

**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**  
ACTUARIAL VALUATION REPORT FOR THE YEAR ENDING  
DECEMBER 31, 2008



April 9, 2009

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, 2008**

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, 2008. This valuation has been performed to measure the funded status of the Fund and to determine the contribution levels for 2009. In addition, it includes disclosure information required under GASB Statement No. 25, Statement No. 27, Statement No. 43, and Statement No. 45. These actuarial valuations of the Fund are performed annually.

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

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

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

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

This valuation is based upon:

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

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

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

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

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be twice the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 2:1 relationship. The most recent actuarial valuation of the Fund on the State reporting basis shows that a ratio of 5.43:1 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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# TABLE OF CONTENTS

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<b>Summary of Valuation Result</b>		<b>1</b>
<b>Appendix 1</b>	<b>Results of Actuarial Valuation</b>	
Table 1	Summary	11
Table 2	Summary of Basic Actuarial Values	13
Table 3	Development of Actuarially Calculated Contribution for 2009 (State Basis)	14
Table 4	Development of Annual Required Contribution under GASB #25 and GASB #43 for 2009	15
Table 5	Development of Actuarial Gains and Losses for 2008	16
Table 6	History of Recommended Employer Multiples	17
Table 7	Ordinary Death Benefit Reserve	18
Table 8	Actuarial Accrued Liability Prioritized Solvency Test	19
<b>Appendix 2</b>	<b>Assets of the Plan</b>	<b>20</b>
Table 9	Reconciliation of Assets	21
Table 10	Development of Actuarial (Market-Related) Value of Assets	22
<b>Appendix 3</b>	<b>Data Reflecting Plan Members</b>	
Exhibit A	Summary of Changes in Active Participants	23
Exhibit B	Summary of Changes in Annuitants and Beneficiaries	24
Exhibit C	Total Lives and Annual Salaries Classified by Age and Years of Service as of 12/31/2008	
	Part I Active Male Participants	25
	Part II Active Female Participants	26
	Part III All Active Participants	27

## TABLE OF CONTENTS (CONT'D)

---

### Appendix 3 (Cont'd)

Exhibit D	Showing Number of Refund Payments Made During Year for Fiscal Year Ending 12/31/2008	
	Part I    Male Employees	28
	Part II   Female Employees	29
Exhibit E	Showing Statistics on Service Retirement Annuities Classified by Age as of 12/31/2008	30
Exhibit F	Showing Statistics on Widow's Annuities Classified by Age as of 12/31/2008	31
Exhibit G	Showing Statistics on Miscellaneous Annuities for Fiscal Year Ending 12/31/2008	32
Exhibit H	Showing Participants Receiving Duty Disability Classified by Age and Length of Service as of 12/31/2008	
	Part I    Male	33
	Part II   Female	34
Exhibit I	Showing Participants Receiving Ordinary Disability Classified by Age and Length of Service as of 12/31/2008	
	Part I    Male	35
	Part II   Female	36
Exhibit J	Showing Participants Receiving Occupational Disease Disability Classified by Age and Length of Service as of 12/31/2008	
	Part I    Male	37
	Part II   Female	38
Exhibit K	History of Average Annual Salaries	39
Exhibit L	New Annuities Granted During 2008	40
Exhibit M	Retirees and Beneficiaries by Type of Benefit	41

## TABLE OF CONTENTS (CONT'D)

---

Exhibit N	Average Employee Retirement Benefits Payable	42
Exhibit O	History of Annuities	
	Part I Employee Annuitants (Male and Female)	43
	Part II Spouse Annuitants (not including compensation)	44
Exhibit P	Counts of Retirees and Beneficiaries with Healthcare Coverage Subsidies	45
<b>Appendix 4</b>	<b>Actuarial Methods and Assumptions</b>	
	Actuarial Methods and Assumptions	46
<b>Appendix 5</b>	<b>Summary of Provisions of the Fund</b>	
	Summary of Principal Eligibility and Benefit Provisions	49
<b>Appendix 6</b>	<b>Legislative Changes 1979 through 2008</b>	55
<b>Appendix 7</b>	<b>Additional Exhibits — GASB Disclosures</b>	
Exhibit A-1	GASB #25, #27, #43, and #45 Disclosure	65
Exhibit A-2	Schedule of Funding Progress for GASB #25	67
Exhibit A-3	Schedule of Employer Contributions for GASB #25	68
Exhibit A-4	Supplementary Information for GASB #25/27	69
Exhibit A-5	Annual Pension Cost and Contributions Made for GASB #27	70
Exhibit A-6	Pension Cost Summary for GASB #27	71
Exhibit A-7	Development of Net Pension Obligation (NPO)	72
Exhibit A-8	Schedule of Funding Progress for GASB #43	75
Exhibit A-9	Schedule of Employer Contributions for GASB #43	76

## TABLE OF CONTENTS (CONT'D)

---

Exhibit A-10	Supplementary Information for GASB #43 and GASB #45	77
Exhibit A-11	Annual OPEB Cost And Contributions Made For GASB #45	78
Exhibit A-12	OPEB Cost Summary for GASB #45	79

## POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

### SUMMARY OF VALUATION RESULTS

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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, 2008. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2009.
2. To develop the annual required contributions (ARC) under GASB #25 and GASB #43.
3. To develop the annual pension and OPEB costs under GASB #27 and GASB #45.
4. To review the funded status of the Fund.

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

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

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

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

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

### Comments on Results

For State reporting purposes, the minimum actuarially determined contribution for the year ending December 31, 2009, is \$581.0 million (56.8 percent of covered payroll), or \$486.7 million (47.5 percent) after expected employee contributions are subtracted. The 2009 minimum actuarially determined contribution of \$581.0 million compares with \$535.3 million for 2008.



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

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The annual required contribution (ARC) under GASB #25 for the year ending December 31, 2009, is \$339.5 million, which is 33.2 percent of the total payroll. This amount compares with an ARC of \$318.2 million or 30.6 percent of payroll for the year ending December 31, 2008. These amounts are for pension benefits only and are net of employee contributions of \$94.3 million for fiscal year 2009 and \$95.8 million for fiscal year 2008.

GASB #43 requires the calculation of a separate ARC for Other Postemployment Benefits (OPEB). The ARC for the fiscal year 2009 is based on this actuarial valuation as of December 31, 2008. The OPEB ARC for the fiscal year ending December 31, 2009, is \$11.8 million, which is 1.2 percent of the total payroll. This amount compares with an OPEB ARC of \$11.3 million or 1.1 percent of the total payroll for the year ending December 31, 2008.

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.

	<b>Pension ARC</b>	<b>OPEB ARC</b>
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.

On the State reporting basis, the unfunded liability increased from \$4.53 billion to \$5.15 billion and the funded ratio decreased from 46.05% to 40.52%. The funded ratio comparing actuarial value of assets to actuarial liabilities increased from 50.38% to 47.31%. The funded ratio comparing market value of assets to actuarial liabilities decreased from 51.59% to 34.68%.

On a market value basis, the unfunded liability increased due primarily to investment losses and contribution shortfalls. The main source of liability gain was salary experience. There was a loss on invested assets due to an estimated market return of (26.2)% compared with the assumed return of 8.0%. The rate of return on an actuarial value basis was 2.2% 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 (3.6)% was below the assumed return of 8.0%.

The total ARC for 2008 was \$329.6 million compared to actual contributions of \$181.5 million. This difference has increased over the last five years and the impact can be seen in the GASB #27 Net Pension Obligation (NPO). The NPO has increased from \$635.6 million at December 31, 2002, to \$1,360.5 million as of December 31, 2008.

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

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Please also note the highlighted area on page 27 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)**

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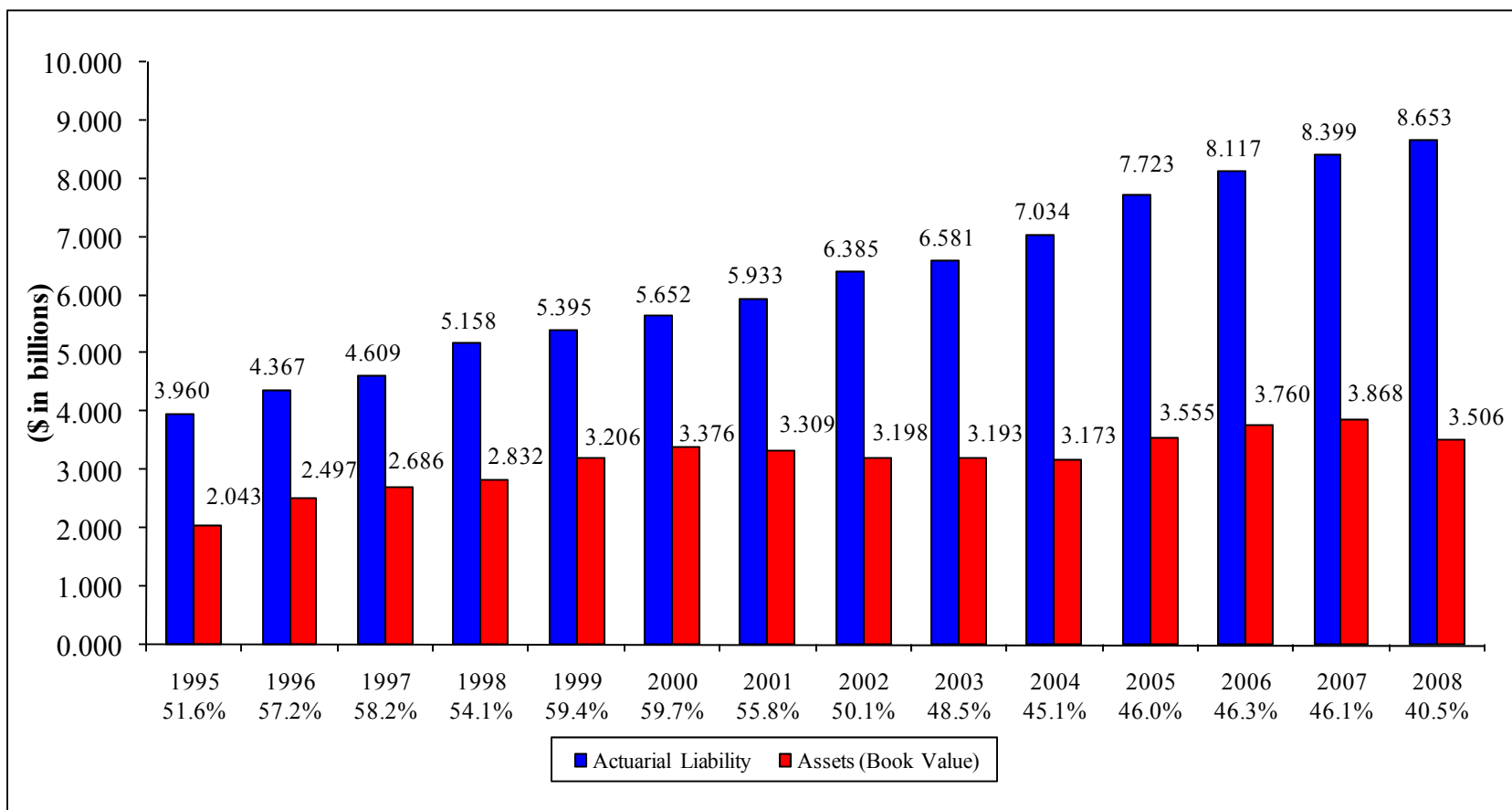
	<u>2007</u>		<u>2008</u>	
	<u>\$ in Millions</u>	<u>% of Pay</u>	<u>\$ in Millions</u>	<u>% of Pay<sup>1</sup></u>
<b>Contribution Levels</b>				
Minimum Actuarially Determined Contribution (State Reporting) <sup>2</sup>	\$ 535.33	51.53%	\$ 580.95	56.76%
Annual Required Contribution <sup>3</sup> (GASB 25 and 43)	329.58	31.72	351.30	34.32
<b>Funded Status</b>				
Book Value of Assets	\$ 3,868.24	372.32%	\$ 3,505.77	342.50%
Actuarial Liability	8,399.39	808.44	8,652.55	845.32
Funded Ratio	46.05%	N/A	40.52%	N/A
<b>Funded Status-Market Value</b>				
Market Value of Assets	\$ 4,333.23	417.07%	\$ 3,001.00	293.19%
Actuarial Liability	8,399.39	808.44	8,652.55	845.32
Funded Ratios	51.59%	N/A	34.68%	N/A
<b>Funded Status - GASB #25 and #43</b>				
Market-Related Value of Assets	\$ 4,231.68	407.30%	\$ 4,093.72	399.94%
Actuarial Liability	8,399.39	808.44	8,652.55	845.32
Funded Ratios	50.38%	N/A	47.31%	N/A

<sup>1</sup> Payroll was \$1,039 million in 2007 and \$1,024 million in 2008.

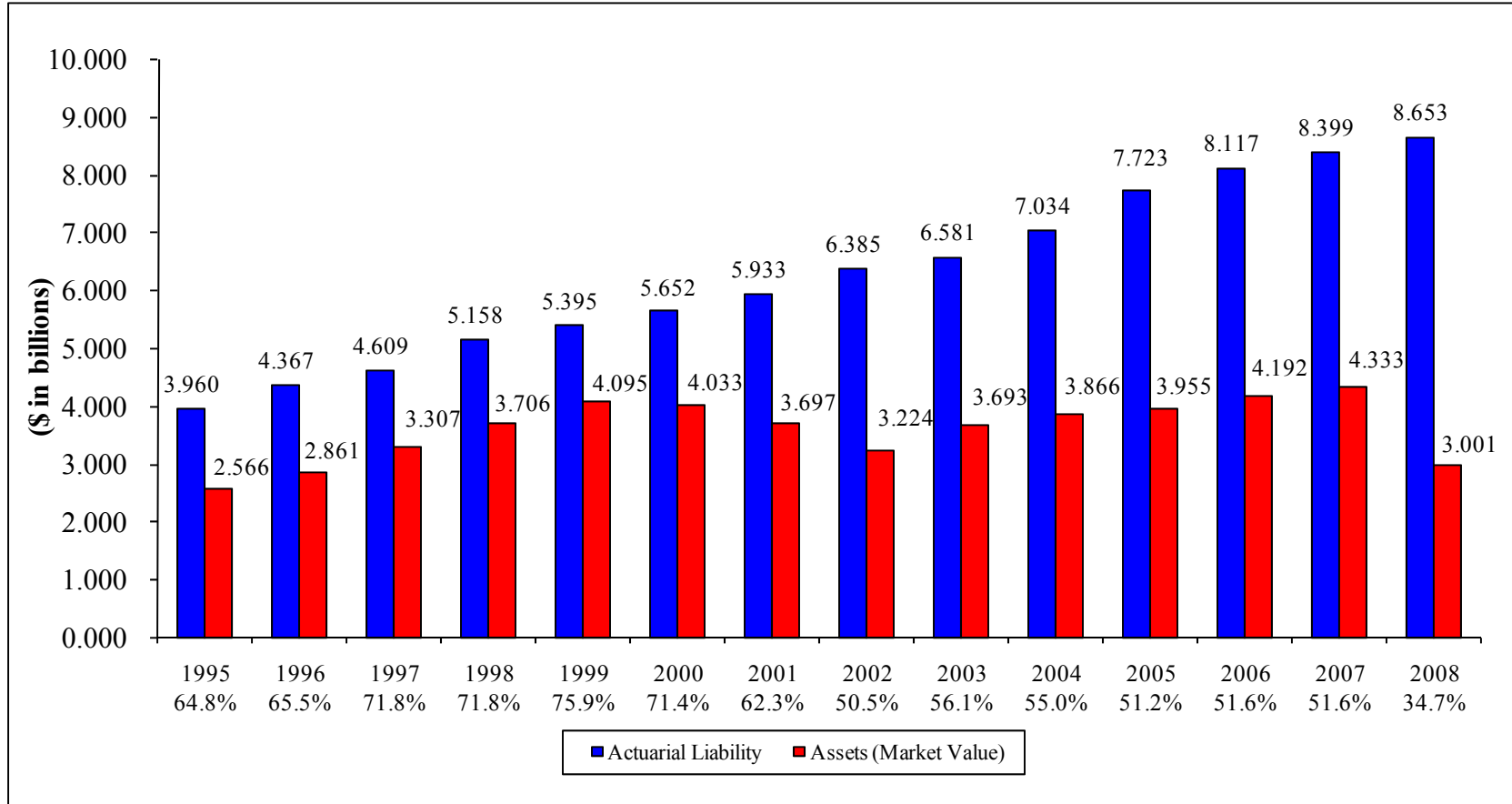
<sup>2</sup> Includes estimated employee contributions of \$95.8 million for 2007 and \$94.3 million for 2008.

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

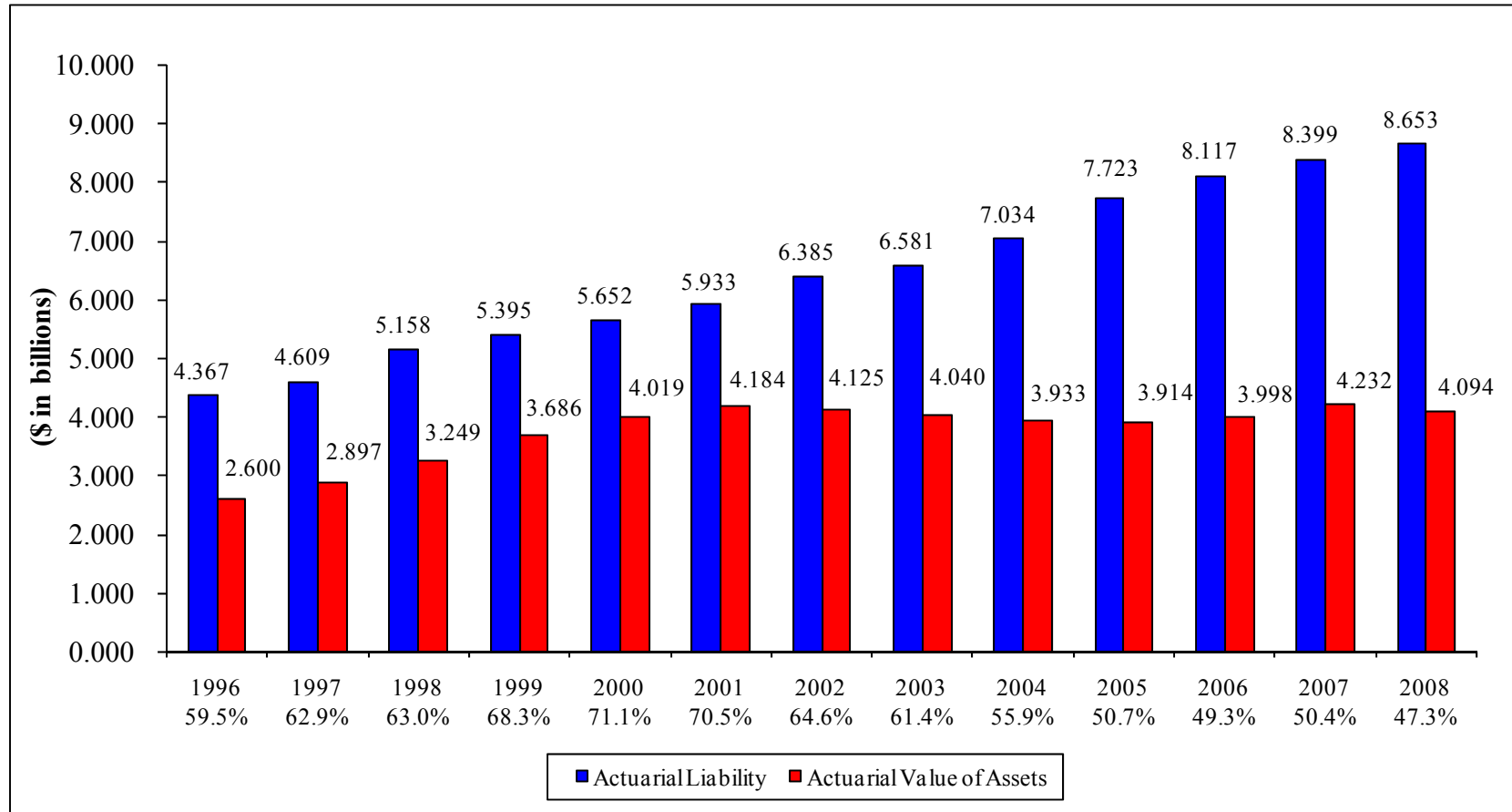
**POLICEMEN'S ANNUITY AND BENEFIT FUND  
COMPONENTS OF FUNDED RATIO  
STATE REPORTING**



**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)**

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**Participants**

	<u>December 31, 2007</u>	<u>December 31, 2008</u>
<b>Active Participants</b>		
Number	13,748	13,373
Average Age	41.8	42.4
Average Service	13.1	13.6
Average Annual Salary	75,572 <sup>1</sup>	76,541 <sup>2</sup>
<b>Retirees</b>		
Number	8,155	8,210
Average Age	67.3	67.6
Average Monthly Benefit	3,949	4,103
<b>Survivors</b>		
Number	3,201	3,214
Average Age	73.9	74.0
Average Monthly Benefit	1,438	1,482

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; 26.5% of the workforce is between the ages of 45 and 54, while 22.0% have 20 or more years of service. The last several years have seen a substantial increase in the total number of retirees and the number of active participants retiring annually. Both statistics should continue to increase because of population aging. Total participants receiving benefits under the Fund, including disabilities, survivors, and children, increased 0.40% during 2008 from 12,135 to 12,183. The total retiree count increased by 0.7% during 2008. Total expenditures for benefits increased from \$477.7 million in 2007 to \$497.7 million during 2008, or 4.19%.

<sup>1</sup>. Average annual salary would have been \$72,759 without the addition of duty availability pay.

<sup>2</sup>. Average annual salary would have been \$73,639 without the addition of duty availability pay.

# **POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**

## **SUMMARY OF VALUATION RESULTS (CONT'D)**

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### **Changes in Plan Provisions**

There were no changes in plan provisions during plan year ending December 31, 2008.

### **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.

### **2008 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 2008 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 136%. The overall result is an actuarial gain.

#### **Retirement**

The number of retirements during 2008 was lower than expected. The ratio of actual retirements to expected retirements was 53%. The overall net effect in this instance is an actuarial gain to the plan.



## **POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**

### **SUMMARY OF VALUATION RESULTS (CONT'D)**

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#### **Disability**

The number of new disabled participants during 2008 was lower than expected. The ratio of actual to expected disability was 63% resulting in a gain to the plan.

#### **Mortality**

There were fewer deaths during 2008 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 2008 increased by 3.2% less than expected from the 2007 average salary. The lower than expected salary increases resulted in a significant actuarial gain to the fund.

#### **Investment Return**

During 2008, assets earned -26.2% on a market basis, -3.6% on a book basis, and 2.2% on an actuarial basis which compares to the assumed return of 8.0%. Overall, the fund experienced an actuarial loss due to investment performance during the year.

#### **Programming changes**

There was a program modification to more accurately account for the cost-of-living increases included in benefits paid to future surviving spouses of current retirees. The modification adjusts the future surviving spouse benefits for cost-of-living adjustments during the period between the valuation date and the retiree's death.

#### **Data**

There were no large gains or losses due to data identified this year.

#### **Changes in Actuarial Assumptions and Methods**

There were no changes in actuarial assumptions or methods.

#### **Conclusion**

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

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## **APPENDIX 1**

### RESULTS OF ACTUARIAL VALUATION

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## POLICEMEN'S ANNUITY AND BENEFIT FUND SUMMARY

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**Table 1**

	December 31,	
	2007	2008
<b><u>Assets</u></b>		
Book Value - Beginning of Year	\$ 3,760,378,124	\$ 3,868,236,918
<b><u>Income</u></b>		
Investment Income Net Expenses	\$ 316,615,222	\$ (135,142,686)
Employer Contributions	178,678,154	181,526,448
Employee Contributions	93,299,996	93,207,408
Miscellaneous	27,821	159,543
Subtotal	\$ 588,621,193	\$ 139,750,713
 <u>Outgo (Refunds, Benefits, &amp; Administration)</u>	 \$ 480,762,399	 \$ 502,219,479
 Book Value - End of Year	 \$ 3,868,236,918	 \$ 3,505,768,152
Market Value - End of Year	4,333,233,927	3,000,998,381
Actuarial Value - End of Year	4,231,681,817	4,093,719,894
 <b><u>Members</u></b>		
Active	13,748	13,373
Retirees	8,155	8,210
Survivors	3,201	3,214
Disabilities	401	383
Inactives	554	636
Children	378	376
 <b><u>Payroll Data</u></b>		
Valuation Payroll	\$ 1,038,957,026	\$ 1,023,580,667
Average Salary	75,572	76,541

## POLICEMEN'S ANNUITY AND BENEFIT FUND SUMMARY

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**Table 1 (cont.)**

	December 31,	
	2007	2008
<u>ACTUARIAL VALUES</u>		
<u>Funding - State Basis</u>		
Actuarial Liability	\$ 8,399,392,479	\$ 8,652,546,189
Assets - Book Value - Net	3,868,236,918	3,505,768,152
Unfunded Liability	4,531,155,561	5,146,778,037
Funded Ratio	46.05%	40.52%
Actuarially Required Total Contribution <sup>1</sup>	\$ 535,331,936	\$ 580,950,254
Deficiency in Required Contribution (est.)	255,630,577	300,002,424
Required Employer Contribution Multiple	4.98	5.43
<u>Termination Values</u>		
Liability	\$ 6,107,684,044	\$ 6,373,350,627
Deficiency	2,239,447,126	2,867,582,475
Quick Ratio	63.33%	55.01%
<u>Funding using Market Values</u>		
Actuarial Liability	\$ 8,399,392,479	\$ 8,652,546,189
Assets - Market Value	4,333,233,927	3,000,998,381
Unfunded Liability	4,066,158,552	5,651,547,808
Funded Ratio	51.59%	34.68%
<u>GASB #25 and #43 Values</u>		
Actuarial Liability <sup>3</sup>	\$ 8,399,392,479	\$ 8,652,546,189
Assets - Actuarial Value	4,231,681,817	4,093,719,894
Unfunded Liability	4,167,710,662	4,558,826,295
Funded Ratio	50.38%	47.31%
Annual Required Contribution (ARC) <sup>2</sup>	329,583,829	351,298,953

1 Includes estimated employee contributions of \$95,770,359 for December 31, 2007, and \$94,347,830 for December 31, 2008.

2 ARC is for the following fiscal year, and is the total under GASB#25 and GASB#43. The fiscal year 2009 ARC for Pension benefits is \$ 339,488,187, and the fiscal year 2009 ARC for OPEB is \$11,810,766.

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**

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**Table 2**

	<b>APV of Projected Benefits</b>	<b>Actuarial Accrued Liability (AAL)</b>
<u>(1) Values for Active Members</u>		
(a) Retirement	\$4,605,699,331	\$3,215,188,981
(b) Termination	96,258,688	23,046,970
(c) Disability	392,228,375	150,673,456
(d) Death	96,393,712	28,069,746
Total for Actives	\$5,190,580,106	\$3,416,979,153
<u>(2) Values for Inactive Members</u>		
(a) Retired	4,482,422,018	4,482,422,018
(b) Survivor	480,758,910	480,758,910
(c) Disability	231,615,079	231,615,079
(d) Inactive (Deferred Vested)	27,367,203	27,367,203
(e) Children	13,403,826	13,403,826
Total for Inactives	5,235,567,036	5,235,567,036
<u>(3) Grand Totals</u>	\$10,426,147,142	\$8,652,546,189
<u>(4) Normal Cost for Active Members</u>	\$ 182,505,483	
<u>(5) Actuarial Present Value of Future Compensation</u>	\$10,344,705,447	

**POLICEMEN'S ANNUITY AND BENEFIT FUND**  
**DEVELOPMENT OF ACTUARIAL**  
**CALCULATED CONTRIBUTION FOR 2009**  
**(STATE BASIS)**

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**Table 3**

<u>(1) Normal Cost (see Table 2)</u>	\$ 182,505,483
<u>(2) Actuarial Accrued Liability (AAL)</u>	\$ 8,652,546,189
<u>(3) Unfunded AAL (UAAL)</u>	
(a) Assets at Book	\$ 3,505,768,152
(b) UAAL (2-3(a))	5,146,778,037
<u>(4) Interest on UAAL Payable at End of Year</u>	\$ 405,793,218
<u>(5) Minimum Actuarially Calculated Contribution</u>	
(a) Interest Adjustment for Semimonthly Payment	\$ (7,348,447)
(b) Total Minimum Contribution (1+4+5(a))	\$ 580,950,254
(c) Total Minimum Contribution (Percent of Pay)	56.76%
<u>(6) Estimated Total Contribution</u>	
(a) City	\$ 186,600,000
(b) Members	94,347,830
(c) Total	\$ 280,947,830
<u>(7) Deficiency/(Excess)</u>	
(a) in Dollars (5(b)-6(c))	\$ 300,002,424
(b) as a Percentage of Pay	29.31%

**POLICEMEN'S ANNUITY AND BENEFIT FUND**  
**DEVELOPMENT OF ANNUAL REQUIRED**  
**CONTRIBUTION UNDER GASB #25 AND GASB #43 FOR 2009<sup>1</sup>**

**Table 4**

	<b>Pension</b>	<b>Health Ins. Supplement</b>	<b>Total</b>
<u>(1) Normal Cost (see Table 2)</u>	\$ 177,030,027	\$ 5,475,456	\$ 182,505,483
<u>(2) Actuarial Accrued Liability (AAL)</u>	\$ 8,482,574,033	\$ 169,972,156	\$ 8,652,546,189
<u>(3) Unfunded AAL (UAAL)</u>			
(a) Actuarial Value of Assets	\$ 4,093,719,894	\$ 0	\$ 4,093,719,894
(b) UAAL (2-3(a))	4,388,854,139	169,972,156	4,558,826,295
<u>(4) Amortization Payable at Beginning of Year<sup>2</sup></u>	\$ 239,862,766	\$ 6,068,553	\$ 245,931,319
<u>(5) Estimated Member Contributions</u>	\$ 94,347,830	\$ 0	\$ 94,347,830
<u>(6) Annual Required Contribution (ARC)</u>			
(a) Interest Adjustment for Semimonthly Payment	16,943,224	266,757	17,209,981
(b) Annual Required Contribution (1 + 4 - 5 + 6(a))	\$ 339,488,187	\$ 11,810,766	\$ 351,298,953
(c) Annual Required Contribution (Percent of Pay)	33.17%	1.15%	34.32%
<u>(7) Estimated City Contribution</u>	\$ 177,071,378	\$ 9,528,622 <sup>3</sup>	\$ 186,600,000
<u>(8) Deficiency/(Excess)</u>			
(a) in Dollars (6(b)-7)	\$ 162,416,809	\$ 2,282,144	\$ 164,698,953
(b) as a Percentage of Pay	15.87%	0.22%	16.09%

<sup>1</sup> Pension liabilities were discounted at 8.0% per year, and OPEB liabilities discounted at 4.5% per year.

<sup>2</sup> Amortization is over a 30-year period as a level percent of pay.

<sup>3</sup> Represents expected health insurance supplemental benefits for fiscal year 2009.

**POLICEMEN'S ANNUITY AND BENEFIT FUND**  
**DEVELOPMENT OF ACTUARIAL GAINS AND LOSSES FOR 2008**

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**Table 5**

<u>UNFUNDED ACTUARIAL ACCRUED LIABILITY - BEGINNING OF 2008</u>	
(1) Actuarial Accrued Liability - 12/31/2007	\$8,399,392,479
(2) Assets at Book Value - 12/31/2007	<u>3,868,236,918</u>
(3) Unfunded Accrued Actuarial Liability - 12/31/2007	\$4,531,155,561
 <u>EXPECTED UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2008</u>	
(4) Normal Cost for 2008	\$ 184,545,154
(5) Total Contributions for 2008	274,893,399
(6) Interest on (3), (4), & (5) at Valuation Rate	<u>360,191,209</u>
(7) Expected Unfunded Actuarial Accrued Liability - 12/31/2008	\$4,800,998,525
((3)+(4)-(5)+(6))	
 <u>DEVIATIONS FROM EXPECTED</u>	
(8) (Gain)/Loss on Investment Return (Book Value)	\$440,358,163
(9) (Gain)/Loss from Salary Changes	(114,688,769)
(10) (Gain)/Loss from Retirement	(17,601,575)
(11) (Gain)/Loss from Turnover	(8,159,439)
(12) (Gain)/Loss from Mortality	(10,544,516)
(13) (Gain)/Loss from Disability	(7,907,183)
(14) (Gain)/Loss from Program Changes	62,327,746
(15) (Gain)/Loss from New Entrants	2,079,063
(16) (Gain)/Loss from All Other Sources	<u>(83,977)</u>
(17) Composite Actuarial (Gain)/Loss	\$345,779,512
 <u>UNFUNDED ACTUARIAL ACCRUED LIABILITY - END OF 2008</u>	
(18) Unfunded Accrued Actuarial Liability - 12/31/2008 ((7)+(16))	\$5,146,778,037



**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 <sup>4</sup>	
			Level \$	Level % of Salary
1974	1.90	2.90	-	-
1975 <sup>1</sup>	1.97	2.87	-	-
1976 <sup>1</sup>	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 <sup>1</sup>	1.97	3.11	3.32	2.41
1980	1.97	3.07	3.27	2.38
1981 <sup>1</sup>	1.97	3.06	3.26	2.39
1982 <sup>1,2</sup>	2.00	3.29	3.44	2.60
1983 <sup>1,2</sup>	2.00	4.11	4.29	3.12
1984	2.00	4.26	4.46	3.24
1985 <sup>1,2</sup>	2.00	4.50	4.70	3.48
1986 <sup>1</sup>	2.00	4.15	4.31	3.18
1987 <sup>1</sup>	2.00	4.13	4.29	3.16
1988	2.00	4.16	4.32	3.18
1989 <sup>1,2</sup>	2.00	3.79	3.91	2.85
1990 <sup>3</sup>	2.00	3.58	3.68	2.73
1991	2.00	3.80	3.91	2.98
1992 <sup>1</sup>	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 <sup>1,2</sup>	2.00	3.63	3.77	2.56
1999	2.00	3.15	3.27	2.24
2000 <sup>1</sup>	2.00	3.27	3.39	2.32
2001 <sup>2</sup>	2.00	3.63	3.78	2.56
2002	2.00	4.62	4.79	3.33
2003 <sup>1,2</sup>	2.00	4.46	4.63	3.23
2004 <sup>2</sup>	2.00	4.99	5.18	3.60
2005 <sup>1,2</sup>	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

<sup>1</sup>Change in actuarial assumptions.

<sup>2</sup>Change in benefits.

<sup>3</sup>Change in actuary.

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

**POLICEMEN'S ANNUITY AND BENEFIT FUND**  
**ORDINARY DEATH BENEFIT RESERVE**

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**Table 7**

Actuarial Balance Sheet – 6% Basis

December 31, 2008

**ASSETS**

Fund Balance	<b>\$(14,164,304)</b>
Present Values of Future Contributions:	
Contributions by Members at \$30.00 a Year	4,902,923
Annual City Contribution of \$224,000	2,737,493
Unfunded Liability	36,323,549
<b>TOTAL ASSETS</b>	<b>\$ 29,799,661</b>

**LIABILITIES**

Present Value of Future Death Benefits (6%, 83 GAM)	
Active & Disabled Members	7,011,744
Retired Members	22,787,917
<b>TOTAL LIABILITIES</b>	<b>\$ 29,799,661</b>

**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 <sup>1,2</sup>	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 <sup>1</sup>	818,382,556	3,228,954,418	1,604,693,684	4,019,467,561	100.00%	99.14%	0.00%
2001 <sup>2</sup>	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 <sup>1,2</sup>	893,425,839	3,856,262,804	1,831,744,607	4,039,695,590	100.00%	81.59%	0.00%
2004 <sup>2</sup>	910,480,098	4,313,531,046	1,810,260,330	3,933,031,342	100.00%	70.07%	0.00%
2005 <sup>1,2</sup>	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%

<sup>1</sup>Change in actuarial assumptions.

<sup>2</sup>Change in benefits.

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## **APPENDIX 2**

### ASSETS OF THE PLAN

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## **POLICEMEN'S ANNUITY AND BENEFIT FUND**

### **ASSETS OF THE PLAN**

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The book value of the plan assets, net of accounts payable, decreased from \$3.868 billion as of December 31, 2007, to \$3.506 billion as of December 31, 2008, and the market value of the plan assets, net of accounts payable, decreased from \$4.333 billion as of December 31, 2007, to \$3.001 billion as of December 31, 2008. Table 8 details the development of asset values during 2008 and Table 9 shows the development of the actuarial value of assets as of December 31, 2008.

**POLICEMEN'S ANNUITY AND BENEFIT FUND**  
**RECONCILIATION OF ASSETS**  
**AS OF DECEMBER 31, 2008**

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**Table 9**

	<b>Market Value</b>	<b>Book Value</b>
1. Value of assets as of 12/31/2007	\$4,333,233,927	\$3,868,236,918
2. Income for plan year:		
a) Member contributions	\$ 93,207,408	\$ 93,207,408
b) City contributions	181,526,448	181,526,448
c) Investment income net of expenses	(1,104,909,466)	(135,142,686)
d) Miscellaneous revenue	159,543	159,543
e) Total income	(\$830,016,067)	\$ 139,750,713
3. Disbursements for plan year:		
a) Benefit payments		
i) Pension, disability and death benefit payments	\$ 482,752,674	\$ 482,752,674
ii) Healthcare premiums	8,850,186	8,850,186
b) Refunds	6,118,449	6,118,449
c) Administration	4,498,170	4,498,170
d) Total disbursements	\$ 502,219,479	\$ 502,219,479
4. Value of assets as of 12/31/2008	\$3,000,998,381	\$3,505,768,152
5. Estimated rate of return in 2008: <sup>1</sup>		
a) Gross	-25.95%	-3.30%
b) Net of investment expense (Investment expense of \$11,476,546)	-26.19%	-3.60%

<sup>1</sup> 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, 2008**

**Table 10**

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

- a) Market value of assets as of 12/31/2007 \$4,333,233,927
- b) Actual income and disbursements in prior year weighted for timing

Item	Amount	Weight for Timing	Weighted Amount
i) Member contributions	\$ 93,207,408	50.0%	\$ 46,603,704
ii) City contributions	181,526,448	50.0%	90,763,224
iii) Miscellaneous revenue	159,543	50.0%	79,772
iv) Benefit payments	(491,602,860)	50.0%	(245,801,430)
v) Refunds	(6,118,449)	50.0%	(3,059,225)
vi) Administration	(4,498,170)	50.0%	(2,249,085)
vii) Total			\$(113,663,040)

- c) Market value of assets adjusted for actual income and disbursements [(a) + (b)(vii)] \$4,219,570,887
- d) Assumed rate of return on plan assets for the year 8.00%
- e) Expected return [(c) \* (d)] \$ 337,565,671

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

- a) Market value of assets as of 12/31/2007 \$4,333,233,927
- b) Income (less investment income) for prior plan year 274,893,399
- c) Disbursements paid in prior year 502,219,479
- d) Market value of assets as of 12/31/2008 3,000,998,381
- e) Actual return [(d) + (c) - (b) - (a)] (\$1,104,909,466)

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

\$ (1,442,475,137)

**4. Actuarial Value of Assets as of 12/31/2008**

- a) Market value of assets as of 12/31/2008 3,000,998,381
- b) Deferred investment gains and (losses) for last 5 years

	Plan Year	Gain/(Loss)	Percent Deferred	Deferred Amount
i)	2004	\$80,260,745	0.00%	\$ 0
ii)	2005	(40,981,038)	20.00%	(8,196,208)
iii)	2006	139,289,537	40.00%	55,715,815
iv)	2007	22,898,317	60.00%	13,738,990
v)	2008	(1,442,475,137)	80.00%	(1,153,980,110)
vi)	Total	(\$1,241,007,576)		(\$1,092,721,513)

- c) Actuarial Value of Assets 4,093,719,894

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.

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## **APPENDIX 3**

### DATA REFLECTING PLAN MEMBERS

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**EXHIBIT A**  
**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**  
**SUMMARY OF CHANGES IN ACTIVE PARTICIPANTS**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2008**

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Participants at Beginning of Fiscal Year	<b>10,441</b>	<b>3,307</b>	<b>13,748</b>
Increases:			
Participants Added During Year	92	36	128
Participants Returning From Inactive or Disability Status	10	7	17
Totals	10,543	3,350	13,893
Decreases:			
Terminations During Year	409	111	520
Number of Participants at End of Fiscal Year	10,134	3,239	13,373
Total Inactive Participants			636
<u>Terminations:</u>			
Withdrawal (With Refunds) <sup>1</sup>	26	11	37
Withdrawal (Without Refunds)	109	25	134
Ordinary Disability Benefit	9	3	12
Occupational Disease Disability Benefit	4	0	4
Duty Disability Benefit	9	5	14
Retirements	234	65	299
Deaths (Occupational)	2	0	2
Deaths (Non-occupational)	16	2	18
<b>Totals</b>	<b>409</b>	<b>111</b>	<b>520</b>

<sup>1</sup> This total differs from the total of 82 shown in Exhibit D due to the fact that only 37 of the refunds were paid to participants who were considered to be active as of December 31, 2007.

**EXHIBIT B**  
**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**  
**SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2008**

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	<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	8,155	340	285	8,210
Widow Annuities	3,137	188	177	3,148
Children's Annuities	242	13	18	237
Ordinary Disability Benefit (Non-Occupational)	52	12	25	39
Occupational Disease Disability Benefit	65	5	12	58
Duty Disability Benefit (Occupational)	284	23	21	286
Children's Disability Benefit	136	20	17	139
Widows' Compensation Annuities (Service Connected Death)	64	2	0	66
Totals	<u>12,135</u>	<u>603</u>	<u>555</u>	<u>12,183</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, 2008**

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	10 431,040	43 2,572,552	1 43,104							54	3,046,696
25 to 29	47 2,025,888	704 44,848,472	196 14,001,862							947	60,876,222
30 to 34	16 806,008	423 27,408,678	832 59,788,564	95 7,149,784						1,366	95,153,034
35 to 39	10 431,040	225 14,589,140	701 50,254,799	1,029 78,892,719	180 14,981,034					2,145	159,148,731
40 to 44	1 43,104	75 4,964,070	307 21,918,305	779 59,096,614	635 51,882,828	140 12,540,338				1,937	150,445,258
45 to 49		1 67,912	106 7,569,496	367 27,607,852	430 34,455,448	517 45,347,494	43 4,174,366			1,464	119,222,568
50 to 54	3 631,164		41 2,929,874	151 11,268,337	211 16,764,064	413 35,177,776	210 19,507,524	27 2,675,520		1,056	88,954,259
55 to 59	1 166,864		16 1,138,912	73 5,475,874	91 7,156,792	160 13,192,698	251 22,265,024	141 13,022,540	163 15,727,780	896	78,146,484
60 to 64			3 216,984	10 735,760	11 848,559	24 1,937,550	39 3,327,984	42 3,765,801	140 13,007,956	269	23,840,594
65 and over										0	0
<b>Total Active</b>	<b>88</b>	<b>1,471</b>	<b>2,203</b>	<b>2,504</b>	<b>1,558</b>	<b>1,254</b>	<b>543</b>	<b>210</b>	<b>303</b>	<b>10,134</b>	
<b>Annual Salary</b>	<b>\$4,535,108</b>	<b>\$94,450,824</b>	<b>\$157,861,899</b>	<b>\$190,226,939</b>	<b>\$126,088,724</b>	<b>\$108,195,856</b>	<b>\$49,274,898</b>	<b>\$19,463,861</b>	<b>\$ 28,735,736</b>		<b>\$ 778,833,846</b>

**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, 2008**

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	4 172,416	10 595,984								14	768,400
25 to 29	16 689,664	208 13,381,252	38 2,724,512							262	16,795,428
30 to 34	6 258,624	133 8,614,636	231 16,551,006	18 1,338,588						388	26,762,854
35 to 39	7 301,728	105 6,802,158	216 15,483,584	244 18,529,516	50 4,027,538					622	45,144,524
40 to 44		34 2,246,434	114 8,167,692	224 16,768,910	186 14,976,102	44 3,762,374				602	45,921,512
45 to 49			50 3,571,682	147 10,950,864	166 13,304,782	169 14,514,586	20 1,916,252			552	44,258,166
50 to 54		1 64,852	21 1,494,822	95 7,070,882	133 10,458,622	161 13,642,394	52 4,742,206	4 376,426	1 78,736	468	37,928,940
55 to 59			4 284,728	39 2,920,050	80 6,200,000	69 5,609,436	46 4,245,688	22 1,976,026	9 912,036	269	22,147,964
60 to 64			2 142,364	6 447,246	24 1,863,366	15 1,242,504	4 338,104	3 278,706	8 706,742	62	5,019,032
65 and over										0	0
<b>Total Active</b>	<b>33</b>	<b>491</b>	<b>676</b>	<b>773</b>	<b>639</b>	<b>458</b>	<b>122</b>	<b>29</b>	<b>18</b>	<b>3,239</b>	
<b>Annual Salary</b>	<b>\$1,422,432</b>	<b>\$31,705,316</b>	<b>\$48,420,390</b>	<b>\$58,026,056</b>	<b>\$50,830,410</b>	<b>\$38,771,294</b>	<b>\$11,242,250</b>	<b>\$2,631,158</b>	<b>\$ 1,697,514</b>		<b>\$ 244,746,820</b>

**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, 2008**

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	14 603,456	53 3,168,536	1 43,104							68	3,815,096
25 to 29	63 2,715,552	912 58,229,724	234 16,726,374							1,209	77,671,650
30 to 34	22 1,064,632	556 36,023,314	1,063 76,339,570	113 8,488,372						1,754	121,915,888
35 to 39	17 732,768	330 21,391,298	917 65,738,383	1,273 97,422,235	230 19,008,572					2,767	204,293,255
40 to 44	1 43,104	109 7,210,504	421 30,085,997	1,003 75,865,524	821 66,858,930	184 16,302,712				2,539	196,366,770
45 to 49		1 67,912	156 11,141,178	514 38,558,716	596 47,760,230	686 59,862,080	63 6,090,618			2,016	163,480,734
50 to 54	3 631,164	1 64,852	62 4,424,696	246 18,339,219	344 27,222,686	574 48,820,170	262 24,249,730	31 3,051,946	1 78,736	1,524	126,883,199
55 to 59	1 166,864		20 1,423,640	112 8,395,924	171 13,356,792	229 18,802,134	297 26,510,712	163 14,998,566	172 16,639,816	1,165	100,294,448
60 to 64			5 359,348	16 1,183,006	35 2,711,925	39 3,180,054	43 3,666,088	45 4,044,507	148 13,714,698	331	28,859,626
65 and over										0	0
<b>Total Active</b>	<b>121</b>	<b>1,962</b>	<b>2,879</b>	<b>3,277</b>	<b>2,197</b>	<b>1,712</b>	<b>665</b>	<b>239</b>	<b>321</b>	<b>13,373</b>	
<b>Annual Salary</b>	<b>\$5,957,540</b>	<b>\$126,156,140</b>	<b>\$206,282,289</b>	<b>\$248,252,995</b>	<b>\$176,919,134</b>	<b>\$146,967,150</b>	<b>\$60,517,148</b>	<b>\$22,095,019</b>	<b>\$ 30,433,250</b>		<b>\$ 1,023,580,667</b>

**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, 2008**

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							<b>0</b>
20 to 24	2						<b>2</b>
25 to 29	2	2			1	2	<b>7</b>
30 to 34	2	3	1	3	1	11	<b>21</b>
35 to 39		1			2	15	<b>18</b>
40 to 44				2		4	<b>6</b>
45 to 49						4	<b>4</b>
50 to 54						1	<b>1</b>
55 to 59					1		<b>1</b>
60 & over						1	<b>1</b>
<b>Totals</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>5</b>	<b>5</b>	<b>38</b>	<b>61</b>

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,**  
**2008**

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	2		1				3
30 to 34	3					2	5
35 to 39						4	4
40 to 44					1	4	5
45 to 49						2	2
50 to 54							0
55 to 59	1						1
60 & over							0
<b>Totals</b>	<b>7</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>12</b>	<b>21</b>

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, 2008**

AGE	MALE		FEMALE		TOTAL	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 50	6	\$ 75,600	7	\$ 88,200	13	\$ 163,800
50	6	221,182	3	67,888	9	289,070
51	17	841,686	10	444,210	27	1,285,896
52	16	651,453	16	691,132	32	1,342,585
53	26	1,271,104	13	530,189	39	1,801,293
54	37	2,014,688	22	957,227	59	2,971,915
55	60	3,040,276	30	1,415,020	90	4,455,296
56	110	5,616,367	32	1,502,439	142	7,118,806
57	228	12,751,186	43	2,153,704	271	14,904,890
58	261	15,034,320	53	2,490,658	314	17,524,978
59	331	18,022,815	31	1,475,216	362	19,498,031
60	389	21,415,292	71	3,421,071	460	24,836,363
61	504	28,085,158	49	2,366,791	553	30,451,949
62	492	26,709,238	36	1,478,534	528	28,187,772
63	379	20,509,423	36	1,526,224	415	22,035,647
64	399	21,550,079	42	1,855,061	441	23,405,140
65	422	22,447,102	39	1,517,475	461	23,964,577
66	383	19,966,015	24	954,760	407	20,920,775
67	344	17,272,780	19	836,800	363	18,109,580
68	280	14,102,710	16	683,842	296	14,786,552
69	256	12,766,798	4	135,517	260	12,902,315
70	259	12,740,408	4	192,547	263	12,932,955
71	193	8,900,227	6	269,095	199	9,169,322
72	177	8,288,501	5	252,630	182	8,541,131
73	165	7,817,789	0	0	165	7,817,789
74	156	7,207,896	0	0	156	7,207,896
75	175	7,872,342	0	0	175	7,872,342
76	184	8,343,664	0	0	184	8,343,664
77	163	7,412,344	0	0	163	7,412,344
78	167	7,269,245	0	0	167	7,269,245
79	161	6,996,400	0	0	161	6,996,400
80	132	5,116,917	0	0	132	5,116,917
81	112	4,540,779	0	0	112	4,540,779
82	113	4,211,217	0	0	113	4,211,217
83	97	3,594,735	0	0	97	3,594,735
84	103	3,685,261	0	0	103	3,685,261
85 to 89	249	7,596,576	4	86,976	253	7,683,552
90 to 94	30	694,136	1	12,600	31	706,736
95 to 99	11	181,945	0	0	11	181,945
100+	1	12,600	0	0	1	12,600
<b>Totals</b>	<b>7,594</b>	<b>\$376,848,254</b>	<b>616</b>	<b>\$27,405,806</b>	<b>8,210</b>	<b>\$404,254,060</b>



**EXHIBIT F**  
**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**  
**SHOWING STATISTICS ON WIDOW'S ANNUITIES**  
**CLASSIFIED BY AGE AS OF DECEMBER 31, 2008**

Age	No.	Annual Payments	Age	No.	Annual Payments
Under 30	3	\$ 60,830	65	71	\$ 1,282,763
30	0	0	66	85	1,641,176
31	0	0	67	77	1,534,452
32	0	0	68	67	1,308,714
33	2	39,480	69	79	1,524,824
34	2	45,097	70	105	1,807,345
35	1	19,097	71	97	1,691,822
36	4	77,899	72	90	1,717,686
37	3	52,556	73	91	1,643,623
38	3	62,345	74	78	1,386,760
39	7	167,395	75	101	1,685,264
40	2	39,632	76	95	1,636,502
41	4	73,384	77	114	1,929,670
42	3	57,023	78	103	1,758,195
43	5	92,881	79	96	1,593,283
44	6	123,224	80	101	1,544,447
45	6	104,628	81	118	1,843,777
46	5	106,392	82	120	1,720,581
47	9	159,241	83	115	1,670,813
48	11	212,439	84	89	1,265,833
49	12	230,815	85	88	1,231,035
50	12	207,539	86	69	982,361
51	15	280,231	87	76	1,037,710
52	16	350,037	88	69	877,780
53	19	353,506	89	43	604,896
54	29	628,676	90	47	591,300
55	22	448,929	91	34	418,664
56	28	611,091	92	28	345,309
57	36	627,099	93	37	449,596
58	43	846,604	94	17	211,552
59	54	1,078,594	95	14	168,558
60	53	1,213,695	96	9	108,000
61	63	1,294,546	97	7	86,748
62	72	1,499,513	98	10	118,800
63	72	1,362,637	99	7	84,000
64	65	1,290,771	100+	14	168,000
			<b>Total</b>	<b>3,148</b>	<b>\$53,489,665</b>

**EXHIBIT G**  
**POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**  
**SHOWING STATISTICS ON MISCELLANEOUS ANNUITIES**  
**FOR FISCAL YEAR ENDING DECEMBER 31, 2008**

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	<b>No.</b>	<b>Annual Payments</b>
Children's Annuities	237	\$1,330,637
Widows' Compensation Annuities	66	3,655,451
Ordinary Disability Benefits	39	1,458,888
Occupational Disease Disability Benefits	58	2,641,785
Duty Disability Benefits	286	13,923,016
Children's Disability Benefits	139	166,800
<b>Totals</b>	<b>825</b>	<b>\$23,176,577</b>

**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, 2008**

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total Annual Payments	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments		
UNDER 30			1	41,796									1	\$ 41,796
30 to 34					1	53,386							1	53,386
35 to 39			5	213,287	6	282,839	2	106,359					13	602,485
40 to 44			4	178,810	10	478,243	3	154,923	1	35,328			18	847,304
45 to 49			6	259,405	8	358,452	8	409,176	1	54,837	2	118,368	25	1,200,238
50 to 54			8	347,461	4	216,241	10	461,417	11	539,949	5	281,314	38	1,846,382
55 to 59			1	46,804	6	291,533	14	680,399	18	877,245	26	1,361,969	65	3,257,950
60 & over			3	119,794	5	240,732	9	444,809	7	346,615	37	1,881,453	61	3,033,403
<b>Totals</b>	<b>0</b>	<b>\$0</b>	<b>28</b>	<b>\$1,207,357</b>	<b>40</b>	<b>\$1,921,426</b>	<b>46</b>	<b>\$2,257,083</b>	<b>38</b>	<b>\$1,853,974</b>	<b>70</b>	<b>\$3,643,104</b>	<b>222</b>	<b>\$ 10,882,944</b>

**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, 2008**

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							5	221,477
40 to 44			2	84,787	2	93,561	2	92,657					6	271,005
45 to 49					5	235,220	3	135,270	3	147,064	2	121,226	13	638,780
50 to 54					3	143,125	8	396,736	4	196,858	2	98,810	17	835,529
55 to 59			2	83,965	2	100,732	2	90,979	3	137,716	5	258,676	14	672,068
60 & over			1	46,804			5	242,343			1	33,037	7	322,184
<b>Totals</b>	<b>0</b>	<b>\$0</b>	<b>10</b>	<b>\$425,172</b>	<b>14</b>	<b>\$663,528</b>	<b>20</b>	<b>\$957,985</b>	<b>10</b>	<b>\$481,638</b>	<b>10</b>	<b>\$511,749</b>	<b>64</b>	<b>\$ 3,040,072</b>

**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, 2008**

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39					2	71,182							2	71,182
40 to 44							3	107,696					3	107,696
45 to 49							1	36,788	5	193,019			6	229,807
50 to 54									1	32,884	3	111,818	4	144,702
55 to 59									2	72,618	4	157,802	6	230,420
60 & over													0	0
<b>Totals</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>2</b>	<b>\$71,182</b>	<b>4</b>	<b>\$144,484</b>	<b>8</b>	<b>\$298,521</b>	<b>7</b>	<b>\$269,620</b>	<b>21</b>	<b>\$ 783,807</b>

**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, 2008**

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39													0	0
40 to 44													0	0
45 to 49							1	36,095	1	35,995	1	46,634	3	118,724
50 to 54									6	217,127	2	78,736	8	295,863
55 to 59							1	34,813	5	190,547	1	35,134	7	260,494
60 & over													0	0
<b>Totals</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>2</b>	<b>\$70,908</b>	<b>12</b>	<b>\$443,669</b>	<b>4</b>	<b>\$160,504</b>	<b>18</b>	<b>\$ 675,081</b>

**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, 2008**

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30													0	\$ 0
30 to 34													0	0
35 to 39													0	0
40 to 44													0	0
45 to 49									2	94,844			2	94,844
50 to 54							1	41,028			4	226,028	5	267,056
55 to 59							2	76,911	3	127,218	24	1,105,024	29	1,309,153
60 & over									4	165,414	13	599,795	17	765,209
<b>Totals</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>0</b>	<b>\$0</b>	<b>3</b>	<b>\$117,939</b>	<b>9</b>	<b>\$387,476</b>	<b>41</b>	<b>\$1,930,847</b>	<b>53</b>	<b>\$ 2,436,262</b>

**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, 2008**

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



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

Year End	Members in Service	Increase	Current Year Salary	Increase	Average Salary	Increase	Actuarial Assumptions	CPI Chicago
1968	12,427	6.8	\$108,057,504	11.2	\$8,895	6.5	3.50	4.3
1969	12,595	1.4	136,846,000	26.6	10,865	22.1	3.50	5.4
1970	12,948	2.8	160,682,780	17.4	12,410	4.2	3.50	5.6
1971	13,296	2.7	178,077,405	10.8	13,393	7.9	5.00	3.9
1972	13,318	0.2	185,841,384	4.4	13,954	4.2	5.00	2.9
1973	13,692	2.8	196,404,600	5.7	14,344	2.8	5.00	6.2
1974	13,291	(2.9)	205,212,984	4.5	15,440	7.6	5.00	10.7
1975	13,163	(1.0)	226,348,320	10.3	17,196	11.4	5.00	7.9
1976	13,353	1.4	244,004,592	7.8	18,273	6.3	5.00	4.8
1977	13,446	0.7	259,475,784	6.3	19,298	5.6	5.00	6.4
1978	13,107	(2.5)	270,132,744	4.1	20,610	6.8	5.00	8.6
1979	12,635	(3.6)	277,077,160	2.5	21,924	6.4	5.00	12.5
1980	12,587	(0.4)	292,438,368	5.5	23,233	6.0	5.00	14.4
1981	12,465	(1.0)	310,153,128	6.1	24,882	7.1	5.00	9.6
1982	12,810	2.8	348,850,944	12.5	27,233	9.4	6.00	6.8
1983	12,557	(2.0)	381,553,344	9.4	30,386	11.6	6.00	4.0
1984 <sup>1</sup>	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 <sup>2</sup>	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 <sup>3</sup>	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 <sup>4</sup>	3.6
2006	13,749	2.1	1,012,983,635	6.7	73,677	4.5	5.50 <sup>4</sup>	0.7
2007	13,748	0.0	1,038,957,026	2.6	75,572	2.6	5.50 <sup>4</sup>	4.7
2008	13,373	(2.7)	1,023,580,667	(1.5)	76,541	1.3	5.50 <sup>4</sup>	(0.6)
<b>Average Increase (Decrease) for the last 5 years:</b>		<b>(0.5)%</b>		<b>3.0 %</b>		<b>3.5 %</b>		<b>2.1 %</b>

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

<sup>2</sup> Figures do not include retroactive raise.

<sup>3</sup> Pay definition changed to include duty availability pay. Of the \$1,023,580,667 current year salary, \$38,811,267 is duty availability pay.

<sup>4</sup> 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 2008**

	Annuitants	Widows/ Widowers of Deceased Employees <sup>1</sup>	Widows/ Widowers of Deceased Annuitants	Compensation Widows/ Widowers
Number retired/deceased	340	12	167	2
Average age attained	58.3	55.6	70.0	49.7
Average length of service	29.4	N/A	N/A	N/A
Average annual salary [4 out of 10]	\$ 83,545	N/A	N/A	N/A
Average annual final salary	\$ 91,297	N/A	N/A	N/A
Total annual annuity	19,950,180	315,720	3,615,884	113,687
Average annual annuity	58,677	26,310	21,652	56,843
Total liability [3.0% UP-1984]	\$ 226,298,640	4,465,057	37,104,946	1,608,198
Average liability	\$ 665,584	372,088	222,185	804,099
Total investment [Employee-paid for tax purposes]	\$ 2,260,828	N/A	N/A	N/A
Average investment <sup>2</sup>	\$ 6,649	N/A	N/A	N/A
Liability/cost	100.1	N/A	N/A	N/A
Liability/final pay	\$ 7.29	N/A	N/A	N/A

<sup>1</sup> Not including compensation or supplemental.

<sup>2</sup> 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 <sup>1</sup>	Child	Ordinary	Duty	Occup.	Child <sup>2</sup>	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

<sup>1</sup> Includes reversionary.

<sup>2</sup> Children's Disability Benefit not tracked before 1993.

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

<b>Years Ended</b>	<b>Average Annual Benefit</b>	<b>Average Current Age of Retirees</b>	<b>Average Age at Retirement Current Year</b>	<b>Average Years of Service at Retirement Current Year</b>
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

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

<b>Year End</b>	<b>Number of Annuitants</b>	<b>Total Annuities</b>	<b>Average Annuities</b>
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

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

<b>Year End</b>	<b>Number of Annuitants</b>	<b>Total Annuities</b>	<b>Average Annuities</b>
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

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

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<b>Year End</b>	<b>Employee</b>	<b>Spouse <sup>1</sup></b>	<b>Total</b>
2006	7,552	2,104	9,656
2007	7,637	2,253	9,890
2008	7,731	2,286	10,017

<sup>1</sup> Includes children.

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## **APPENDIX 4**

ACTUARIAL METHODS AND ASSUMPTIONS AS OF  
DECEMBER 31, 2008

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# ACTUARIAL METHODS AND ASSUMPTIONS AS OF DECEMBER 31, 2008

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## I. ACTUARIAL COST METHOD

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

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

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

## II. CURRENT ACTUARIAL ASSUMPTIONS

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

### A. Demographic Assumptions

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

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

**ACTUARIAL METHODS AND ASSUMPTIONS  
AS OF DECEMBER 31, 2008 (CONT'D)**

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

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

Rate of Retirement:

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

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

Turnover Rates:

The following sample rates exemplify the table:

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

***B. Economic Assumptions***

Investment Return Rate:

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

**ACTUARIAL METHODS AND ASSUMPTIONS  
AS OF DECEMBER 31, 2008 (CONT'D)**

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

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

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

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

***C. Other Assumptions***

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

Group Health Insurance: It is assumed for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future widows). The amount of the Fund-paid health insurance 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.

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**APPENDIX 5**

SUMMARY OF PROVISIONS OF THE FUND AS OF  
DECEMBER 31, 2008

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**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2008**

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***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.

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***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.

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***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, 2008 (CONT'D)**

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***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.

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***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.

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***SURVIVOR INCOME BENEFITS PAYABLE ON DEATH***

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

The lifetime benefit is payable until death.

**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2008 (CONT'D)**

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***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.

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***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, 2008 (CONT'D)**

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***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.

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***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.

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***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.

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**SUMMARY OF  
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS  
AS OF DECEMBER 31, 2008 (CONT'D)**

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***ORDINARY DISABILITY BENEFIT***

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***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.

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***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***

<b><i>Death in Service:</i></b>	<b><u>Age at Death</u></b>	<b><u>Benefit</u></b>
	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
<b><i>Death after Retirement:</i></b>	<b><u>Age at Death</u></b>	<b><u>Benefit</u></b>
	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.

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***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, 2008 (CONT'D)**

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**REFUNDS**

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

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

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

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**CONTRIBUTIONS**

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

<sup>1</sup> 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.

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**"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.

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**APPENDIX 6**

LEGISLATIVE CHANGES 1979 THROUGH 2008

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## LEGISLATIVE CHANGES 1979 THROUGH 2008

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### 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 2008 (CONT'D)**

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### **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 2008 (CONT'D)**

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### ***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 2008 (CONT'D)

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### 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 2008 (CONT'D)

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### 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 2008 (CONT'D)**

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### **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 2008 (CONT'D)

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## 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, 2008. 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 2008 (CONT'D)**

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- 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 2008 (CONT'D)**

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### ***HB 1009***

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

### ***SB 23***

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

### ***SB 1446***

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

### **2006 Session**

No legislative changes.

### **2007 Session**

#### ***PA 95-0279***

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

#### ***PA 95-0504***

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

## **LEGISLATIVE CHANGES 1979 THROUGH 2008 (CONT'D)**

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### **2008 Session**

No legislative changes.

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**APPENDIX 7**

ADDITIONAL EXHIBITS GASB DISCLOSURES

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## **EXHIBIT A-1**

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

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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 12-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 12-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**

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

This exhibit has a 12-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**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b) <sup>1</sup></b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
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%

<sup>1</sup> Actuarial liability excludes OPEB benefits as of December 31, 2006.

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

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<b>For Year Ending December 31</b>	<b>Annual Required Contribution</b>	<b>Actual Employer Contribution</b>	<b>Percentage Contributed</b>
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	<sup>1</sup> 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	TBD	TBD

<sup>1</sup> 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:

<b>Valuation Date</b>	December 31, 2008
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial Value of Assets</b>	5-year smoothed market
<b>Amortization Method</b>	Level percent open
<b>Remaining Amortization Period</b>	30 years
<b>Actuarial Assumptions:</b>	
<b>Pension Investment Rate of Return</b>	8.00%
<b>Projected Salary Increases</b>	4.00% per year, plus additional percentage related to service.
<b>Cost-of-Living Allowance</b>	3.00% (1.50% for retirees born after January 1, 1955)

	2007 <sup>1</sup>	2008 <sup>1</sup>
Payable to Retirees and Beneficiaries	\$4,904,067,019	\$5,129,234,387
Current Employees:		
Accumulated Employee Contributions Including		
Statutory Interest	1,082,742,927	1,144,380,257
Payable to Vested and Non-Vested Employees	2,233,542,692	2,208,959,389
Total Actuarial Accrued Liability	\$8,220,352,638	\$8,482,574,033
Net Plan Actuarial Assets	4,231,681,817	4,093,719,894
Unfunded AAL (assets in excess of AAL)	\$3,988,670,821	\$4,388,854,139
Percent Funded	51.48%	48.26%
Unfunded AAL as Percent of Payroll	383.91%	428.77%
Payroll	\$1,038,957,026	\$1,023,580,667

<sup>1</sup> Excludes liabilities for retiree healthcare subsidy.

**EXHIBIT A-5**  
**ANNUAL PENSION COST AND CONTRIBUTIONS**  
**MADE FOR GASB #27**

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**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.

Plan Members 9.0%

**Annual Pension Cost for 2008**

Annual Required Contribution (ARC)	\$318,234,870
Interest on Net Pension Obligation	94,804,378
Adjustment to ARC	<u>(64,766,450)</u>
Total	\$348,272,798

**Contributions Made in 2008**

\$172,835,805 <sup>1</sup>

**Net Pension Obligation (NPO):**

NPO at 12/31/2007	\$1,185,054,721
Increase/(Decrease) in NPO	<u>175,436,993</u>
NPO at 12/31/2008	\$1,360,491,714

<sup>1</sup> Includes miscellaneous revenue.

**EXHIBIT A-6**  
**PENSION COST SUMMARY**  
**FOR GASB #27**

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<b>Year Ended December 31</b>	<b>Annual Pension Cost</b>	<b>% of Annual Pension Cost Contributed</b>	<b>Net Pension Obligation</b>
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 <sup>1</sup>	338,508,467	50.40	1,185,054,721
2008	348,272,798	49.63	1,360,491,714

<sup>1</sup> 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**

<b>Year Ending December 31:</b>	<b>1987</b>	<b>1988</b>	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
<b>Assumptions and Method</b>										
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
<b>Actuarially Determined Contribution (ADC)</b>										
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
<b>Net Pension Obligations (NPO)</b>										
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**

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

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

<b>Year Ending December 31: Assumptions and Method</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
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	40	30	30
Cost Method	EAN	EAN	EAN	EAN	EAN	EAN
<b>Annual Pension Cost</b>						
Annual Required Contribution (ARC)	\$181,545,562	\$203,757,534	\$238,423,459	\$273,733,047	\$312,726,608	\$318,234,870
Interest on Net Pension Obligation	50,850,798	55,760,265	63,011,086	69,867,777	81,371,562	94,804,378
Adjustment to ARC	(30,220,666)	(33,138,366)	(37,447,534)	(41,044,237)	(55,589,703)	(64,766,450)
Total	\$202,175,694	\$226,379,433	\$263,987,011	\$302,556,587	\$338,508,467	\$348,272,798
<b>Net Pension Obligations (NPO)</b>						
NPO at Beginning of Year	\$635,634,972	\$697,003,312	\$787,638,572	\$873,347,212	\$1,017,144,522	\$1,185,054,721
Annual Pension Cost	202,175,694	226,379,433	263,987,011	302,556,587	338,508,467	348,272,798
Total Contributions	(140,807,354)	(135,744,173)	(178,278,371)	(158,759,277)	(170,598,268)	(172,835,805)
NPO at End of Year	\$697,003,312	\$787,638,572	\$873,347,212	\$1,017,144,522	\$1,185,054,721	\$1,360,491,714

<sup>1</sup> 8.0% for Pension and 4.5% for OPEB, beginning with fiscal year 2006.

<sup>2</sup> 40 years for Pension and 30 years for OPEB for fiscal year 2006.

<sup>3</sup> 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**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a) / c)</b>
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%

**EXHIBIT A-9**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR GASB #43**

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<b>For Year Ending December 31</b>	<b>Annual Required Contribution</b>	<b>Actual Employer Contribution</b>	<b>Percentage Contributed</b>
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	TBD	TBD

**EXHIBIT A-10**  
**SUPPLEMENTARY INFORMATION FOR**  
**GASB #43**

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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:

<b>Valuation Date</b>	December 31, 2008
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Actuarial Value of Assets</b>	No assets (Pay-as-you-go)
<b>Amortization Method</b>	Level percent open
<b>Remaining Amortization Period</b>	30 years
<b>Actuarial Assumptions:</b>	
<b>OPEB Investment Rate of Return</b>	4.50%
<b>Projected Salary Increases</b>	4.00% per year, plus additional percentage related to service.
<b>Healthcare Cost Trend Rate</b>	0.00% <sup>1</sup>

	<b>2007</b>	<b>2008</b>
Payable to Retirees and Beneficiaries	\$ 124,287,887	\$ 106,332,649
Current Employees:		
Accumulated Employee Contributions Including Statutory Interest	-	-
Payable to Vested and Non-Vested Employees	54,751,954	63,639,507
Total Actuarial Accrued Liability	\$ 179,039,841	\$ 169,972,156
Net Plan Actuarial Assets	-	-
Unfunded AAL (assets in excess of AAL)	\$ 179,039,841	\$ 169,972,156
Percent Funded	0.00%	0.00%
Unfunded AAL as Percent of Payroll	17.23%	16.61%
Payroll	\$1,038,957,026	\$1,023,580,667

<sup>1</sup> Trend not applicable - Fixed dollar subsidy.

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

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**Contribution Rates**

City	Pay-as-you-go
Plan Members	None

**Annual OPEB Cost for 2008**

Annual Required Contribution (ARC)	\$ 11,348,959
Interest on Net OPEB Obligation	140,057
Adjustment to ARC	<u>(111,122)</u>
Total	\$ 11,377,894

**Contributions Made in 2008**

\$ 8,850,186

**Net OPEB Obligation (NOO):**

NOO at 12/31/2007	\$ 3,112,373
Increase/(Decrease) in NOO	<u>2,527,708</u>
NOO at 12/31/2008	\$ 5,640,081

**EXHIBIT A-12**  
**OPEB COST SUMMARY FOR**  
**GASB #45**

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<b><u>Year Ended</u></b> <b><u>December 31</u></b>	<b><u>Annual</u></b> <b><u>OPEB</u></b> <b><u>Cost</u></b>	<b><u>% of Annual</u></b> <b><u>OPEB Cost</u></b> <b><u>Contributed</u></b>	<b><u>Net</u></b> <b><u>OPEB</u></b> <b><u>Obligation</u></b>
2007	\$11,220,081	72.26%	\$3,112,373
2008	\$11,377,894	77.78%	\$5,640,081