
2009	\$11,863,201	78.11%	\$8,236,851