

CITY OF EVANSTON FIREFIGHTERS' PENSION FUND
ANNUAL ACTUARIAL VALUATION
FOR THE YEAR BEGINNING
MARCH 1, 2010

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May 27, 2010

Mr. Martin Lyons
Assistant City Manager
City of Evanston
2100 Ridge Avenue
Evanston, IL 60201

Dear Mr. Lyons:

We are pleased to provide our formal annual Actuarial Valuation Report as of March 1, 2010, covering the City of Evanston Firefighters' Pension Fund. This report provides, among other things, the minimum annual contribution requirements of the Plan for the Plan Year commencing March 1, 2010, and ending on February 28, 2011 (which directly affects the Village's tax levy in the 2012 fiscal year that is collected and deposited into the Pension Trust in fiscal year 2013). This valuation was based on the plan provisions as outlined in Section B of this report, the Plan participant data as provided by the City of Evanston (i.e., Plan Sponsor), and on the actuarial cost method and the set of actuarial assumptions as described in Section C of the report. The investment return assumption was decreased from 7.25 percent, used in the March 1, 2009 valuation, to 7.00 percent. There was a benefit change for retirees retired before July 1, 1977, which resulted in a one-time increase in July 2009. Pages A-3 and A-5 provide a summary of the impact of the changes.

Chapter 40, Act 5, Article 4 of the Illinois Compiled Statutes requires an actuarial balance sheet (i.e., actuarial valuation) be prepared by a qualified actuary in order to determine the annual tax levy to meet the annual actuarial requirements of the Pension Fund. Alex Rivera and Amy Williams of Gabriel, Roeder, Smith & Company have the following qualifications:

Alex Rivera is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary with over 20 years of responsible experience in the actuarial and pension consulting field.

Amy Williams is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries with seven years of responsible experience in the actuarial and pension consulting field.

It is our understanding, in accordance with the Illinois Compiled Statutes, that at least one of the undersigned more than satisfies the minimum requirements as set forth in the referenced Pension Code as recently amended.

In addition, it is also our understanding that the Pension Code requires that a member of the American Academy of Actuaries perform the required annual actuarial valuation and does not mandate that the Illinois Department of Insurance's annual actuarial valuation of the Pension Fund be controlling or that the Department of Insurance accept or approve another actuarial valuation of the Pension Fund.

Both of the undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries (MAAA) to render the actuarial opinion contained herein.

We will be pleased to review this report with you at your convenience.

Sincerely,



Alex Rivera, F.S.A., E.A., M.A.A.A.
Senior Consultant



Amy Williams, A.S.A., M.A.A.A.
Consultant

AR:kb

SECTION A

VALUATION RESULTS

SUMMARY OF ACTUARIAL VALUATION RESULTS

		<u>Prior Year Results</u>	<u>Current Year Results</u>
Employee	Number of Active Firefighters	111	106
Data	Number of Service Retirees	80	84
	Number of Disabled Lives	17	18
	Number of Widow Beneficiaries	27	27
	Number of QDROs	1	3
	Number of Children Beneficiaries	0	0
	Number of Separated Deferred Firefighters	0	0
	Number of Handicapped Beneficiaries	0	0
	TOTAL	<u>236</u>	<u>238</u>
	Total Expected Salaries of Firefighters	\$ 9,242,307	\$ 9,133,457
Plan	Gross Annual Normal Cost	\$ 2,521,168	\$ 2,820,996
Liabilities	Less Expected Member Contributions ¹ (for Applicable Plan Year)	<u>843,807</u>	<u>834,843</u>
	Net Annual Normal Cost (Municipality Paid)	\$ 1,677,361	\$ 1,986,153
	Net Annual Normal Cost (As a percentage of pay) ²	18.1 %	21.7 %
	Gross Actuarial Accrued Liability:		
	Active Firefighters	\$ 48,599,737	\$ 48,977,598
	Retirees, Beneficiaries & Disabled	<u>71,253,159</u>	<u>80,515,541</u>
	TOTAL	<u>\$ 119,852,896</u>	<u>\$ 129,493,139</u>
	Actuarial Value of Assets at Valuation Date	\$ 49,410,755	\$ 52,021,778
	Unfunded (Overfunded) Actuarial Accrued Liability	\$ 70,442,141	\$ 77,471,361
	Funded Position of Plan's Gross Actuarial Accrued Liability³	41.2 %	40.2 %
	Net Minimum Annual Contribution Requirement at Fiscal Year End	\$ 6,358,267	\$ 7,148,759

¹ Expected member contributions shown are based on expected payroll for the year and are discounted to beginning of year.

² Percents above represent annual plan contributions expressed as percentages of expected payroll of Firefighters.

³ Equals the ratio of the actuarial value of assets to the total gross actuarial accrued liability.

**SUMMARY OF ACTUARIAL VALUATION RESULTS
(CONTINUED)**

		Prior Year Results	Current Year Results
Minimum Annual Contribution Requirements	Net Annual Normal Cost (Municipality Paid) ¹	\$1,677,361	\$1,986,153
	Annual Amortization Payments for Funding Unfunded Actuarial Accrued Liability Over 40 Years from July 1, 1993 as a level percentage of payroll	4,251,093	4,694,930
	Interest Adjustment to End of Year	429,813	467,676
	Total Minimum Annual Contribution Requirement for the Current Plan Year	\$6,358,267	\$7,148,759
	Minimum Annual Contribution (As a percentage of expected pay)	68.8%	78.3%

¹ Amounts shown are at the beginning of the year.

DERIVATION OF EXPERIENCE GAIN (LOSS)
YEAR ENDED MARCH 1, 2010

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below, along with a year-by-year comparative schedule.

1.	Unfunded Actuarial Accrued Liability at 03/01/2009	\$70,442,141
2.	Normal Cost Due at 03/01/2009	2,521,168
3.	Interest on (1) and (2) to 03/01/2010 (at 7.25% per annum)	5,289,840
4.	Contributions (Employer and Employee) applicable to the Plan Year Ending 02/28/2010, with interest to 02/28/2010	<u>7,198,546</u>
5.	Expected Unfunded Actuarial Accrued Liability at 03/01/2010 [(1) + (2) + (3) - (4)]	\$71,054,603
6.	Effect of Change in Benefits	113,309
7.	Effect of Changes in Interest Rate Assumption	3,715,991
8.	Expected Unfunded Actuarial Accrued Liability at 03/01/2010 [(5) + (6) + (7)]	74,883,903
9.	Actual Unfunded Actuarial Accrued Liability at 03/01/2010	77,471,361
10.	Experience Gain (Loss) for the Plan Year Ending 02/28/2010 [(8) - (9)]	\$(2,587,458)

COMMENTS AND ANALYSIS

The valuation results pertaining to the current Plan Year are analyzed and discussed in the following paragraphs.

Plan History

The following table provides a summary of the Plan's rate of return on the market value of assets and salary increase experience over the last four actuarial valuations performed by Gabriel, Roeder, Smith & Company.

Plan Year Ending	Rate of Return On Plan Assets	Salary Increases
2/28/2007	7.1%	6.7%
2/29/2008	3.7%	5.8%
2/28/2009	-11.1%	8.5%
2/28/2010	14.9%	5.0%

The salary increase has averaged 6.49% over the last four years. Because the average increase has been consistently higher than the assumption of 5.0%, we believe it would be appropriate to review this assumption for the next valuation.

The Plan's market value of assets earned an average annual rate of investment return of 3.2% over the last four plan years. The investment return assumption depends on the Plan's investment policy including the asset allocation, risk/return profile of the individual asset classes, inflation assumption, and liquidity requirements. These elements should be reviewed annually to ensure that a nominal investment return assumption of 7.00%, net of expenses, can be supported in the future. The assumption decreased from 7.25% to 7.00% from the last valuation.

**COMMENTS AND ANALYSIS
(CONTINUED)**

<i>Analysis of the Experience Gain (Loss)</i>	The experience gain(loss) reported on page A-3, is the net result of the following:	
	(a) From plan asset performance	(\$2,216,142)
	(b) Other sources ("net effect" of salary increases, terminations, new entrants, retirements)	<u>(371,316)</u>
	Total Gain/(Loss): [(a) + (b)]	(\$2,587,458)

***Changes in the
Annual
Contribution***

The dollar amount for the plan's annual minimum required contribution is approximately 12.4% higher than the level for the prior plan year. As a percentage of payroll, the contribution requirement is higher than last year (i.e., increasing from 68.8% to 78.3%). The important factors producing this change are summarized as follows:

1.	Minimum Annual Contribution Requirement for prior plan year	\$6,358,267
2.	Actual asset performance (based on Actuarial value of assets)	147,312
3.	Increase due to expected growth ¹	226,841
4.	Effect of changes in benefits	7,556
5.	Effect of changes in interest rate	291,048
6.	Effect of change in Normal Cost methodology	175,981
7.	Other (including demographic sources)	(58,247)
8.	Minimum Annual Contribution Requirement for current plan year (sum of items 1 through 7) ²	<u><u>\$7,148,759</u></u>

¹ Includes an amortization component of the expected growth in the unfunded liability if actual experience during FY 2010 matched the assumed experience and an increased normal cost component due to wage inflation.

² The impact due to the amendatory act of the 93rd General Assembly, section 689, effective July 1, 2004, on the minimum annual contribution requirement is \$555,015. The net minimum contribution requirement prior to this act would have been \$6,593,744.

COMMENTS AND ANALYSIS (CONTINUED)

***Comments on
Actuarial Value of
Assets***

Government accounting standards mandate the use of market value of assets or market-related value of assets for accounting purposes. The Pension Fund used market value of assets for both government accounting and funding purposes. This market-related value of assets will recognize gains and losses due to return on plan assets over a four-year period. Hence, only a portion of this year's investment loss (see Section B for details) is included in the current year actuarial value of assets. The remainder of the gain or loss will be incorporated into Pension Fund assets over the next three years. The purpose of this technique is to minimize contribution volatility due to fluctuations in the market value of assets.

***GASB Statements
No. 25 and 27***

GASB Statement No. 25 is applicable to fiscal years beginning after June 15, 1996. It was adopted by the City of Evanston Firefighters Pension Fund in the March 1997 report. GASB Statement 27 is applicable to fiscal years beginning after June 15, 1997. It was adopted by the City of Evanston Firefighters Pension Fund in the March 1998 report. A transition pension liability (asset) has been developed under Statement No. 27 equal to the cumulative difference between the actuarially determined funding requirement and the actual amount contributed for fiscal years 1987 to the date GASB 27 is adopted. As of the adoption date, all outstanding pension liabilities (assets) are adjusted to equal the transition NPO. GASB 25 and 27 information prior to fiscal years before March 1, 2007, was developed by the prior actuary. Section D of this report provides further details and explanations on these regulations.

SECTION B

BENEFIT PROVISIONS AND VALUATION DATA

BRIEF SUMMARY OF PLAN PROVISIONS (MARCH 1, 2010)

Plan Firefighters Pension Fund as Incorporated in Chapter 40, Article 4 of the Illinois Compiled Statutes.

Effective Date Enacted: March 18, 1963

Last Amended Effective: August 25, 2009

Eligibility to Participate Generally, any person who is in the Firefighters Department of a city, village or incorporated town (whose population is 500,000 or less) which has adopted the provisions of Chapter 40, Act 5, Article 4 of the Illinois Compiled Statutes concerning Firefighters' pensions, is eligible to participate, subject to the following:

- (a) The person has attained age 18 but not age 35 at the time of the first appointment; and
- (b) Within three months after receiving his/her first appointment (or within three months after any re-appointment), the person makes written application to the Board to be covered under the provisions of the Article.

NOTE:

If the person had been regularly enrolled as a volunteer Firefighter for 5 years immediately preceding the time that the municipality began employing him/her full time, the age limitation in (a) above does not apply.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

***Employee
Contributions
(Mandatory)***

In order to participate in the plan, each Firefighter must contribute 9.455% of his/her regular salary. "Salary" in this instance excludes overtime pay, holiday pay, bonus pay, merit pay or any other cash benefit over and above the salary established by the appropriation ordinance. Prior to July 1, 2004, each Firefighter had to contribute 8.455% of his/her regular salary.

Creditable Service

"Creditable Service" is the time period during which a person serves as a Firefighter of a municipality. Furloughs and Leave of Absences without pay exceeding 30 days in any one year are not counted unless such periods are attributable to illness or accident. Time attributable to disability absence for which the Firefighter does not receive disability pension benefits will be counted as "Creditable Service".

Furloughs and Leave of Absence less than 30 days in any one year may be included in "Creditable Service" if the Firefighter makes the regular employee contributions to the Fund he/she would have made if he/she had not been on the furlough or leave of absence. Such contributions must be made not more than 90 days following the end of the furlough or leave of absence.

In addition, all periods of service in the Military, Naval or Air Forces of the United States of America, entered into when the person was an active Firefighter and up to eight Years of Service as an officer in a statewide firefighters' association while on leave of absence from a municipality's payroll, shall be counted as "Credited Service", provided that the Firefighter contributes to the Fund the amount he/she would have paid had he/she been a regular contributor during such military service; in general, not more than five years may be counted under this provision. Credited Service shall not include time spent as a volunteer Firefighter whether or not compensation was received.

***Eligibility For and
Amount of Regular
Retirement Benefits***

***I. Eligibility —
Age 50 (or
More) and 20
or More Years
of Creditable
Service***

Benefit: A Firefighter who is age 50 (or more) and has 20 years or more of Creditable Service and is no longer a Firefighter is entitled to 1/2 of the monthly salary attached to the rank held by him/her at the date of actual retirement.

For Creditable Service over 20 years, the monthly pension is increased as follows:

- 1/12 of 2.5% of the Firefighter's monthly salary for each additional year over 20 to the limitation that the monthly pension does not exceed 75% of his/her monthly salary.

BRIEF SUMMARY OF PLAN PROVISIONS
(CONTINUED)

Notwithstanding the above, as of January 1, 1999, no Pension in effect or granted with 20 or more Years of Service after May 1, 1993 is to be less than \$600.00 per month. This minimum is increased to \$800.00 per month on January 1, 2000, \$1,000.00 per month on January 1, 2001, \$1,030.00 per month on July 1, 2004, \$1,060.90 per month on July 1, 2005, \$1,092.73 per month on July 1, 2006, \$1,125.51 per month on July 1, 2007, \$1,159.27 per month on July 1, 2008.

**II. Eligibility—
Age 60 (or
More) and 10
(but Less than
20) Years of
Creditable
Service**

A Firefighter who is age 60 or more and has at least 10 Years (but less than 20) of Creditable Service and who is no longer a Firefighter, is entitled to a monthly pension payable for life based on the monthly salary attached to the rank held by him/her at the date of retirement or separation from service according to the following schedule:

For 10 Years of Service —	15.0% of salary;
For 11 Years of Service —	17.6% of salary;
For 12 Years of Service —	20.4% of salary;
For 13 Years of Service —	23.4% of salary;
For 14 Years of Service —	26.6% of salary;
For 15 Years of Service —	30.0% of salary;
For 16 Years of Service —	33.6% of salary;
For 17 Years of Service —	37.4% of salary;
For 18 Years of Service —	41.4% of salary;
For 19 Years of Service —	45.6% of salary;

Notwithstanding the foregoing, a Firefighter affected by the above shall not be entitled to a pension benefit if the option for a refund of employee contributions was exercised when the Firefighter last separated from service or if he/she is entitled to a disability pension benefit.

**III. Pension
Allowance
Increases**

- A Firefighter who retired from service with 20 or more years of Creditable Service on or before May 1, 1971, is entitled to an increase of 2% of his/her original monthly pension for each year the Firefighter was in receipt of pension payments; such increase takes effect in the January of the year following the year in which he/she attains age 65, or January of 1972, if then age 65. Each subsequent January, the monthly pension is increased by 2% of the original monthly pension amount. Beginning January, 1976, the rate of such increases was raised to 3% of the original monthly pension.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

- A Firefighter who retired from service after May 1, 1971 and prior to January 1, 1986 is entitled to an increase of 2% of his/her original monthly pension either upon: (a) the first of the month following the first anniversary of his/her date of retirement if he/she was age 60 or more on that date, or (b) the first of the month following the Firefighter's attainment of age 60 (if such occurs after the first anniversary of his/her retirement date). Each subsequent January, the monthly pension is increased by 2% of the original monthly pension amount. Beginning January, 1976, the rate of such increase was raised to 3% of the original monthly pension. In July 2009, a Firefighter who retired before July 1, 1977 had his/her benefit recalculated and increased to reflect the amount that he/she would have received in July 2009 had he/she been receiving a 3% compounded increase for each year he/she received pension payments after January 1, 1986, plus any increases in pension received for each year prior to January 1, 1986. In each January thereafter, he or she shall receive an additional increase of 3% of the amount of the pension then being paid.

- A Firefighter who retired from service on or after January 1, 1986 is entitled to an increase of 3% of his/her original monthly pension for each full year that has elapsed since the pension began. This occurs either upon: (a) the first of the month following the anniversary of his/her date of retirement if he/she was age 55 or older on that date, or (b) the first of the month following the Firefighter's attainment of age 55 (if such occurs after the first anniversary of his/her retirement date). Each subsequent January, the monthly pension is increased by 3% of the immediately preceding year's pension amount.

- Notwithstanding the provisions of the second paragraph listed above, a Firefighter who retired from service after January 1, 1977 and prior to January 1, 1986 and did not receive a pension increase before May 1, 1987, is entitled to a 3% increase of his/her original monthly pension for each full year that has elapsed since the pension began. This occurs on the first day of the month following either: (a) the first anniversary of the date of retirement, or (b) the attainment of age 55, or (c) May 1, 1987. Each subsequent January, the monthly pension is increased by 3% of the immediately preceding year's pension amount.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Eligibility For and Amount of Disability Benefits

I. Disability Incurred in the Line of Duty

- a) If a Firefighter is injured or suffers an accident or sickness as the result of carrying out his/her duties as a Firefighter (even if those duties take him/her to a place away from the municipality in which he/she serves as a Firefighter, and assuming such duties are related to the fire protection service of such municipality), then such a disabled Firefighter is entitled to a disability retirement pension equal to the greater of: (i) the Firefighter's accrued pension benefit at the date of disability or (ii) 65% of the monthly salary attached to the rank held by him/her in the Fire Department at the date he/she is removed from the municipality's Fire Department payroll.
- b) A Firefighter who is entitled to disability payments, as discussed in (a) above, also has the right to receive a benefit of \$20 per month for every unmarried child less than 18 years of age.

The total amount of the benefits described in both (a) and (b) above shall not exceed 75% of the amount of salary the Firefighter was receiving at the time of the grant of the disability benefit.

II. Disability on Account of Occupational Hazards

- a) If a Firefighter who has completed 5 or more Years of Service is unable to perform his/her duties in the Fire Department by reason of heart disease, tuberculosis, disabling cancer, or any disease of the lungs or respiratory tract, resulting solely from his/her service as a Firefighter, then he/she is entitled to an occupational disease disability pension equal to the greater of: (i) the Firefighter's accrued pension benefit at the date of disability or (ii) 65% of his/her salary at the time of his/her removal from the Fire Department payroll.
- b) A Firefighter who is entitled to a disability payments as described in (a) above also has the right to receive a benefit of \$20.00 per month for every unmarried child less than 18 years of age and who is dependent upon the Firefighter for financial support.

The total amount of the benefits described in both (a) and (b) above are not to exceed 75% of the amount of salary the Firefighter was receiving at the time of the grant of the disability benefit.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Death Benefits to Surviving Spouse or Dependents

I. Surviving Spouse's Benefit

If an active Firefighter dies while in the line of duty as a result of any injuries or if a Firefighter sustains injuries from which he/she thereafter dies, then the surviving spouse is entitled to a monthly pension equal to 100% of the monthly salary attached to the rank the Firefighter held on his/her last day of service with the Fire Department. The benefit is payable to the surviving spouse for life.

If an active Firefighter dies as a result of any illness or accident unrelated to duty or if a Firefighter dies from any cause while receiving disability pension benefits, or if a Firefighter dies during his/her retirement (after 20 years of service), then his/her surviving spouse is entitled to a monthly pension equal to 100% of the monthly retirement pension earned by the deceased firefighter at the time of death. This benefit is payable to the surviving spouse for life. Previously, the surviving spouse was entitled to a monthly pension equal to 54% of the monthly salary attached to the rank the Firefighter held on his/her last day of service with the Fire Department.

Beginning January 1, 1999, the minimum amount payable under this provision is \$600.00 per month for both current and future surviving spouses. This minimum is increased to \$800.00 per month on January 1, 2000, \$1,000.00 per month on January 1, 2001, \$1,030.00 per month on July 1, 2004, \$1,060.90 per month on July 1, 2005, \$1,092.73 per month on July 1, 2006, \$1,125.51 per month on July 1, 2007, \$1,159.27 per month on July 1, 2008.

II. Dependent's Benefit

The dependent's benefit is applicable in the event of the death of the Firefighter under the conditions enumerated above for the surviving spouse's benefit. The guardian (spouse or otherwise) of any minor child (or children), including a child who had been conceived but not yet born, is entitled to a monthly benefit equal to 12% of the monthly salary attached to the rank the Firefighter held on his/her last day of service with the Fire Department prior to his/her death. Such benefit is payable for each such child until the child attains age 18 or marries, if earlier.

If the deceased Firefighter leaves no surviving spouse or unmarried minor children under age 18, but leaves a dependent father or mother, each one is entitled to a monthly benefit equal to 18% of the monthly salary attached to the rank the Firefighter held on his/her last day of service with the Fire Department.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Notes: (a) The aggregate above monthly death benefits are not to exceed 75% of the monthly salary of the deceased Firefighter.

(b) Adopted children are entitled to the same benefits as provided for natural children, if adopted before the Firefighter attained age 50.

(c) If the Firefighter leaves no surviving spouse, unmarried children under the age of 18 or dependent father or mother, the Board will refund to his/her estate the amount of his/her accumulated contributions, less any amount of pension payments made to the deceased Firefighter while he/she was living.

Termination of Employment Benefits.

I. Refund of Employee Contributions

A Firefighter who has less than 20 Years of Service and who resigns or is discharged (and has not received any disability payments), is entitled to a refund of his/her total amount contributed to the fund during his/her period of service. If the Firefighter should be subsequently re-employed, he/she must repay to the fund the amount of refund which he/she received before commencing service. When repayment is made, the Firefighter will receive credit for the previous Years of Service for which he/she received his/her refund.

II. Re-entry Into Service

- If a retired Firefighter (who is receiving pension benefits) re-enters active service, his/her pension benefits will cease while in active service. If he/she again retires, his/her monthly payments will resume in the same amount as he/she had received as a pensioner.
- If a "deferred" pensioner reenters service and remains in service for less than three years, and then again retires or is discharged, his/her pension will be based on the salary attached to the rank he/she held in the Fire Department at the date of his/her earlier retirement. Conversely, if the pensioner re-enters service and remains in service for three or more years, and again retires or is discharged, his/her pension will be based on the salary attached to the rank he/she held in the Fire Department at the date of his/her last retirement.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Notwithstanding the foregoing, if a pensioner or deferred pensioner returns to active service and is subsequently injured (and the injury is not relate to an injury for which the member was previously receiving benefits), the 3 year requirement does not apply in order for the member to receive his/her pension based on his/her rate of pay at the time of his/her new injury.

Financing of Pension Benefits

Pension benefits are to be funded by "employee" deductions from wages and salaries of Firefighters and by a property tax levied by the Municipality. The amount derived from these two sources should equal the sum sufficient to meet the annual actuarial requirements of the pension fund as stated below:

- (1) Provide actuarial reserves for the pensions and benefits earned by the Firefighters during the year (the reserve requirement is to be computed at a rate of not less than 17.5% of the salaries and wages earned by the Firefighters during the year),

And

- (2) Provide for the amortization of the unfunded accrued liabilities, including liabilities on account of pensions and benefits in force on May 1, 1993, or which come into force at a later date in the case of liabilities created after said date, over a period of 40 years subsequent to May 1, 1993 paid as a level percent of future payroll.

Administration

The Firefighters' Pension Fund is administered by a Board of Trustees located in each municipality maintaining a Pension Fund for its Firefighters. Its duties are: to control and manage the pension fund, to enforce the collection of the contributions, to hear and determine applications for pensions, to authorize payment of pension, to establish rules, to pay expenses, to invest funds, and to keep records.

ACTIVE MEMBERS AS OF MARCH 1, 2010
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date									Totals	Total Valuation Payroll
	0	1-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 35		
Under 20										0	\$ 0
20-24		2								2	127,838
25-29	1	18								19	1,286,006
30-34		5	7							12	912,617
35-39		4	10	5						19	1,469,510
40-44		1	4	7	2	1				15	1,263,936
45-49					5	6	1			12	1,165,570
50-54				1	2	5	4	1		13	1,201,167
55-59				1		3	4	3	1	12	1,059,741
60-64								1	1	2	212,146
65-69										0	0
Over 70										0	0
Total	1	30	21	14	9	15	9	5	2	106	\$ 8,698,531 ¹

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 41.2 years
Service: 13.3 years
Annual Pay: \$82,062

¹ This is actual pay provided as of February 28, 2010. The expected salary reported on page A-1 of this report includes adjustments for expected pay increases.

DEVELOPMENT OF ACTUARIAL (MARKET-RELATED) VALUE OF ASSETS

<i>Expected Return on Market Value of Assets for Prior Year</i>	1. Market value of assets at 03/01/2009	\$ 42,249,545																												
	2. Actual income and disbursements in prior year weighted for timing:																													
	<table style="width: 100%; border-collapse: collapse; margin-left: 40px;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Item</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount</th> <th style="text-align: right; border-bottom: 1px solid black;">Weight for Timing</th> <th style="text-align: right; border-bottom: 1px solid black;">Weighted Amount</th> </tr> </thead> <tbody> <tr> <td>(a) Member Contributions</td> <td style="text-align: right;">\$ 882,206</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">\$ 441,103</td> </tr> <tr> <td>(b) City Contributions</td> <td style="text-align: right;">6,065,142</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">3,032,571</td> </tr> <tr> <td>(c) Miscellaneous Revenue</td> <td style="text-align: right;">3,634</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">1,817</td> </tr> <tr> <td>(d) Benefit Payments and Refunds</td> <td style="text-align: right;">(5,718,183)</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">(2,859,092)</td> </tr> <tr> <td>(e) Administration</td> <td style="text-align: right;">(30,726)</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">(15,363)</td> </tr> <tr> <td>(f) Total</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$ 601,036</td> </tr> </tbody> </table>	Item	Amount	Weight for Timing	Weighted Amount	(a) Member Contributions	\$ 882,206	50.00%	\$ 441,103	(b) City Contributions	6,065,142	50.00%	3,032,571	(c) Miscellaneous Revenue	3,634	50.00%	1,817	(d) Benefit Payments and Refunds	(5,718,183)	50.00%	(2,859,092)	(e) Administration	(30,726)	50.00%	(15,363)	(f) Total			\$ 601,036	
Item	Amount	Weight for Timing	Weighted Amount																											
(a) Member Contributions	\$ 882,206	50.00%	\$ 441,103																											
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(e) Administration	(30,726)	50.00%	(15,363)																											
(f) Total			\$ 601,036																											
	3. Market value of assets adjusted for actual income disbursements [(1) + (2)(f)]	\$ 42,850,581																												
	4. Assumed rate of return on plan assets for the year	7.25%																												
	5. Expected return [(3) * (4)]	\$ 3,106,667																												
<hr/>																														
<i>Actual Return on Market Value of Assets for Prior Year</i>	6. Market value of assets at 03/01/2009	\$ 42,249,545																												
	7. Income (less investment income) for prior plan year	6,950,982																												
	8. Disbursements paid in prior year	5,748,909																												
	9. Market value of assets at 03/01/2010	49,840,355																												
	10. Actual Return [(9) + (8) - (7) - (6)]	6,388,737																												
<hr/>																														
<i>Gain/(Loss)</i>	11. Investment Gain/(Loss) for Prior Year [(10) - (5)]	\$ 3,282,070																												

**DEVELOPMENT OF ACTUARIAL (MARKET-RELATED) VALUE OF ASSETS
(CONTINUED)**

<i>Actuarial Value of Assets as of 03/01/2010</i>	12. Market value of assets at 03/01/2010	\$49,840,355																									
	13. Deferred investment gains and (losses) for last 3 years:																										
	<table style="width: 100%; border-collapse: collapse; margin-left: 40px;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 20%; border-bottom: 1px solid black;">Plan Year Beginning</th> <th style="width: 20%; border-bottom: 1px solid black;">Gain/(Loss)</th> <th style="width: 15%; border-bottom: 1px solid black;">Percent Deferred</th> <th style="width: 40%; border-bottom: 1px solid black;">Deferred Amount</th> </tr> </thead> <tbody> <tr> <td>a)</td> <td>2007</td> <td style="text-align: right;">(1,573,971)</td> <td style="text-align: center;">25.00%</td> <td style="text-align: right;">(393,493)</td> </tr> <tr> <td>b)</td> <td>2008</td> <td style="text-align: right;">(8,498,965)</td> <td style="text-align: center;">50.00%</td> <td style="text-align: right;">(4,249,483)</td> </tr> <tr> <td>c)</td> <td>2009</td> <td style="text-align: right;">3,282,070</td> <td style="text-align: center;">75.00%</td> <td style="text-align: right;">2,461,553</td> </tr> <tr> <td>d)</td> <td style="border-top: 1px solid black;">Total</td> <td style="text-align: right; border-top: 1px solid black;">\$ (6,790,866)</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$ (2,181,423)</td> </tr> </tbody> </table>		Plan Year Beginning	Gain/(Loss)	Percent Deferred	Deferred Amount	a)	2007	(1,573,971)	25.00%	(393,493)	b)	2008	(8,498,965)	50.00%	(4,249,483)	c)	2009	3,282,070	75.00%	2,461,553	d)	Total	\$ (6,790,866)		\$ (2,181,423)	
	Plan Year Beginning	Gain/(Loss)	Percent Deferred	Deferred Amount																							
a)	2007	(1,573,971)	25.00%	(393,493)																							
b)	2008	(8,498,965)	50.00%	(4,249,483)																							
c)	2009	3,282,070	75.00%	2,461,553																							
d)	Total	\$ (6,790,866)		\$ (2,181,423)																							
	14. Actuarial value of plan assets at 03/01/2010: Item (12) less item 13(d)	\$52,021,778																									

Notes: 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 four years at the rate of 25% per year.

SECTION C

VALUATION PROCEDURES

ACTUARIAL COST METHOD

Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using the *individual entry-age actuarial cost method* having the following characteristics:

- the annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement;
- each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent of payroll contributions over 23.333 future years.

Actuarial Value of Pension Plan Assets. The Pension Fund previously used market value of assets for both government accounting and funding purposes. Starting with the actuarial valuation as of March 1, 2008, the actuarial value of assets recognizes future gains and losses based on a 4-year smoothed market method.

In a 4-year smoothed market asset valuation method, the current market value of assets is reduced (increased) for the current year and each of two succeeding years, by a portion of the gain/(loss) in market value during the prior year. Such gain/(loss) is determined as the excess/(deficit) of the current market value of assets over the market value of assets as of the prior year, increased to reflect interest at the actuarial rate and adjusted to reflect contributions and benefit payments during the prior year. The portion of such gain/ (loss) by which the current market value of assets is reduced (increased) shall be 75% in the current year, 50% in the first succeeding year and 25% in the second succeeding year.

ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

The contribution and benefit values of the System are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost method described on the previous page.

The principal areas of financial risk which require assumptions about future experiences are:

- long-term rates of investment return to be generated by the assets of the System
- patterns of pay increases to members
- rates of mortality among members, retirees and beneficiaries
- rates of withdrawal of active members
- rates of disability among members
- the age patterns of actual retirement.

In a valuation, the monetary effect of each assumption is calculated for as long as a present covered person survives; a period of time which can be as long as a century.

Actual experience of the System will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

VALUATION ASSUMPTIONS

The assumed rate of investment return used was 7.00%, net of expenses, annually.

The mortality table used to measure retirement mortality was based on the 1983 Group Annuity Mortality Table. This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement.

Sample Attained Ages	Single Life Retirement Values			
	Present Value of \$1		Future Life	
	Monthly for Life		Expectancy (years)	
	Men	Women	Men	Women
50	\$144.69	\$ 155.06	29.18	34.92
55	135.45	147.81	24.83	30.24
60	124.06	138.53	20.64	25.67
65	110.40	126.98	16.69	21.29
70	95.57	112.91	13.18	17.13
75	80.25	97.07	10.15	13.38
80	65.26	81.04	7.64	10.20

It was assumed that 10% of deaths from active status are duty-related, and 90% are non duty-related.

The disability retirement mortality table was the 1992 Railroad Retirement Board Total Disabled Annuitants mortality table.

Sample Attained Ages	Single Life Retirement Values			
	Present Value of \$1		Future Life	
	Monthly for Life		Expectancy (years)	
	Men	Women	Men	Women
50	\$115.67	\$115.67	19.64	19.64
55	107.37	107.37	16.93	16.93
60	97.96	97.96	14.34	14.34
65	87.24	87.24	11.87	11.87
70	75.94	75.94	9.65	9.65
75	65.43	65.43	7.81	7.81
80	55.70	55.70	6.27	6.27

**VALUATION ASSUMPTIONS
(CONTINUED)**

Rates of separation from active membership are represented by the following table (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members terminating employment.

Age	Employee Withdrawal Rate Per 1,000 Employees	
	Males	Females
25	34.5	34.5
30	25.6	25.6
35	17.9	17.9
40	11.4	11.4
45	6.2	6.2
50	3.0	3.0
55	0.0	0.0
60 and Over	0.0	0.0

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefit amounts will be based.

Sample Ages	Salary Increase Assumptions For an Individual Member
	Increase Next Year
20	5.00%
25	5.00%
30	5.00%
35	5.00%
40	5.00%
45	5.00%
50	5.00%
55	5.00%
60	5.00%

**VALUATION ASSUMPTIONS
(CONTINUED)**

Sample rates of disability were as follows:

Employee Disablement Rate Per 1,000 Employees		
Age	Male	Female
25	1.9	1.9
30	2.0	2.0
35	2.4	2.4
40	3.0	3.0
45	4.1	4.1
50	6.2	6.2
55	10.9	10.9
60	18.4	18.4
65	29.5	29.5
70	44.1	44.1

It was assumed that 25% of disability is non duty-related disablement, while 75% is duty-related.

Probabilities of retirement for members eligible to retire during the next year were as follows: Forty percent of Active Firefighters are assumed to retire at the earlier of: (a) later of 20 years of service and age 50, and (b) the later of 10 years of service and age 60. Thereafter, the rates of retirement are determined as follows:

For ages (x) between the first retirement age (r) and age 65, the retirement rate is determined by the formula $(x-r)/(65-r)$. For example:

Age	Rate of Retirement		Age	Rate of Retirement	
	20 Yrs. of Service at Age 50	20 Yrs. of Service at Age 55		20 Yrs. of Service at Age 50	20 Yrs. of Service at Age 55
50	40.0 %	- %	58	53.3 %	30.0 %
51	6.7	-	59	60.0	40.0
52	13.3	-	60	66.7	50.0
53	20.0	-	61	73.3	60.0
54	26.7	-	62	80.0	70.0
55	33.3	40.0	63	86.7	80.0
56	40.0	10.0	64	93.3	90.0
57	46.7	20.0	65	100.0	100.0

It was assumed that 80% of participants are married.

SECTION D

GASB STATEMENTS NO. 25 AND NO. 27

This information is presented in draft form for review by the City's auditor. Please let us know if there are any changes so that we may maintain consistency with the City's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b - a)/c]
3/1/2005	\$ 38,327,422	\$ 78,759,019	\$ 40,431,597	48.7%	\$ 7,684,000	526.2%
3/1/2006	40,653,428	84,413,071	43,759,643	48.2	8,150,000	536.9
3/1/2007 ¹	43,742,297	106,361,853	62,619,556	41.1	8,402,000	745.3
3/1/2008	47,006,917	111,696,236	64,689,319	42.1	8,999,000	718.9
3/1/2009	49,410,755	119,852,896	70,442,141	41.2	9,242,000	762.2
3/1/2010	52,021,778	129,493,139	77,471,361	40.2	9,133,000	848.3

¹ Values prior to March 1, 2007, were taken from the actuarial valuation report as of March 1, 2006, as performed by Ted Windsor & Associates.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution (a)	Total Employer Contribution (b)	Percentage Contributed (b / a)
2/28/2005	\$ 3,317,158	\$ 2,493,707	75.2%
2/28/2006	3,921,530	3,513,682	89.6
2/28/2007 ¹	4,174,271	3,690,201	88.4
2/29/2008	5,486,699	4,161,537	75.8
2/28/2009	5,828,112	6,455,339	110.8
2/28/2010	6,358,267	6,068,776	95.4

¹ Values prior to March 1, 2007, were taken from the actuarial valuation report as of March 1, 2006, as performed by Ted Windsor & Associates.

ANNUAL PENSION COST AND CONTRIBUTIONS

Contribution rates:

City Proceeds from a tax levy equal to the sum of: (a) annual normal cost plus (b) amortization of unfunded liability as a level percent of pay between now and July 1, 2033, plus (c) interest on (a) and (b) to date of payment.

Plan members 9.455% of regular salary

Annual Pension Cost for fiscal year ending February 28, 2010:	Annual Required Contribution (ARC) *	\$ 6,358,267
	Interest on Net Pension Obligation	494,058
	Adjustment to ARC	<u>(411,252)</u>
	Total Annual Pension Cost	\$ 6,441,073

Net Pension Obligation (NPO):	Net Pension Obligation (NPO) at Beginning of year, March 01, 2009:	\$ 6,814,595
	Total Annual Pension Cost:	6,441,073
	Total Employer Contribution for year ended February 28, 2010:	6,068,776
	Net Pension Obligation (NPO) at End of year, February 28, 2010:	<u>\$ 7,186,892</u>

* The annual required contribution is equal to the sum of: (a) annual normal cost plus (b) amortization of unfunded liability as a level percent of pay between now and July 1, 2033 plus (c) interest to the end of year.

PENSION COST SUMMARY FOR GASB #27

Year Ended February 28	Annual Pension Cost	Total Employer Contribution	% of Annual Pension Cost Contributed	Net Pension Obligation
2005	\$ 3,364,452	\$ 2,493,707	74.1%	\$ 4,923,431
2006	3,973,339	3,513,682	88.4	5,383,088
2007 ¹	4,234,574	3,690,201	87.1	5,927,461
2008	5,575,720	4,161,537	74.6	7,341,644
2009	5,928,290	6,455,339	108.9	6,814,595
2010	6,441,073	6,068,776	94.2	7,186,892

¹ Values prior to fiscal year ending February 28, 2007, were taken from the actuarial valuation report as of March 1, 2006, as performed by Ted Windsor & Associates.

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information requested 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:

<i>Valuation Date</i>	March 1, 2010
<i>Actuarial Cost Method</i>	Entry-Age-Normal
<i>Actuarial Value of Assets</i>	4-year smoothed market
<i>Amortization Method</i>	Level-percent closed
<i>Remaining Amortization Period</i>	23 years, 4 months
<i>Actuarial Assumptions:</i>	
<i>Investment Rate of Return</i>	7.00% per year
<i>Projected Salary Increases*</i>	5.00% per year
<i>*Includes Wage Inflation Increases</i>	3.50% per year
<i>Cost-of-Living Increases</i>	3.00% per year
