



**CITY OF OMAHA
POLICE AND FIREFIGHTERS
RETIREMENT SYSTEM**
Actuarial Valuation Report
as of January 1, 2007

**CITY OF OMAHA POLICE & FIREFIGHTERS RETIREMENT SYSTEM
ACTUARIAL VALUATION REPORT**

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Milliman

Consultants and Actuaries

1120 South 101st Street, Suite 400
Omaha, NE 68124-1088
Tel +1 402 393.9400
Fax +1 402 393.1037
www.milliman.com

August 9, 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, 2007 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, 2007 for determining contributions for the year ended December 31, 2007. 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 or actuarial assumptions from the prior valuation.

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, A.S.A.
Principal & Consulting Actuary

Board Summary

This report presents the results of the January 1, 2007 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, 2007,
- 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, 2007 using System asset values at December 31, 2006. The valuation results reflect an 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 main reasons for the increase include a net actuarial loss reflected for the 2006 calendar year 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).

Several factors contributed to the change in the System's assets, liabilities and recommended contribution rate between January 1, 2006 and December 31, 2006.

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, 2007.

As of January 1, 2007, the System had total funds, when measured on an actuarial value basis, of \$494.8 million. This was an increase of \$41.6 million from the January 1, 2006 figure of \$453.2 million. Based on the actuarial assumption, an increase of \$35.1 million was expected over that time period.

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

	<i>Actuarial Value</i>	<i>Market Value</i>
Assets, January 1, 2006	\$ 453.2	\$ 453.3
• employer and member contributions	+ 33.8	+ 33.8
• benefit payments	- 34.9	- 34.9
• net investment income (expected)	+ 36.2	+ 36.3
• net investment actuarial gain/(loss)	+ 6.5	+ 19.1
Assets, December 31, 2006	\$ 494.8	\$ 507.6



Board Summary

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, 2007 is shown below:

Actuarial Liability	\$ 829,097,202
Actuarial Value of Assets	<u>\$(494,753,150)</u>
Unfunded Actuarial Liability (UAL)	\$ 334,344,052
Present Value of Prior Service Payments ¹	<u>\$ (13,770,566)</u>
UAL for Funding Purposes	\$ 320,573,486

¹The 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 (UAL), January 1, 2006	\$279.3
Plus	
Net Investment Actuarial (Gain)/Loss	(6.5)
Net Liability Actuarial (Gain)/Loss	31.8
Normal Cost with interest	27.3
Assumption Changes	0
Interest on Unfunded Actuarial Liability	22.3
Less	
Employer Contributions with interest	(19.6)
Employee Contributions with interest	<u>(14.0)</u>
Unfunded Actuarial Liability (UAL), January 1, 2007	\$320.6



Board Summary

As detailed above, the UAL increased \$44.3 million from the prior year. A significant portion of this increase is due to a \$31.8 million actuarial loss due to unfavorable demographic experience during 2006.

Approximately \$20 million of the \$31.8 million loss is attributed to a larger than expected increase in pensionable earnings from 2005 to 2006 for continuing active members. Pensionable earnings for 2006 were approximately 5% higher than expected.

About \$5 million of the \$31.8 million loss is attributable to retirements that occurred in 2006. For the 2006 retirements, the highest pensionable wage used to determine the pension amount was approximately 18% higher than the previous highest calendar year pensionable wage. This excess adjustment over the 10% assumed final wage adjustment was the major cause for the \$5 million loss attributed to these retirements.

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 1.07% of pay, to 49.93% on January 1, 2007, from 48.86% on January 1, 2006. The primary components of this change are as follows:

	Rate
Total Actuarial Contribution Rate, January 1, 2006	48.86%
• Actuarial (Gain)/Loss -- Investment Experience	(0.27)
• Actuarial (Gain)/Loss -- Demographic Experience	0.87
• Assumption Changes	0
• Contributing less than Actuarial Contribution Rate	0.47
Total Actuarial Contribution Rate, January 1, 2007	49.93%

See page 9 for a detailed calculation of the Actuarial Contribution Rate as of January 1, 2007.



Board Summary

Observations

The actual contributions made to the System continue to be significantly less than the Actuarial Contribution Rate. The City's contribution rate is 20.57% of pensionable payroll plus a past service payment of approximately 1.34% of payroll. The member contribution rate is 14.95% of payroll. Even with a total contribution rate of 36.86%, the actual contribution to the System will be 13.07% less than the Actuarial Contribution Rate developed in this valuation. Over the last several years, we discussed the importance of closing this contribution shortfall. 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 significantly and the Actuarial Contribution Rate will systematically increase. The table on the bottom of page 5 illustrates the growth in the contribution shortfall over the last three years.

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 0.47% 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, 2006 the NPO was \$31.6 million, compared to \$20.9 million as of December 31, 2005. 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 2011.



Board Summary

Summary of Principal Results

	<u>2005</u> <u>Valuation</u>	<u>2006</u> <u>Valuation</u>	<u>2007</u> <u>Valuation</u>
1. Participant Data			
Number of:			
Active Members	1,390	1,412	1,423
Service Retirements	638	639	684
Surviving Spouses and Children	279	276	272
Disabled	265	257	252
Deferred Vested	9	8	9
Annual Salaries of Active Members	\$79,578,328	\$86,312,287	\$93,882,241
Average Salary	57,251	61,128	65,975
Average Age of Active Members	39.0	39.7	39.8
2. Assets and Liabilities			
Total Actuarial Liability	\$657,650,175	\$746,490,736	\$829,097,202
Assets for Valuation Purposes	422,898,286	453,172,392	494,753,150
Unfunded Actuarial Liability (UAL)	234,751,889	293,318,344	334,344,052
Present Value of Prior Service Payments	(14,213,372)	(14,000,484)	(13,770,566)
UAL for Funding Purposes	220,538,517	279,317,860	320,573,486
3. Contribution Rates			
Actuarial Contribution Rate	45.22%	48.86%	49.93%
Member Contribution Rate	14.93% ¹	14.94% ¹	14.95% ¹
Employer Contribution Rate	20.55% ¹	20.55% ¹	20.57% ¹
Employer "Past Service" payment	1.57%	1.45%	1.34%
4. Shortfall/(Excess) Contributions			
Actuarial Contribution Rate	45.22%	48.86%	49.93%
Statutory Contribution Rate	37.05%	36.94%	36.86%
Shortfall/(Excess)	8.17%	11.92%	13.07%
Expected Payroll for year	\$84,765,936	\$91,319,898	\$99,029,486
Dollar Amount of Shortfall	\$ 6,925,377	\$10,885,332	\$12,943,154

¹ Blended Police and Fire rates effective in 2007.



*1/6 * 98 * 129*

**Change in Net Plan Assets at Market Value
Increases since January 1, 2006**

Assets at January 1, 2006 \$453,323,009

Receipts:

City Contributions – Current 18,844,010

City Contributions – Past Service 1,504,426

Employee Contributions 13,468,182

Investment Income 58,282,613

Total Receipts **\$92,099,231**

Disbursements:

Pensions Paid to Retirees \$33,918,970

Death Benefits 1,000

Termination Withdrawals 318,739

Medical Fees 615,977

Investment Fees 2,937,437

Other Fees 21,336

Total Disbursements **\$37,813,459**

Assets at December 31, 2006 (Market Value) **\$507,608,781**

Annualized Yield

- Gross 12.9%

- Net of Expenses 12.2%



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, 2006	\$	453,172,392
2. Actual Receipts/Disbursements		
a. Total Contributions		33,816,618
b. Benefit Payments		(34,875,910)
c. Net Change		(1,059,292)
3. Expected Investment Earnings		36,212,235
4. Expected Actuarial Value of Assets as of December 31, 2006		488,325,335
5. Market Value as of December 31, 2006		507,608,781
6. Difference Between Market and Expected Values		19,283,446
7. Actuarial Value of Assets as of December 31, 2006 (4 + 1/3 of 6)	\$	494,753,150

Annualized Yield on Actuarial Value of Assets for 2006 **9.4%**



Liabilities

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	\$	829,097,202
2. Present Value of Prior Service Payments		13,770,566
3. Actuarial Value of Assets		494,753,150
4. Unfunded Actuarial Liability (1) - (2) - (3)	\$	320,573,486

ACTUARIAL BALANCE SHEET

Assets

Actuarial Value of Assets	\$	494,753,150
Present Value of Future Normal Costs		282,158,507
Present Value of Future Contributions to Amortize Unfunded Actuarial Liability		<u>320,573,486</u>
Total Net Assets	\$	1,097,485,143

Liabilities

Present Value of Future Benefits:		
Retired Members and Beneficiaries	\$	351,290,584
Disabled Members		69,920,798
Active Members		674,323,010
Vested Terminated Members		<u>1,950,751</u>
Total Liabilities	\$	1,097,485,143



**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	\$ 27,111,984
(b) Expected Covered Payroll for Members Under Assumed Retirement Age	\$ 94,598,688
(c) Normal Cost Rate (a) / (b)	28.66%
2. Unfunded Actuarial Liability/(Surplus) at Valuation Date	\$ 320,573,486
3. Amortization Factor to Pay UAL as a Level Percent of Payroll over 26 Years	16.87924
4. Unfunded Actuarial Liability/(Surplus) Payment (Adjusted to Mid-Year) [(2) / (3)] x 1.08 ^{1/2}	\$ 19,737,248
5. Prior Service Payment	\$ 1,327,600
6. Total Projected Payroll for the Year	\$ 99,029,486
7. Unfunded Actuarial Liability and Prior Service Payments as a Percent of Payroll [(4) + (5)] / (6)	21.27%
8. Total Contribution as a Percent of Pay (1c) + (7)	49.93%



**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%
12/31/06	507.6	801.1	293.5	63.4%	91.7	320%

*Prior to 2005, this amount was based on the Projected Unit Credit method. Starting in 2005 the Entry Age Normal method is used. AAL amounts shown here are estimated amounts based on the most recent actuarial valuation report available as of the financial reporting date.



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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
12/31/99	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
12/31/06	91.7	20.17	22.00	33.92	31.10	65

(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.*



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**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 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	12/31/06
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%	8.00%
Amortization Period (years)	15	15	15	15	15	15	15	30	30	30	30
Cost Method	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Entry Age	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	31,102,053
Interest on NPO	582,664	744,035	741,784	622,503	434,172	244,243	56,158	59,689	543,111	1,000,069	1,670,728
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)	(1,855,081)
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	30,917,700
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	20,171,610
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	20,884,105
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	30,917,700
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)	(20,171,610)
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	31,630,195



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POLICE

	January 1	
	2006	2007
ACTIVE PARTICIPANTS	775	772
NON-ACTIVE PARTICIPANTS		
Service Retirements	307	336
Surviving Spouses	133*	132*
Surviving Children	14	12
Vested Terminated	5	5
Disabled		
- In Line of Duty	137	137
- Not in Line of Duty	15	14
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	\$46,851,831	\$49,861,783
Average Per Participant	60,453	64,588
ANNUAL PENSION BENEFIT**		
Service Retirements	\$11,004,282	\$12,974,272
Surviving Spouses	1,541,413	1,576,256
Disabled		
- In Line of Duty	3,476,245	3,543,790
- Not in Line of Duty	349,491	313,250

* Includes ex-spouses

** Pension Benefits paid from Pension Fund only.



FIREFIGHTERS

	January 1	
	2006	2007
ACTIVE PARTICIPANTS	637	651
NON-ACTIVE PARTICIPANTS		
Service Retirements	330	348
Surviving Spouses	120*	120*
Surviving Children	9	9
Vested Terminated	3	4
Disabled		
- In Line of Duty	96	93
- Not in Line of Duty	9	8
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	\$39,739,929	\$44,020,458
Average Per Participant	62,386	67,620
ANNUAL PENSION BENEFIT**		
Service Retirements	\$12,128,774	\$13,863,944
Surviving Spouses	1,308,172	1,360,850
Disabled		
- In Line of Duty	2,439,242	2,476,230
- Not in Line of Duty	155,403	148,115

* Includes ex-spouses

** Pension Benefits paid from Pension Fund only.



POLICE AND FIREFIGHTERS

	<u>January 1</u>	
	<u>2006</u>	<u>2007</u>
ACTIVE PARTICIPANTS	1,412	1,423
NON-ACTIVE PARTICIPANTS		
Service Retirements	637	684
Surviving Spouses	253*	252*
Surviving Children	23	21
Vested Terminated	8	9
Disabled		
- In Line of Duty	233	230
- Not in Line of Duty	24	22
 ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	\$86,591,760	\$93,882,241
Average Per Participant	61,326	65,975
 ANNUAL PENSION BENEFIT**		
Service Retirements	\$23,133,056	\$26,838,216
Surviving Spouses	2,849,585	2,937,106
Disabled		
- In Line of Duty	5,915,487	6,020,020
- Not in Line of Duty	504,894	461,365

* Includes ex-spouses

** Pension Benefits paid from Pension Fund only.



Appendix A

Plan Statistics Comparison

	January 1	
	2006	2006
ACTIVE MEMBERS		
Average Attained Age	39.7	39.8
Average Hire Age	28.0	28.1
Average Past Service	11.7	11.6
Average Annual Compensation	\$61,326	\$65,975
NON-ACTIVE MEMBERS		
<i>Average Attained Age</i>		
Service Retirees	63.7	63.3
Disability Retirees		
- In Line of Duty	63.9	64.0
- Not in Line of Duty	64.6	64.4
Surviving Spouses	74.9	73.5
<i>Average Monthly Benefit</i>		
Service Retirees	\$3,017	\$3,270
Disability Retirees		
- In Line of Duty	2,116	2,181
- Not in Line of Duty	1,753	1,748
Surviving Spouses	939	971
VALUE OF PLAN ASSETS MARKET VALUE	\$453,323,009	\$507,608,781
VALUE OF PLAN ASSETS ACTUARIAL VALUE	\$453,172,392	\$494,753,150



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.



Appendix B

Actuarial Assumptions

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 Healthy Annuitants with generational improvements, set forward one year.
Service Pensioners and Beneficiaries	RP-2000 Healthy Annuitants 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

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.



Appendix C

Summary of Plan Provisions

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:

<u>Years of Service</u>	<u>Minimum Age</u>	<u>Percentage of Average Final Monthly Compensation</u>
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.

<u>Years of Service</u>	<u>Percentage of Average Final Monthly Compensation</u>
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.

<u>Years of Service</u>	<u>Percentage of Average Final Monthly Compensation</u>
Up to 10 years	10%
10 but less than 15	20%
15 but less than 20	30%
20 or more	Same as Service Retirement Pension

Not payable while full salary continues.

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.



Appendix C

Summary of Plan Provisions

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

The following monthly pension is paid to the surviving spouse.

<u>Years of Service at Death</u>	<u>Percentage of Average Final Monthly Compensation*</u>
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.

<u>Number of Dependent Children</u>	<u>Percentage of Average Final Monthly Compensation</u>
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.



Appendix C

Summary of Plan Provisions

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%

