CITY OF OMAHA
POLICE AND FIREFIGHTERS
RETIREMENT SYSTEM

Actuarial Valuation Report
as of January 1, 2006

CITY OF OMAHA POLICE & FIREFIGHTERS RETIREMENT SYSTEM
ACTUARIAL VALUATION REPORT

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A MILLIMAN GLOBAL FIRM

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June 13, 2007

The Board of Trustees
City of Omaha
Police and Firefighters Retirement System
Omaha/Douglas Civic Center
1819 Farnam Street
Omaha, NE 68183

Re: January 1, 2006 Actuarial Report

Dear Members of the Board:

At your request, we have performed an annual actuarial valuation of the City of Omaha Police and Firefighters Retirement System as of January 1, 2006 for determining contributions for the year ended December 31, 2006. The major findings of the valuation are contained in this report. This report reflects the benefit provisions that become effective as of July 1, 2007 per the union contracts. There was no change in plan provisions from the prior valuation. Actuarial assumptions have been changed as outlined on page one of the Board Summary.

In preparing this report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, member data and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB) and the applicable Guides to Professional Conduct, amplifying Opinions and Supporting Recommendations of American Academy of Actuaries.

We further certify that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations of future experience); and which, in combination, offer our best estimate of anticipated experience under the Plan. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that projected by the actuarial assumptions. The Board of Trustees has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix B.

Actuarial computations presented in this report are for purposes of determining the actuarial contribution rates for funding the System. Actuarial computations under GASB Statement No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statements No. 25 and 27. Determinations for purposes other than these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work product was prepared exclusively for the City of Omaha Police and Firefighters Retirement System for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Police and Firefighters Retirement System operations, and used data from the Police and Firefighters Retirement System, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage professionals for advice appropriate to its own specific needs.

We herewith submit the following report and look forward to discussing it with you.

Respectfully Submitted,

MILLIMAN, Inc.

I, Gregg Rueschhoff, A.S.A. am a member of the American Academy of Actuaries and an Associate of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Gregg Rueschhoff

Gregg Rueschhoff, A.S.A.
Principal & Consulting Actuary

This report presents the results of the January 1, 2006 actuarial valuation of the City of Omaha Police & Firefighters Retirement System (the "System"). The primary purposes of performing the valuation are to:

- Determine the employer contribution rates required to fund the System on an actuarially sound basis,
- Disclose asset and liability measures as of January 1, 2006,
- Analyze and report on trends in System contributions, assets, and liabilities over the latest period.

The valuation results provide a "snapshot" view of the System's financial condition on January 1, 2006 using System asset values at December 31, 2005. The valuation results reflect a significant increase in the Unfunded Actuarial Liability and related Actuarial Contribution Rate. (Throughout this report we refer to the actuarially determined contribution rate as the Actuarial Contribution Rate). The reasons for the increase include the assumption changes reflected in this year's report and the fact that actual contributions were less than the actuarially recommended rate. Each component of change in the Actuarial Contribution Rate is identified later in this Board Summary (see page 3).

As a result of the Experience Study completed for the five year period ended December 31, 2005, there were several changes in actuarial assumptions that are first reflected in this valuation. Changes were made to the following assumptions:

- The mortality assumption was updated to the RP-2000 Table with generational improvements with a one year age set forward.
- The annual salary increase assumption was lowered from an age based table to a service based table.
- Assumed retirement rates were increased between 25 and 27 years of service.
- The assumed rates of disability for active members were decreased.
- A 10% load was added to the Actuarial Liability and Normal Cost for active members to recognize anticipated wage adjustments in the final year of service.
- The price inflation and general wage increase assumptions were decreased.

The net effect of all assumption changes was an increase in the Actuarial Liability of $44.2 million and an increase in the Actuarial Contribution Rate of 3.25%.

A detailed description of all the actuarial assumptions used is provided in Appendix B.

Several factors contributed to the change in the System's assets, liabilities and recommended contribution rate between January 1, 2005 and December 31, 2005.

Assets

The market value of assets is not used directly in the actuarial calculation of the Plan's funded status and the recommended contribution. An asset valuation method is used to smooth the effects of market fluctuations. The actuarial value of assets is equal to 2/3 of the expected asset value (based on last year's actuarial value of assets, net cash flows and a rate of return equal to the actuarial assumed rate of 8.0%) plus 1/3 of the market value of assets. See page 7 for the detailed development of the actuarial value of assets as of January 1, 2006.

As of January 1, 2006, the System had total funds, when measured on an actuarial value basis, of $453.2 million. This was an increase of $30.3 million from the January 1, 2005 figure of $422.9 million. Based on the actuarial assumption, an increase of $33.7 million was expected over that time period.

The components of the change in the actuarial value of assets (in millions) are set forth below:

	Actuarial Value	*Market Value*
Assets, January 1, 2005	$ 422.9	$ 420.3
• employer and member contributions	+ 29.3	+ 29.3
• benefit payments	- 32.8	- 32.8
• net investment income (expected)	+ 33.7	+ 33.5
• net investment actuarial gain/(loss)	+ 0.1	+ 3.0
Assets, December 31, 2005	$ 453.2	$ 453.3

Liabilities

The actuarial liability (also referred to as past service liability) is the portion of the present value of projected benefits that will not be paid by future employer normal costs. The difference between this liability and asset values at the same date is referred to as the unfunded actuarial liability. The unfunded actuarial liability will be reduced if the contributions exceed the normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial liability. Benefit improvements, actuarial gains and losses, and changes in actuarial assumptions and procedures will also impact the total actuarial liability and the unfunded portion thereof.

The calculation of the Unfunded Actuarial Liability as of January 1, 2006 is shown below:

Actuarial Liability	$ 746,490,736
Actuarial Value of Assets	$(453,172,392)
Unfunded Actuarial Liability (UAL)	$ 293,318,344
Present Value of Prior Service Payments[1]	$ (14,000,484)
UAL for Funding Purposes	$ 279,317,860

[1]The City is obligated to pay $1,327,600 per year to the System to fund a "prior service" obligation. These payments will be paid through 2028.

The components of change in the Unfunded Actuarial Liability (in millions) are set forth below:

Unfunded Actuarial Liability, January 1, 2005	$220.5
Plus	
Net Investment Actuarial (Gain)/Loss	(0.1)
Net Liability Actuarial (Gain)/Loss	0.5
Normal Cost with interest	25.6
Assumption Changes	44.2
Interest on Unfunded Actuarial Liability	17.6
Less	
Employer Contributions with interest	(17.0)
Employee Contributions with interest	(12.0)
Unfunded Actuarial Liability, January 1, 2006	$279.3

Contributions

Under the Entry Age Normal Actuarial Cost method, contributions to the System consist of:

- a "normal cost" for the portion of projected liabilities attributable to service of members during the year following the valuation date, and

- an "unfunded actuarial liability" contribution for the excess of the portion of projected liabilities allocated to service to date over actuarial assets.

The System's total Actuarial Contribution Rate (payable as a percent of member payroll) increased by **3.64%** of pay, to **48.86%** on January 1, 2006, from **45.22%** on January 1, 2005. The primary components of this change are as follows:

	Rate
Total Actuarial Contribution Rate, January 1, 2005	45.22%
• Actuarial (Gain)/Loss – Investment Experience	(0.00)
• Actuarial (Gain)/Loss – Demographic Experience	0.03
• Assumption Changes	3.25
• Contributing less than Actuarial Contribution Rate	0.36
Total Actuarial Contribution Rate, January 1, 2006	48.86%

See page 9 for a detailed calculation of the Actuarial Contribution Rate as of January 1, 2006.

Observations

The actual contributions made to the System continue to be significantly less than the Actuarial Contribution Rate. Both the member and City contribution rates are scheduled to increase each year, with the final increase scheduled in 2007. At that time, the City's contribution rate will be 20.55% of pensionable payroll plus a past service payment of approximately 1.45% of payroll. The member contribution rate will be 14.94% of payroll. Even with these scheduled contribution increases which result in a total contribution rate of 36.94%, the actual contribution to the System will be 11.92% less than the Actuarial Contribution Rate developed in this valuation. Over the last several years, we discussed the importance of closing this contribution shortfall. The situation still exists, and in fact is worse. If all actuarial assumptions are met and current benefit structure and contributions remain unchanged, we expect, the System's funded status in future years will decline and the Actuarial Contribution Rate will systematically increase.

The shortfall between the actual contribution rate (city and member) and the Actuarial Contribution Rate results in an increase in the Unfunded Actuarial Liability and a corresponding increase in the Actuarial Contribution Rate. Under the current schedule of contribution rates, the shortfall is expected to increase in future years. The table on page 3 provides a reconciliation of the change in the Actuarial Contribution Rate from the prior valuation. As that table illustrates, the Actuarial Contribution Rate in the current valuation is 0.36% higher due to actual contributions less than the Actuarial Contribution Rate. If all actuarial assumptions are met in the future, the contribution shortfall will increase and its impact on the Actuarial Contribution Rate will also increase, possibly significantly. We strongly recommend that the contribution shortfall between the actual contribution rate and the Actuarial Contribution Rate be addressed and measures be taken to eliminate it. The longer action is delayed to address this funding shortfall, the higher the ultimate contribution rate will be.

The contribution shortfall also has an impact on the Net Pension Obligation (NPO) as determined under Governmental Accounting Standard Number 27 (GASB27). On page 12 of our report we show the development of the NPO. As of December 31, 2005 the NPO was $20.9 million, compared to $12.5 million as of December 31, 2004. The NPO will increase from year to year by interest on the NPO and by the shortfall between the actual contribution rate and the Actuarial Contribution Rate. If the currently scheduled contribution rates remain unchanged and all actuarial assumptions are met in the future, the NPO is projected to exceed $100 million by 2013.

Summary of Principal Results

	2003 Valuation	2005 Valuation	2006 Valuation
1. Participant Data			
Number of:			
Active Members	1,395	1,390	1,412
Service Retirements	566	638	639
Surviving Spouses and Children	253	279	276
Disabled	270	265	257
Deferred Vested	5	9	8
Annual Salaries of Active Members	$79,725,536	$79,578,328	$86,312,287
Average Salary	57,151	57,251	61,128
Average Age of Active Members	38.9	39.0	39.7
2. Assets and Liabilities			
Total Actuarial Liability	$581,187,364	$657,650,175	$746,490,736
Assets for Valuation Purposes	374,252,476	422,898,286	453,172,392
Unfunded Actuarial Liability (UAL)	206,934,888	234,751,889	293,318,344
Present Value of Prior Service Payments	(14,593,006)	(14,213,372)	(14,000,484)
UAL for Funding Purpose	192,341,882	220,538,517	279,317,860
3. Contribution Rates			
Actuarial Contribution Rate	40.55%	45.22%	48.86%
Member Contribution Rate	13.14%	14.93%[1]	14.94%[1]
Employer Contribution Rate	18.75%	20.55%[1]	20.55%[1]
Employer "Past Service" payment	1.55%	1.57%	1.45%
4. Shortfall/(Excess) Contributions			
Actuarial Contribution Rate	40.55%	45.22%	48.86%
Statutory Contribution Rate	33.44%	37.05%	36.94%
Shortfall/(Excess)	7.11%	8.17%	11.92%
Expected Payroll for year	$85,820,469	$84,765,936	$91,319,898
Dollar Amount of Shortfall/(Overage)	$ 6,101,835	$ 6,925,377	$10,885,332

[1] Blended Police and Fire rates effective in 2007.

Change in Net Plan Assets at Market Value
Increases since January 1, 2005

Assets at January 1, 2005	$420,348,491
Receipts:	
City Contributions – Current	16,434,609
City Contributions – Past Service	1,327,600
Employee Contributions	11,558,030
Investment Income	39,181,011
Total Receipts	$68,501,250
Disbursements:	
Pensions Paid to Retirees	$31,973,123
Death Benefits	66,463
Termination Withdrawals	121,520
Medical Fees	655,053
Investment Fees	2,692,221
Other Fees	18,352
Total Disbursements	$35,526,732
Assets at December 31, 2005 (Market Value)	$453,323,009
Annualized Yield	
- Gross	9.4%
- Net of Expenses	8.7%

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of Plan assets, nor the book values of assets, representing the cost of investments, may be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. The specific technique follows:

Step 1: Determine the expected value of plan assets at the current valuation date using the actuarial assumption for investment return and the actual receipts and disbursements of the fund since the previous actuarial valuation.

Step 2: Subtract the expected value determined in Step 1 from the total market value of the Fund at the current valuation date.

Step 3: Multiply the difference between market and expected values determined in Step 2 by 33%.

Step 4: Add the expected value of Step 1 and the product of Step 3 to determine the actuarial value of assets.

1.	Actuarial Value of Assets as of January 1, 2005	$	422,898,286
2.	Actual Receipts/Disbursements		
	a. Total Contributions		29,320,239
	b. Benefit Payments		(32,816,158)
	c. Net Change		(3,495,919)
3.	Expected Investment Earnings		33,694,716
4.	Expected Actuarial Value of Assets as of December 31, 2005		453,097,083
5.	Market Value as of December 31, 2005		453,323,009
6.	Difference Between Market and Expected Values		225,926
7.	Actuarial Value of Assets as of December 31, 2005 (4 + 1/3 of 6)	$	453,172,392

UNFUNDED ACTUARIAL LIABILITY

The actuarial liability is the portion of the present value of future benefits which will not be paid by future normal costs. The actuarial value of assets is subtracted from the actuarial liability to determine the unfunded actuarial liability.

1. Entry Age Normal Actuarial Liability	$	746,490,736
2. Present Value of Prior Service Payments		14,000,484
3. Actuarial Value of Assets		453,172,392
4. Unfunded Actuarial Liability (1) – (2) – (3)	$	279,317,860

DEVELOPMENT OF ACTUARIAL CONTRIBUTION RATE

The actuarial cost method used to determine the required level of annual contributions to support the expected benefits is the Entry Age Normal Cost Method. Under this method, the total cost is comprised of the normal cost rate and the unfunded actuarial liability payment. The Plan is financed by contributions from members and the City.

1. (a) Normal Cost (Adjusted to Mid-Year)	$ 25,288,508
(b) Covered Payroll for Members Under Assumed Retirement Age	$ 87,270,291
(c) Normal Cost Rate (a) / (b)	28.98%
2. Unfunded Actuarial Liability/(Surplus) at Valuation Date	$ 279,317,860
3. Amortization Factor to Pay UAL as a Level Percent of Payroll over 27 Years	17.25409
4. Unfunded Actuarial Liability/(Surplus) Payment (Adjusted to Mid-Year) [(2) / (3)] x $1.08^{1/2}$	$ 16,823,584
5. Prior Service Payment	$ 1,327,600
6. Total Projected Payroll for the Year	$ 91,319,898
7. Unfunded Actuarial Liability and Prior Service Payments as a Percent of Payroll [(4) + (5)] / (6)	19.88%
8. Total Contribution as a Percent of Pay (1c) + (7)	48.86%

Governmental Accounting Standards Board Disclosure
SCHEDULE OF FUNDING PROGRESS

In accordance with Statement No. 25 of the Governmental Accounting Standards Board
(All Dollar Amounts in Millions)

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (P/R) (c)	UAAL as a Percentage of Covered P/R [(b-a)/c]
12/31/98	355.3	386.2	30.98	92.0%	70.3	44.0%
12/31/99	356.9	411.1	54.2	86.8%	70.8	76.6%
12/31/00	361.5	425.1	63.6	85.0%	74.5	85.4%
12/31/01	350.4	452.3	101.9	77.5%	76.7	133%
12/31/02	314.1	481.6	167.5	65.2%	79.7	210%
12/31/03	383.7	511.9	128.2	75.0%	85.1	151%
12/31/04	420.3	543.9	123.6	77.3%	82.1	151%
12/31/05	453.3	703.8	250.5	64.4%	86.8	289%

*Prior to 2005, this amount was based on the Projected Unit Credit method. Starting in 2005 the Entry Age Normal method is used.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(All Dollar Amounts in Millions)

Fiscal Year Ending	Covered Employee Payroll [1]	Actual Employer Contributions	Actual Employer Contribution %[2]	Annual Required Contribution (ARC) %[3]	Annual Pension Cost (APC)	Percentage of APC Contributed
12/31/98[4]	70.3	12.70	18.07	13.58	10.52	121
12/31/99	70.8	13.01	18.38	15.46	10.66	122
12/31/00	74.5	13.61	18.27	15.35	11.24	121
12/31/01	76.7	13.98	18.23	15.35	11.63	120
12/31/02	79.7	15.32	19.22	15.39	15.37	99
12/31/03	85.1	17.28	20.31	27.41	23.32	74
12/31/04	82.1	16.72	20.37	27.41	22.43	75
12/31/05	86.8	17.76	20.46	30.29	26.15	78

(1) Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll. Payroll is estimated for years where no valuation was done.

(2) The actual and required employer contributions are expressed as a percentage of payroll.

(3) The ARC (as a percentage of payroll) is assumed to remain the same as the prior year when no valuation was performed.

(4) Where applicable, these are annual amounts for the period 1/1/98 through 12/31/98.

City of Omaha Police & Firefighters' Retirement System
Development of the Net Pension Obligation in Accordance with Statement No. 27 of the Governmental Accounting Standards Board

	Fiscal Year Ended									
Fiscal Year End :	06/30/97	06/30/98	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
Assumptions and Methods										
Interest Rate	8.50%	8.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Amortization Period (years)	15	15	15	15	15	15	15	30	30	30
Cost Method	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Entry Age	Entry Age	Entry Age
Annual Pension Cost :										
Annual Required Contribution (ARC)	13,372,313	12,130,894	9,545,452	10,943,105	11,439,320	11,738,696	15,392,189	23,329,940	22,487,399	26,255,804
Interest on NPO	582,664	744,035	741,784	622,503	434,172	244,243	56,158	59,689	543,111	1,000,069
Adjustment to ARC	(825,466)	(1,054,082)	(1,083,279)	(909,084)	(634,052)	(356,684)	(82,012)	(66,275)	(603,040)	(1,110,419)
Annual Pension Cost	13,129,511	11,820,847	9,203,957	10,656,524	11,239,440	11,626,255	15,366,335	23,323,354	22,427,470	26,145,454
Employer Contribution for the Year	11,231,031	11,301,890	6,099,534	13,010,651	13,613,563	13,977,312	15,322,201	17,280,573	16,715,500	17,762,209
Net Pension Obligation (NPO):										
NPO at beginning of year	6,854,869	8,753,349	9,272,306	7,781,283	5,427,156	3,013,032	701,976	746,110	6,788,891	12,500,861
Annual Pension Cost for year	13,129,511	11,820,847	4,608,511	10,656,524	11,239,440	11,626,255	15,366,335	23,323,354	22,427,470	26,145,454
Contributions for year	(11,231,031)	(11,301,890)	(6,099,534)	(13,010,651)	(13,613,563)	(13,977,312)	(15,322,201)	(17,280,573)	(16,715,500)	(17,762,209)
NPO at end of year	8,753,349	9,272,306	7,781,283	5,427,156	3,053,032	701,976	746,110	6,788,891	12,500,861	20,884,105

POLICE

	January 1 2005	January 1 2006
ACTIVE PARTICIPANTS	749	775
NON-ACTIVE PARTICIPANTS		
Service Retirements	309	307
Surviving Spouses	129*	133*
Surviving Children	12	14
Vested Terminated	5	5
Disabled		
- In Line of Duty	143	137
- Not in Line of Duty	16	15
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$43,044,365	$46,851,831
Average Per Participant	57,469	60,453
ANNUAL PENSION BENEFIT**		
Service Retirements	$10,810,080	$11,004,282
Surviving Spouses	1,382,913	1,541,413
Disabled		
- In Line of Duty	3,528,274	3,476,245
- Not in Line of Duty	348,960	349,491

* Includes ex-spouses

** Pension Benefits paid from Pension Fund only.

FIREFIGHTERS

	January 1 2005	January 1 2006
ACTIVE PARTICIPANTS	641	637
NON-ACTIVE PARTICIPANTS		
Service Retirements	329	330
Surviving Spouses	126*	120*
Surviving Children	12	9
Vested Terminated	4	3
Disabled		
- In Line of Duty	97	96
- Not in Line of Duty	9	9
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$36,533,963	$39,739,929
Average Per Participant	56,995	62,386
ANNUAL PENSION BENEFIT**		
Service Retirements	$11,823,024	$12,128,774
Surviving Spouses	1,289,544	1,308,172
Disabled		
- In Line of Duty	2,418,504	2,439,242
- Not in Line of Duty	153,612	155,403

* Includes ex-spouses
** Pension Benefits paid from Pension Fund only.

POLICE AND FIREFIGHTERS

	January 1 2005	January 1 2006
ACTIVE PARTICIPANTS	1,390	1,412
NON-ACTIVE PARTICIPANTS		
Service Retirements	638	637
Surviving Spouses	255*	253*
Surviving Children	24	23
Vested Terminated	9	8
Disabled		
- In Line of Duty	240	233
- Not in Line of Duty	25	24
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$79,578,328	$86,591,760
Average Per Participant	57,251	61,326
ANNUAL PENSION BENEFIT**		
Service Retirements	$22,633,104	$23,133,056
Surviving Spouses	2,672,457	2,849,585
Disabled		
- In Line of Duty	5,946,778	5,915,487
- Not in Line of Duty	502,572	504,894

* Includes ex-spouses
** Pension Benefits paid from Pension Fund only.

	January 1 2005	January 1 2006
ACTIVE MEMBERS		
Average Attained Age	39.0	39.7
Average Hire Age	28.1	28.0
Average Past Service	10.9	11.7
Average Annual Compensation	$57,251	$61,326
NON-ACTIVE MEMBERS		
Average Attained Age		
Service Retirees	62.9	63.7
Disability Retirees		
- In Line of Duty	62.8	63.9
- Not in Line of Duty	63.6	64.6
Surviving Spouses	77.4	74.9
Average Monthly Benefit		
Service Retirees	$2,956	$3,017
Disability Retirees		
- In Line of Duty	2,064	2,116
- Not in Line of Duty	1,675	1,753
Surviving Spouses	873	939
VALUE OF PLAN ASSETS MARKET VALUE	$420,348,491	$453,323,009
VALUE OF PLAN ASSETS ACTUARIAL VALUE	$422,898,286	$453,172,392

ACTUARIAL METHOD

Valuation of the plan use the *"entry age-normal"* cost method. Under this actuarial method, the value of future costs attributable to future employment of participants is determined. This is called present value of future normal costs. The following steps indicate how this is determined for benefits expected to be paid upon normal retirement.

1. The expected pension benefit at normal retirement is determined for each participant.

2. A normal cost, as a level percent of pay, is determined for each participant assuming that such level percent is paid from the employee's entry age into employment to his normal retirement. This normal cost is determined so that its accumulated value at normal retirement is sufficient to provide the expected pension benefits.

3. The sum of the normal costs for all participants for one year determines the total normal cost of the plan for one year.

4. The value of future payments of normal cost in future years is determined for each participant based on his years of service to normal retirement age.

5. The sum of the value of future payments of normal cost for all participants determines the present value of future costs.

The value of future costs attributable to past employment of participants, which is called the accrued liability is equal to the present value of benefits less the present value of future normal costs. The unfunded accrued liability is equal to the excess of the accrued liability over assets. The unfunded accrued liability is amortized as a level percent of pay over 30 years beginning January 1, 2003.

As experience develops with the plan, actuarial gains and actuarial losses result. These actuarial gains and losses indicate the extent to which actual experience is deviating from that expected on the basis of the actuarial assumptions. In each year, as they occur, actuarial gains and losses are recognized in the unfunded accrued liability as of the valuation date.

Interest:	8.0% (net of investment expenses)
Salary Increases:	Merit increases based on service plus an inflation increase.
Service Retirement Age:	Graduated Rates based on service.
Mortality:	
Active Members	RP-2000 with generational improvements, set forward one year.
Service Pensioners and Beneficiaries	RP-2000 with generational improvements, set forward one year.
Disabled	RP-2000 Disability table with generational improvements.
Disability:	Graduated rates by age.
Percent of Disabilities in Line of Duty:	85%
Medical Expenses for Disabilities in Line of Duty:	5% load on liability.
Percent Married at Death or Retirement:	75%
Percent with Dependents at Death:	77%
Average Number of Children per Married Member:	1
Turnover:	Graduated rates by age.
Assets:	Actuarial value of assets equal to 1/3 of market value, plus 2/3 of expected value.
Load on Active member liability to reflect final wage adjustments	10%
Increase in total annual payroll	4.0%
Assumed annual rate of inflation	3.5%

SAMPLE RATES

Age on 1/1/2006	Annual Rate			
	Mortality		Disability	Turnover
	Males	Females		
20	.03%	.02%	.26%	1.41%
30	.05	.03	.30	1.69
40	.11	.07	.52	.63
50	.20	.16	.95	.00
60	.49	.42	1.45	.00

Salary Progression

Years of Service	Inflation	Productivity	Merit & Longevity	Total Increase
1	3.5%	0.5%	2.5%	6.5%
5	3.5%	0.5%	2.5	6.5
10	3.5%	0.5%	2.0	6.0
15	3.5%	0.5%	1.0	5.0
20	3.5%	0.5%	0.5	4.5
25	3.5%	0.5%	0.0	4.0
30	3.5%	0.5%	0.0	4.0

Service Retirements

Assumed retirement rates are based on the number of years of credited service as follows:

Years of Service	Distribution	Annual Rate
Less than 25	0.0%	0.0%
25	60.0	60.0
26	25.0	62.5
27	15.0	100.0

Also, if a member was hired after age 37, then it is assumed that member would retire at the later of age 62 or 10 years of service.

Average Final Monthly Compensation:
Section 22-63

Highest average monthly compensation during any consecutive twenty-six (26) pay periods out of the last five years of service as a member of the system for which service credit had been earned.

Member Contributions:
Section 22-73(a)
Section 22-68

Ultimate rates effective July 1, 2007:
14.545% of total monthly salary for police.
15.40% of total monthly salary for fire.

City of Omaha Contributions:
Section 22-73(b)

Ultimate rates effective July 1, 2007:
20.16% of each members total monthly salary for police.
21.015% of each members total monthly salary for fire.

In addition, the City shall make contributions of $1,327,600 annually through the year 2028.

Service Retirement Eligibility:
Section 22-75

Available after age 55 and 10 years of service or age 45 and 20 years of service.

Service Retirement Pension:

Section 22-76

Beginning July 1, 2007, lifetime monthly annuity as follows:

Years of Service	Minimum Age	Percentage of Average Final Monthly Compensation
10 but less than 15	55	20%
15 but less than 20	55	30%
20 but less than 25	45	55%*
25 years	45	75%

*55% at 20 years of service, plus 2% for each additional six months of service after 20 years and before 25 years.

Cost of Living Adjustment (COLA):

The monthly pension shall be increased by the lesser of 3% or $50 ($65 for Fire retirements after June 30, 2007). The increase will be made annually, beginning in the 13th month of retirement.

Disability Retirement:

1. **In Line of Duty:** Section 22-78

A member shall become entitled to the following benefits while permanently disabled.

Years of Service	Percentage of Average Final Monthly Compensation
Less than 25	50%**
25	*

* Same as Service Retirement Pension
** 55% for Fire after June 30, 2007

2. **Not in Line of Duty:** Section 22-79

A member shall become entitled to the following benefits while permanently disabled.

Years of Service	Percentage of Average Final Monthly Compensation
Up to 10 years	10%
10 but less than 15	20%
15 but less than 20	30%
20 but less than 25	*
25 or more	*

Not payable while full salary continues.

* Same as Service Pension.

Spouse's Pension:

1. **Death of Active Member in Line of Duty:**

A monthly pension equal to 49% (52% Fire) of the member's average final monthly compensation is paid to the surviving spouse if death occurs while the active member has less than 25 years of service. A monthly pension equal to 69% (72% Fire) of the member's average final monthly compensation is paid to the surviving spouse if death occurs after the active member has 25 years or more of service.

2. Death of Active Member Not in Line of Duty:

The following monthly pension is paid to the surviving spouse.

Years of Service at Death	Percentage of Average Final Monthly Compensation*
0-3	0%
3-10	35%
11	36.4%
12	37.8%
13	39.2%
14	40.6%
15	42.0%
16	43.4%
17	44.8%
18	46.2%
19	47.6%
20-25	49.0%
25+	69%

* add 3% to each number for Fire effective July 1, 2007

Benefit terminates upon remarriage of spouse.

3. Death of Member Eligible for Retirement or Death of Retired Member:
Section 22-82

75% (90% for Fire retirements after June 30, 2007) of the pension the member was receiving or was eligible to receive at the time of death. Upon spouse's remarriage, all benefits cease.

Children's Pension:
Section 22-83

Upon the death of an active or retired member, the following benefit will be paid to the surviving children until age 18.

Number of Dependent Children	Percentage of Average Final Monthly Compensation
1	15%
2	30%
3	45%
4 or more	50%

Lump Sum Death Benefits:

1. Active Member without Eligible Dependents:
Section 22-84(a)

Accumulated member's contributions, or $500 if greater.

2. **Retired Member without Eligible Dependents:** Section 22-84(b)

Accumulated member's contribution less previous pension payments made, or $500 if greater.

3. **Active Member with Eligible Dependents:** Section 22-84(c)

An amount payable immediately, equal to one year's salary computed on the basis of the maximum monthly rate for patrolmen and firefighters, plus the deceased member's accumulated contributions less pension payments to his dependents, payable to the dependent who last ceases to receive pension benefits.

4. **Retired Member with Eligible Dependents:** Section 22-84(c)

$1,000 ($5,000 Fire) payable immediately, plus the excess over $1,000 ($5,000 Fire) if any, of the deceased member's accumulated **contributions less pension payments to the member** and his dependents, payable to the dependent who last ceases to receive pension benefits.

Vesting:

Section 22-86

Upon severance of employment by a member with less than 10 years of service and prior to obtaining eligibility under Section 22-75, a refund of such member's accumulated contributions.

Section 22-90

Upon severance of employment by a member before age 45 with more than 20 years of service and prior to obtaining eligibility under Section 22-75, the member may elect, in lieu of receiving a refund of contributions, to receive a monthly pension, according to the table below, commencing at age 55. Such deferred pension shall be based on service credited to the date of severance.

Years of Service	Minimum Age	Percentage of Average Final Monthly Compensation
10 but less than 15	55	20%
15 but less than 20	55	30%
20 but less than 25	45	55%
25 or more	45	75%