City of Birmingham Retirement and Relief System

Actuarial Valuation and Review
as of July 1, 2005

SEGAL

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May 15, 2006

Board of Managers
City of Birmingham Retirement and Relief System
710 North 20th Street, GA 100 City Hall
Birmingham, Alabama 35203

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2005. It summarizes the actuarial data used in the valuation, establishes the funding requirements for the upcoming fiscal year and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the Plan and the financial information was provided by the City's Finance Department. That assistance is gratefully acknowledged. The actuarial calculations were completed under my supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Managers are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By: ______________________________

Leon F. (Rocky) Joyner, Jr., FCA, ASA, MAAA, EA
Vice President and Actuary

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Birmingham Retirement and Relief System as of July 1, 2005. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of July 1, 2005, provided by the Board;
- The assets of the Plan as of June 30, 2005, provided by the Administrative Office;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The recommended contribution for the upcoming year is $27,485,086, or 17.30% of payroll. This is an increase of 1.01% of pay over the 16.29% recommended amount last year. City and employee contributions are 13.00% of payroll, producing a deficit of 4.30%. As of June 30, 2005, due to contributions in prior years being greater than the recommended amounts, the System has accumulated a net pension asset of $14,601,802 (see Exhibit V in Section 4). **Therefore, if the total contributions remain at 13.00% of payroll, the System's funding obligation will be met for the upcoming year.** We will monitor this annually and report to the Board any changes in funding status.
- The contribution rate includes a normal cost portion, for benefits allocated to the current year, and an amortization of the unfunded actuarial accrued liability. The Entry Age Normal Cost Method, which is used for the funding of this Plan, strives to maintain a level normal cost. In fact, the normal cost percentage was 13.83% of payroll in both this year's valuation and last year's. The increase in the contribution rate is due to an increase in the unfunded actuarial accrued liability, which primarily resulted from an actuarial investment loss for the year.

- For the year ended June 30, 2005, the plan had an investment return of 5.48% on an actuarial basis compared to the assumption of 7.50%. Since the return was lower than expected, there was an investment loss of $15,974,419. The market value rate of return was 6.02%. Currently the actuarial value of assets is $819,166,736, or 92.7% of market value.
- For the past five years, the actuarial rates of return have been below the assumed rate of 7.50%. During that time, the funded ratio under GASB 27 has fallen from 106.34% to 93.53%.
- There have been no assumption changes made with this valuation. However, the Plan is due for a comprehensive five-year experience review. The last experience review was for the period July 1, 1995 through June 30, 2000.
- In conjunction with the experience review, the Trustees may want to consider a change in the asset smoothing method. As discussed with the Trustees previously, the current method is quite conservative. If a new method were implemented, the actuarial value of assets would initially be set equal to market value. The immediate impact would be a decrease in the recommended contribution. Absent any other assumption changes, the recommended contribution as of July 1, 2005 would decrease from 17.30% of payroll to 13.97%. In addition, the GASB funded ratio would increase from 93.53% to 100.91%.
- Note that the audited financial information received rounds all results to the nearest thousand. The results in this valuation report are shown to the dollar. Therefore, occasionally rounded numbers are combined with unrounded ones.

Summary of Key Valuation Results

	2005	2004
Contributions for plan year beginning July 1:		
Recommended contribution	$27,485,086	$25,750,396
Recommended contribution as a percentage of payroll	17.30%	16.29%
Actual contributions (employer and employee)	--	21,092,628
Funding elements for plan year beginning July 1:		
Normal cost, including administrative expenses	$21,974,898	$21,862,230
Market value of assets	883,759,000	858,493,500
Actuarial value of assets	819,166,736	801,612,266
Actuarial accrued liability	875,792,038	838,485,603
Unfunded actuarial accrued liability	56,625,302	36,873,337
GASB 25/27 for plan year beginning July 1:		
Annual required employer contributions	$13,742,543	$12,875,198
Actual contributions	--	10,881,632
Percentage contributed	--	84.52%
Funded ratio	93.53%	95.60%
Covered payroll	$158,898,488	$158,062,119
Demographic data for plan year beginning July 1:		
Number of retired participants and beneficiaries	2,239	2,158
Number of vested former participants*	231	177
Number of active participants	3,802	3,915
Total payroll	$158,898,488	$158,062,119
Average payroll	41,793	40,373

** Including future pensioners currently receiving benefits from the Supplemental System.*

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.

CHART 1

Participant Population: June 30, 1996 – June 30, 2005

Year Ended June 30	Active Participants	Vested Terminated Participants*	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
1996	3,797	276	1,517	0.47
1997	3,797	298	1,638	0.51
1998	3,762	266	1,757	0.54
1999	3,942	266	1,784	0.52
2000	3,933	264	1,857	0.54
2001	4,081	244	1,906	0.53
2002	3,878	212	2,017	0.57
2003	3,867	196	2,095	0.59
2004	3,915	177	2,158	0.60
2005	3,802	231	2,239	0.65

**Includes future pensioners currently receiving benefits from the Supplemental System.*

Active Participants
Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 3,802 active participants with an average age of 44.4, average years of service of 12.3 years and average payroll of $41,793. The 3,915 active participants in the prior valuation had an average age of 43.8, average service of 11.9 years and average payroll of $40,373.

Inactive Participants
In this year's valuation, there were 231 participants with a vested right to a deferred or immediate vested benefit. This includes 151 possible future pensioners now receiving benefits from the Fireman's and Policeman's Supplemental Pension System.

These graphs show a distribution of active participants by age and by years of service.

CHART 2

Distribution of Active Participants by Age as of June 30, 2005

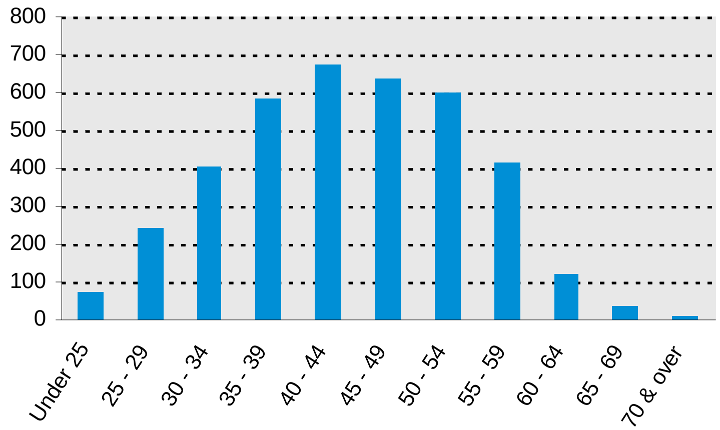
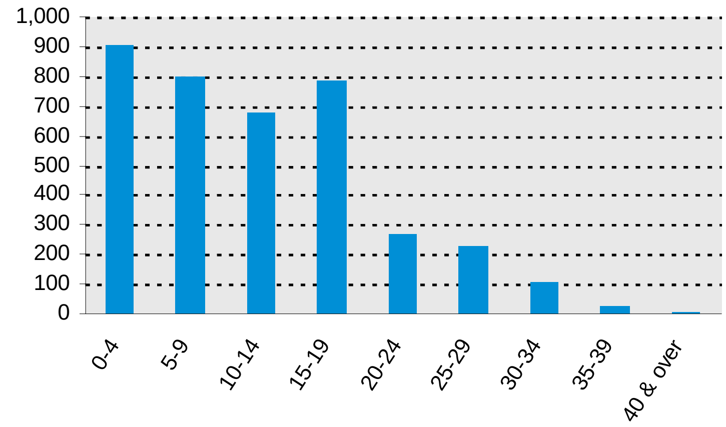


CHART 3

Distribution of Active Participants by Years of Service as of June 30, 2005



Retired Participants and Beneficiaries
As of June 30, 2005, 1,810 retired participants and 429 beneficiaries were receiving total monthly benefits of $3,615,865. For comparison, in the previous valuation, there were 1,742 retired participants and 416 beneficiaries receiving monthly benefits of $3,442,968.

These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.

Minor
Spouse
Extraordinary Disability
Disability
Normal/Early

CHART 4

Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of June 30, 2005

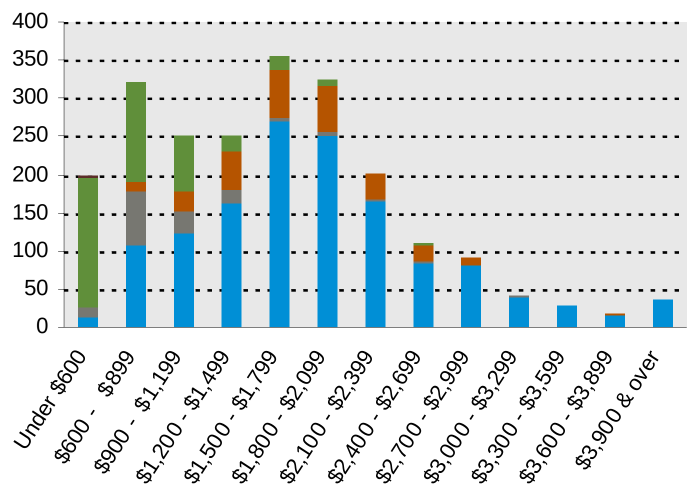
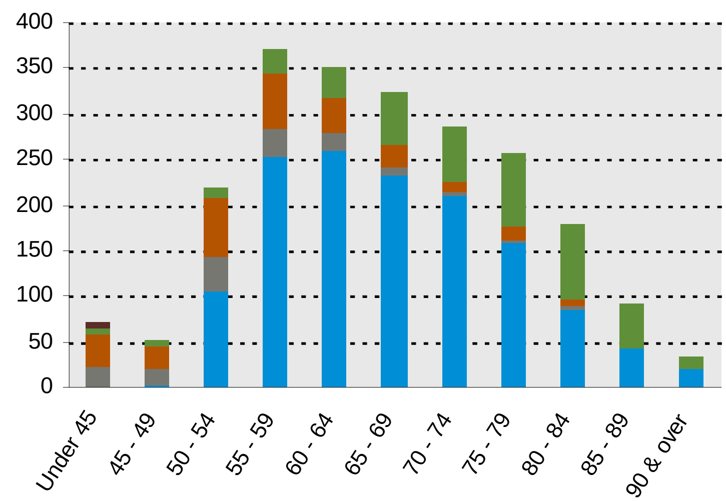


CHART 5

Distribution of Retired Participants and Beneficiaries by Type and by Age as of June 30, 2005



B. FINANCIAL INFORMATION

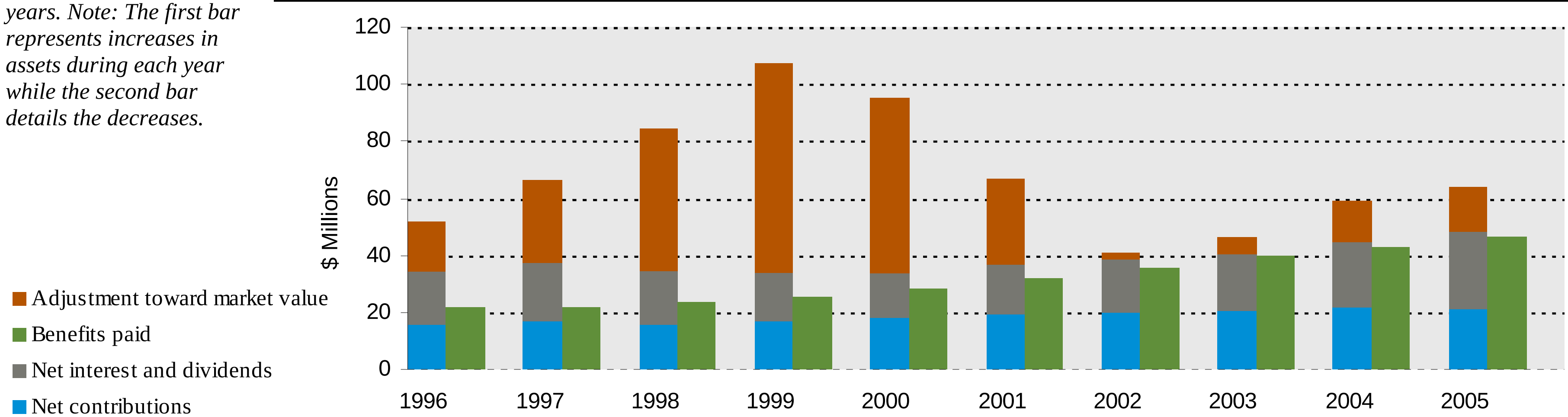
Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 1996 – 2005



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2005

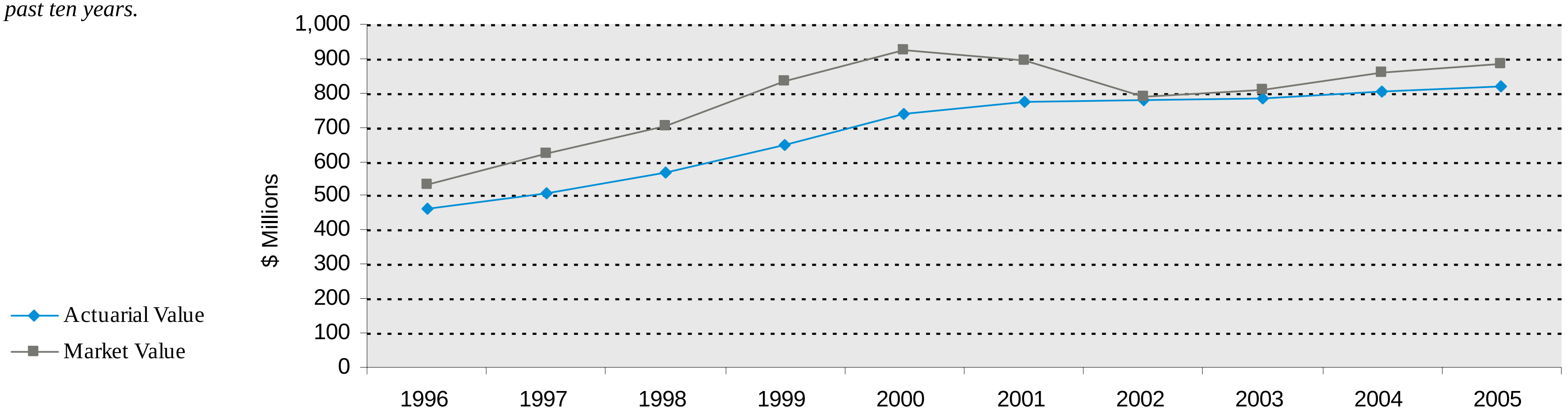
1.	Actuarial value of assets as of June 30, 2004	$801,612,266
2.	Contributions, interest and dividends, less benefit payments and expenses	1,406,404
3.	Preliminary actuarial value of assets: (1) + (2)	803,018,670
4.	Market value of assets	883,759,000
5.	Adjustment toward market value: 20% of [(4) - (3)]	16,148,066
6.	Adjustment to be within 20% corridor	0
7.	Final actuarial value of assets as of June 30, 2005: (3) + (5) + (6)	$819,166,736
8.	Actuarial value as a percentage of market value: (7) ÷ (4)	92.7%

Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past ten years.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 1996 – 2005



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total loss is $15,302,255, a loss of 15,974,419 from investments offset somewhat by a gain of $672,164 from all other sources. The net experience variation from individual sources other than investments was 0.1% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended June 30, 2005

1.	Net loss from investments*	-$15,974,419
2.	Net loss from administrative expenses	-63,069
3.	Net gain from other experience	735,233
4.	Net experience loss: (1) + (2) + (3)	-$15,302,255

** Details in Chart 10*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.50%. The actual rate of return on an actuarial basis for the 2004-2005 plan year was 5.48%.

Since the actual return for the year was less than the assumed return, the Plan experienced an actuarial loss during the year ended June 30, 2005 with regard to its investments.

This chart shows the loss due to investment experience.

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2005

1.	Actual return	$43,262,778
2.	Average value of assets	789,829,292
3.	Actual rate of return: (1) ÷ (2)	5.48%
4.	Assumed rate of return	7.50%
5.	Expected return: (2) x (4)	$59,237,197
6.	Actuarial loss: (1) – (5)	-$15,974,419

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last ten years, including five-year and ten-year averages.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 7.50%.

This chart shows a history of actuarial and market value investment returns

CHART 11

Investment Return – Actuarial Value vs. Market Value: 1996 - 2005

Year Ended June 30	Net Interest and Dividend Income		Adjustment Toward Market		Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
1996	$18,916,500	4.10	$17,434,958	3.78	$36,351,458	8.49	$84,193,700	20.37
1997	20,242,005	4.41	29,151,554	6.35	49,393,559	10.76	96,263,877	18.21
1998	18,932,743	3.77	50,068,683	9.97	69,001,426	13.74	94,100,441	15.21
1999	16,363,537	2.91	73,796,640	13.11	90,160,177	16.02	110,592,177	15.69
2000	15,703,307	2.35	61,285,291	9.18	76,988,598	11.54	99,628,658	12.01
2001	17,874,740	2.44	29,849,535	4.07	47,724,275	6.51	-17,602,046	-1.92
2002	18,574,794	2.42	2,263,863	0.30	20,838,657	2.72	-89,504,028	-10.11
2003	19,852,229	2.58	6,370,511	0.83	26,222,740	3.41	42,649,330	5.48
2004	23,403,588	3.02	14,220,308	1.83	37,623,896	4.85	69,023,086	8.61
2005	27,114,712	3.43	16,148,066	2.04	43,262,778	5.48	50,973,808	6.02
Total	$196,978,155		$300,589,409		$497,567,568		$540,319,003	
					Five-year average return	4.58%		1.31%
					Ten-year average return	7.71%		7.38%

Note: Each year's yield is weighted by the average asset value in that year.

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

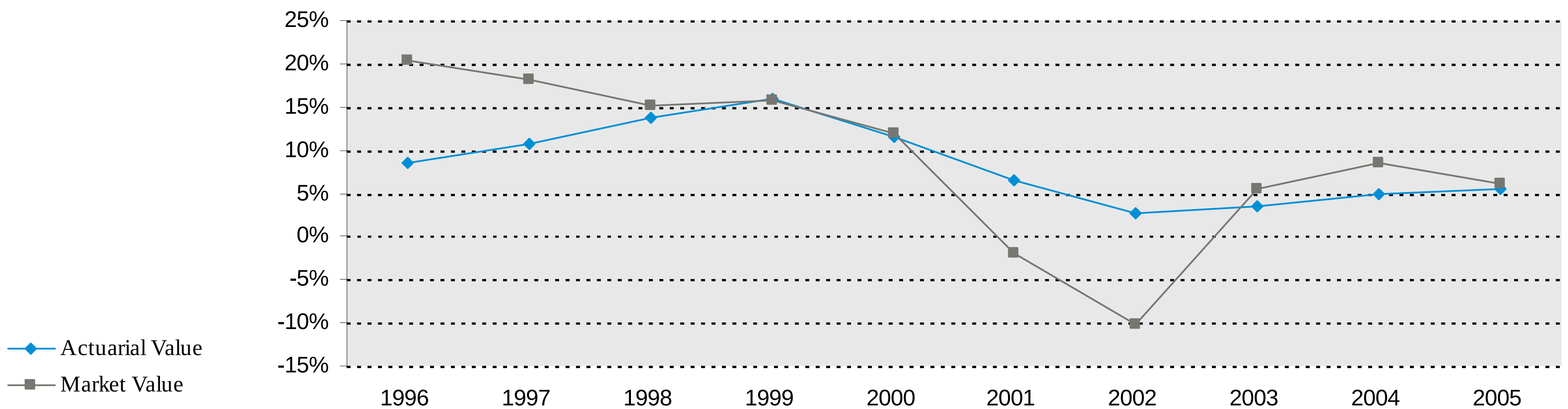
Administrative Expenses

Administrative expenses for the year. ended June 30, 2005 totaled $211,000 compared to the assumption of $150,000, payable monthly. This resulted in a loss of $63,069 for the year. We have maintained the same assumption for the current year.

This chart illustrates how this leveling effect has actually worked over the years 1996 - 2005 .

CHART 12

Market and Actuarial Rates of Return for Years Ended June 30, 1996 - 2005



Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2005 amounted to $735,233, which is 0.1% of the actuarial accrued liability. This gain is not considered significant.

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of a normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 17.30% of payroll. The unfunded actuarial accrued liability is amortized over a rolling 30-year period.

Expected contributions for the year are $20,656,803, or 13.00% of payroll, which leaves a deficit of 4.30% of payroll.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 13

Recommended Contribution

	Year Beginning July 1			
	2005		2004	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost*	$21,830,629	13.74%	$21,717,961	13.74%
2. Administrative expenses	144,269	0.09%	144,269	0.09%
3. Total normal cost: (1) + (2)	$21,974,898	13.83%	$21,862,230	13.83%
4. Actuarial accrued liability	875,792,038		838,485,603	
5. Actuarial value of assets	819,166,736		801,612,266	
6. Unfunded actuarial accrued liability: (4) - (5)	$56,625,302		$36,873,337	
7. Payment on unfunded/(overfunded) actuarial accrued liability	4,460,032	2.81%	2,904,289	1.84%
8. Total recommended contribution: (3) + (7), adjusted for timing**	$27,485,086	17.30%	$25,750,396	16.29%
9. Projected payroll	$158,898,488		$158,062,119	

**Including net obligations from the Supplemental System of -$947,557 for July 1, 2005 and -$888,888 for July 1, 2004 (-$985,200 and -$924,200 adjusted for timing.)*

***Recommended contributions are assumed to be paid at the beginning of every month.*

The contribution rates as of July 1, 2005 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 14

Reconciliation of Recommended Contribution from July 1, 2004 to July 1, 2005

Recommended Contribution as of July 1, 2004	$25,750,396
Effect of investment loss	$1,320,967
Effect of other gains and losses on accrued liability	-55,583
Effect of contributions less than recommended contribution	397,447
Effect of rolling 30-year amortization period	-45,286
Effect of net other changes	117,145
Total change	$1,734,690
Recommended Contribution as of July 1, 2005	$27,485,086

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 15 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 16 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 15

Required Versus Actual Contributions

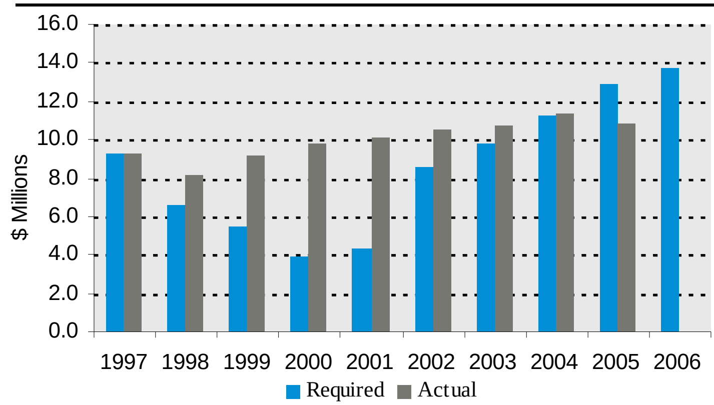


CHART 16

Funded Ratio

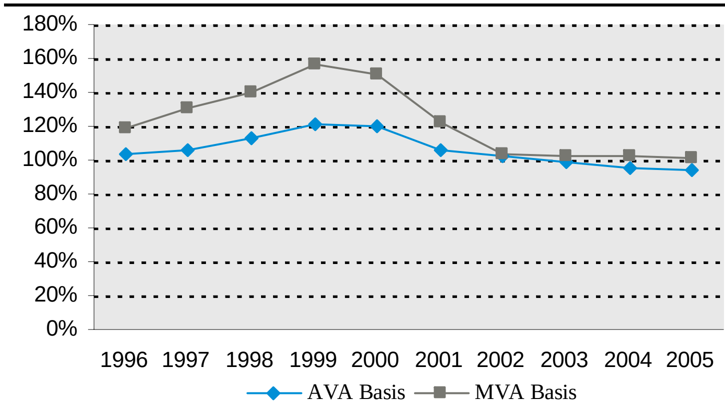


EXHIBIT A
Table of Plan Coverage

Category	Year Ended June 30 2005	Year Ended June 30 2004	Change From Prior Year
Active participants in valuation:			
Number	3,802	3,915	-2.9%
Average age	44.4	43.8	N/A
Average service	12.3	11.9	N/A
Total payroll	$158,898,488	$158,062,119	0.5%
Average payroll	41,793	40,373	3.5%
Total active vested participants	2,893	2,883	0.3%
Vested terminated participants*	231	177	30.5%
Retired participants:			
Number in pay status	1,382	1,319	4.8%
Average age	67.2	67.0	N/A
Average monthly benefit	$1,899	$1,885	16.0%
Disabled participants:			
Number in pay status	428	423	1.2%
Average age	56.6	56.3	N/A
Average monthly benefit	$1,524	$1,492	2.1%
Beneficiaries in pay status	429	416	3.1%

** Including future pensioners currently receiving benefits from the Supplemental System.*

EXHIBIT B

Participants in Active Service as of June 30, 2005
By Age, Years of Service, and Average Payroll

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	76	76	- -	- -	- -	- -	- -	- -	- -	- -
	$28,202	$28,202	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	240	179	58	3	- -	- -	- -	- -	- -	- -
	31,355	30,032	$35,670	$26,806	- -	- -	- -	- -	- -	- -
30 - 34	405	178	174	52	1	- -	- -	- -	- -	- -
	36,728	31,819	39,893	42,964	$35,479	- -	- -	- -	- -	- -
35 - 39	585	150	186	191	58	- -	- -	- -	- -	- -
	39,486	31,242	38,953	44,465	46,118	- -	- -	- -	- -	- -
40 - 44	674	110	134	163	239	27	1	- -	- -	- -
	42,312	32,555	39,181	43,605	47,073	$47,808	$37,861	- -	- -	- -
45 - 49	636	96	98	126	183	86	43	4	- -	- -
	43,404	34,179	37,584	42,347	44,950	54,194	52,117	$44,316	- -	- -
50 - 54	602	67	84	76	157	85	90	43	- -	- -
	45,680	33,331	39,525	42,477	47,016	50,677	53,649	51,178	- -	- -
55 - 59	418	37	39	43	108	54	74	48	15	- -
	47,747	36,526	37,007	40,342	43,724	49,627	58,144	61,110	$52,729	- -
60 - 64	122	13	15	14	31	13	15	12	6	3
	47,153	36,416	38,161	51,378	48,358	38,697	49,147	57,684	65,195	$54,940
65 - 69	35	2	9	6	4	1	3	3	5	2
	45,432	24,823	46,546	41,296	34,866	26,023	36,001	55,909	65,633	52,204
70 & over	9	1	1	1	2	1	1	- -	1	1
	36,930	22,789	28,705	25,123	50,417	37,561	26,023	- -	45,669	45,669
Total	3,802	909	798	675	783	267	227	110	27	6
	$41,793	$31,751	$38,813	$43,268	$46,015	$50,583	$54,102	$56,101	$57,627	$52,483

EXHIBIT C

Reconciliation of Participant Data

	Active Participants	Vested Former Participants	Fire and Police Retirees	Disableds	Retired Participants	Beneficiaries	Total
Number as of July 1, 2004	3,915	25	152	423	1,319	416	6,250
New participants	147	N/A	0	N/A	N/A	N/A	147
Terminations – with vested rights	-72	72	0	0	0	0	0
Terminations – without vested rights	-81	N/A	0	N/A	N/A	N/A	-81
Retirements	-80	-3	20	N/A	63	N/A	0
New disabilities	-19	0	0	19	N/A	N/A	0
Return to work	0	0	0	0	0	N/A	0
Deaths	-8	0	-1	-14	-30	-17	-70
New beneficiaries	0	0	0	0	0	29	29
Certain period expired	N/A	N/A	0	0	0	0	0
Data adjustments	0	-14	0	0	10	1	-3
Active participants no longer accruing benefits	0	0	0	N/A	N/A	N/A	0
Retirees transferring from supplemental plan	0	0	-20	0	20	0	0
Number as of July 1, 2005	3,802	80	151	428	1,382	429	6,272

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Contribution income:				
Employer contributions	$10,881,632		$11,347,715	
Employee contributions	10,210,996		10,373,268	
Less administrative expenses	-211,000		-292,000	
Net contribution income		$20,881,628		$21,428,983
Other income		79,000		24,000
Investment income:				
Interest and dividends	$30,561,898		$25,522,861	
Adjustment toward market value	16,148,066		14,220,308	
Less investment fees	-3,447,186		-2,119,273	
Net investment income		43,262,778		37,623,896
Total income available for benefits		$64,223,406		$59,076,879
Less benefit payments:				
Benefits	-$45,715,936		-$41,988,069	
Refunds	-953,000		-1,123,000	
Net benefit payments		-$46,668,936		-$43,111,069
Change in reserve for future benefits		$17,554,470		$15,965,810

Note: A portion of the Retirement and Relief System's assets is allocated to the Health Department. The above summary excludes the Health Department portion.

EXHIBIT E

Table of Financial Information

	Year Ended June 30, 2005		Year Ended June 30, 2004	
Cash equivalents		$99,985,596		$43,258,485
Accounts receivable:				
Employee loans	$10,216,749		$9,969,017	
Accrued interest and dividends	11,120,572		6,444,806	
Employee contributions	1,345,890		1,362,813	
Other funds	518,862		476,591	
Total accounts receivable		23,202,073		18,253,227
Investments:				
Debt securities	$357,006,306		$402,673,864	
Corporate stock	405,045,799		395,345,789	
Total investments at market value		762,052,105		798,019,653
Total assets		$885,239,774		$859,531,365
Less accounts payable		-$1,480,774		-$1,037,865
Net assets at market value		$883,759,000		$858,493,500
Net assets at actuarial value		$819,166,736		$801,612,266

EXHIBIT F

Development of the Fund Through June 30, 2005

Year Ended June 30	Employer Contributions	Employee Contributions	Other Income	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
1996	$8,488,350	$7,177,079	$0	$36,351,458	$66,345	$21,509,142	$461,316,600
1997	9,275,641	7,713,859	46,000	49,393,559	$72,001	21,977,258	505,696,400
1998	8,111,773	7,490,379	41,000	69,001,426	48,400	23,461,978	566,830,600
1999	9,215,729	8,026,104	0	90,160,177	56,400	25,617,710	648,558,500
2000	9,784,949	8,542,670	23,380,200**	76,988,598	46,100	28,310,977	738,897,840
2001	10,151,206	8,999,970	26,000	47,724,275	102,900	32,242,930	773,453,461
2002	10,537,461	9,521,128	31,000	20,838,657	92,000	35,684,461	778,605,246
2003	10,697,621	9,845,626	59,000	26,222,740	105,000	39,678,777	785,646,456
2004	11,347,715	10,373,268	24,000	37,623,896	292,000	43,111,069	801,612,266
2005	10,881,632	10,210,996	79,000	43,262,778	211,000	46,668,936	819,166,736

** Net of investment fees*

*** Includes $23,338,200 transferred from Library Board Employees' System.*

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2005

1. Unfunded actuarial accrued liability at beginning of year		$36,873,337
2. Normal cost at beginning of year		21,862,230
3. Total contributions		-21,092,628
4. Interest		
(a) For whole year on (1) + (2)	$4,405,168	
(b) Monthly on (3)	-725,059	
(c) Total interest		3,680,109
5. Expected unfunded actuarial accrued liability		$41,323,047
6. Change due to experience loss		15,302,255
7. Unfunded actuarial accrued liability at end of year		$56,625,302

EXHIBIT H
Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I

Comparative Summary of Principal Valuation Results

	Year Ended June 30, 2005	Year Ended June 30, 2004
Participant data		
Active members	3,802	3,915
Total annual payroll	$158,898,488	$158,062,119
Retired members and beneficiaries	2,239	2,158
Total annualized benefit	$48,145,080	$41,315,616
Terminated vested members	80	25
Total annualized benefit	$562,920	$331,927
Future pensioners currently receiving benefits from Supplemental System	151	152
Total annualized benefit	$4,754,695	$4,598,655
Actuarial value of assets	$819,166,736	$801,612,266
Actuarial accrued liability:		
Active members	$419,404,575	$402,399,752
Terminated vested members	3,136,252	2,432,866
Retired members and beneficiaries	411,312,050	393,577,805
Future pensioners currently receiving benefits from Supplemental System	41,939,161	40,075,180
Total	$875,792,038	$838,485,603
Unfunded actuarial accrued liability	$56,625,302	$36,873,337

EXHIBIT I

Summary of Actuarial Valuation Results as of July 1, 2005

The valuation was made with respect to the following data supplied to us:

1.	Retired participants as of the valuation date (including 429 beneficiaries in pay status)		2,239
2.	Participants inactive during year ended June 30, 2005 with vested rights (including 151 future pensioners now receiving benefits from the Supplemental System)		231
3.	Participants active during the year ended June 30, 2005		3,802
	Fully vested	2,893	
	Not vested	909	

The actuarial factors as of the valuation date are as follows:

1.	Normal cost, including administrative expenses		$21,974,898
2.	Actuarial accrued liability		875,792,038
	Retired participants and beneficiaries	$411,312,050	
	Inactive participants with vested rights	45,075,413	
	Active participants	419,404,575	
3.	Actuarial value of assets ($883,759,000 at market value)		819,166,736
4.	Unfunded actuarial accrued liability		$56,625,302

EXHIBIT I (continued)

Summary of Actuarial Valuation Results as of July 1, 2005

The determination of the recommended contribution is as follows:

1.	Total normal cost	$21,830,629
2.	Administrative expenses	144,269
3.	Total normal cost: (1) + (2)	$21,974,898
4.	Payment on unfunded actuarial accrued liability	4,460,032
5.	Total recommended contribution: (3) + (4), adjusted for timing	$27,485,086
6.	Projected payroll	$158,898,488
7.	Total recommended contribution as a percentage of projected payroll: (5) ÷ (6)	17.30%

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
1999	$5,494,650	$9,215,729	167.7%
2000	3,885,100	9,784,949	251.9%
2001	4,347,350	10,151,206	233.5%
2002	8,580,579	10,537,461	122.8%
2003	9,756,787	10,697,621	109.6%
2004	11,290,871	11,347,715	100.5%
2005	12,875,198	10,881,632	84.5%
2006	13,742,543	--	--

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
07/01/1999	$648,558,500	$532,898,000	-$115,660,500	121.70%	$123,471,900	0.00%
07/01/2000	738,897,800	615,475,900	-123,421,900	120.05%	135,974,600	0.00%
07/01/2001	773,453,461	727,360,834	-46,092,627	106.34%	149,422,297	0.00%
07/01/2002	778,605,246	758,085,228	-20,520,018	102.71%	151,180,057	0.00%
07/01/2003	785,646,456	796,083,861	10,437,405	98.69%	152,242,441	6.86%
07/01/2004	801,612,266	838,485,603	36,873,337	95.60%	158,062,119	23.33%
07/01/2005	819,166,736	875,792,038	56,625,302	93.53%	158,898,488	35.64%

** Not less than zero*

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	July 1, 2005
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar
Remaining amortization period	Rolling, 30 years
Asset valuation method	Sum of actuarial value at beginning of year and increase in cost value during year excluding realized and unrealized appreciation, plus 20 percent of market value at end of year in excess of that preliminary value, adjusted to be within 20 percent of their market value. Similar formula used for negative adjustment if actuarial value exceeds market value.
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	
Inflation	4.00%
Merit, longevity, etc.	Varies from 0.00% to 6.00%
Plan membership:	
Retired participants and beneficiaries receiving benefits	2,239
Terminated participants entitled to, but not yet receiving benefits	231
Active participants	3,802
Total	6,272

EXHIBIT V

Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed* (b)	Interest on NPO (h)* 7.50% (c)	ARC Adjustment (h) / (e) (d)	Amortization Factor (e)	Pension Cost (a) + (c) – (d) (f)	Change in NPO (f) – (b) (g)	NPO Balance NPO + (g) (h)
2000	$3,885,100	$9,784,949	-$389,059	-$502,731	10.3185	$3,998,772	-$5,786,177	-$10,973,624
2001	4,347,350	10,151,206	-823,022	-1,108,873	9.8962	4,633,201	-5,518,005	-16,491,629
2002	8,580,579	10,537,461	-1,236,872	-1,923,386	8.5743	9,267,093	-1,270,368	-17,761,997
2003	9,756,787	10,697,621	-1,332,150	-2,022,300	8.7831	10,446,937	-250,684	-18,012,681
2004	11,290,871	11,347,715	-1,350,951	-2,089,340	8.6212	12,029,259	681,544	-17,331,137
2005	12,875,198	10,881,632	-1,299,835	-2,035,605	8.5140	13,610,968	2,729,336	-14,601,802

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy: 1983 Group Annuity Mortality Table (1971 Group Annuity Mortality Table rates assumed for retirement prior to July 1, 1994. Basic table underlying the 1983 Group Annuity Mortality Table used for retirements between July 1, 1994 and June 30, 2001.)

Disabled: Healthy table set forward 10 years

Termination Rates Before Retirement:

	Rate (%)						
	Mortality		Disability		Withdrawal		
Age	Male	Female	General	Fire & Police	General*	Fire**	Police
20	0.04	0.02	0.09	0.18	6.53	5.05	9.17
25	0.05	0.03	0.13	0.26	6.35	3.59	6.52
30	0.06	0.03	0.17	0.33	6.08	2.76	5.01
35	0.09	0.05	0.22	0.44	5.64	2.12	3.86
40	0.12	0.07	0.33	0.66	5.03	1.60	2.91
45	0.22	0.10	0.54	1.08	4.24	1.09	1.98
50	0.39	0.16	0.91	1.82	2.97	2.53	2.97
55	0.61	0.25	1.51	3.03	1.13	5.00	5.00
60	0.92	0.42	2.44	4.88	0.00	0.00	0.00

* *Withdrawal rates shown for general employees are multiplied by 1.25 and have 0.015 added during the first five years of employment.*

** *Withdrawal rates shown for firemen are multiplied by 1.2727 during the first five years of employment.*

Retirement Rates:

Fire and Police employees are assumed to retire on a Retirement and Relief pension in accordance with the following rates:

Hired on or before age 30		Hired between ages 30 and 35		Hired on or after age 35	
Years of Service	Rate	Age	Rate	Age	Rate**
33	25%	63	25%	60	5%
34	50	64	50	61	5
35	100	65	100	62	15
				63	50
				64	50
				65	100

General employees are assumed to retire, after meeting the service requirements, in accordance with the following rates:

Age	Rate*
Under 50	0%
50	15
51-59	25
60	35
61-64	25
65-66	40
67-74	25
Over 74	100

* Rates are decreased by half when employee either has 30-32 years of service, or is between ages 60 and 62 with 20 or more years of service. Rates are increased to 1.5 times the rate shown when employee reaches either 33 years of service or age 63 with 23 or more years of service.

Retirement Age for Inactive Vested Participants:	60
Unknown Data for Participants:	Same as those exhibited by Participants with similar known characteristics. If not specified, Participants are assumed to be male.
Percent Married:	1972 Social Security Awards
Age of Spouse:	Females 3 years younger than males.
On the Job Disability:	
General	30%
Fire and Police	90%
On the Job Death:	
General	5%
Fire and Police	15%
Net Investment Return:	7.50%

Salary Scale:

Age	Annual increase Rate (%) General	Fire and Police
20	8.00	10.00
25	7.25	8.00
30	6.50	6.00
35	6.00	5.50
40	5.50	5.00
45	4.50	4.50
50	4.50	4.50
55	4.50	4.50

Includes allowance for inflation of 4.0% per year.

Administrative Expenses:	$150,000, payable monthly, equivalent to $144,269 at the beginning of the year.
Actuarial Value of Assets:	Sum of actuarial value at beginning of year and increase in cost value during year excluding realized and unrealized appreciation, plus 20 percent of market value at end of year in excess of that preliminary value, adjusted to be within 20 percent of their market value. Similar formula used for negative adjustment if actuarial value exceed market value.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant would have commenced employment if the plan had always been in existence. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service, with Normal Cost determined as if the current benefit accrual rate had always been in effect. Actuarial Liability is allocated by salary.
Change in Assumptions:	There have been no changes in actuarial assumptions since the last valuation.

EXHIBIT VII

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	July 1 through June 30
Normal Pension:	
Eligibility	A participant may retire at (a) age 60 if he has completed 5 years of credited service, or (b) any age if he has completed 30 years of credited service.
Amount:	2.50% of final average salary for each year of credited service. This amount cannot be greater than 75.0% of the final average salary nor less than $400 per month. Service credit used to determine the benefit amount may be increased by credit granted for unused sick leave (on a percent of possible total basis). Final average salary is defined as the highest average compensation over any 36-month period of the employee’s last ten years of participation.
Early Retirement Pension:	
Eligibility	A City participant may retire at age 55 if he has completed 25 years of credited service.
Amount	1.85% of final average salary for each year of credited service.

Disability:	
Ordinary	
Service Requirement	5 years credited service.
Amount	2.00% of final average salary at disability for each year of credited service, payable immediately. This amount cannot be greater than 60% of final average salary nor less than $400 per month.
Extraordinary	
Service Requirement	None
Amount	70% of final monthly salary at disability, payable immediately. The amount cannot be less than $400 per month.
Termination:	To a participant terminating before becoming eligible for a vested deferred pension from the plan, a lump sum of his or her own contributions without interest is payable. Participants terminating after 5 years of actual service who leave their contributions in the System Fund have a non-forfeitable right to a monthly pension beginning at age 60. The form and amount of the pension are the same as the normal pension.
Death Benefits:	If a participant dies prior to his or her attainment of eligibility for retirement, a lump sum of his or her own contributions without interest is payable to his or her beneficiary. If an active participant who is eligible to retire or a retired participant dies, 60% of the accrued pension benefit is payable to the surviving spouse, if any, during his or her remaining lifetime. If an active participant (other than a participant of the Firemen and Policemen Supplemental System) who is not eligible to retire, but who has completed 5 years of service dies, a portion of 60% of the accrued pension benefit is payable to the spouse during her remaining lifetime. This portion is defined as follows:

Number of Years of service	Portion of his entitled benefit
5	50%
6	60
7	70
8	80
9	90
10 or more	100

This benefit is payable at the earlier of (a) the date that the deceased participant would have attained age 60 or (b) the date the deceased participant would have completed 20 years of service. In lieu of the above, for all participants, an annuity of 60% of salary is payable to the surviving spouse and 10% is payable to a minor child if death is service connected; the maximum for spouse and children is 75% and the maximum for children if no spouse is 60%. The minimum spouse benefit is $320 per month.

*60% benefit is effective July 1, 2002. Prior to July 1, 2002 the percentage was 45%.

Back-DROP: An employee with 33 years of service or who is at least age 63 with 23 years of service may elect up to a 36-month Back-DROP. The employee’s monthly benefit will be calculated using service and final average salary as of the Back-DROP date and the employee will receive a lump sum equal to the number of months dropped back times the retirement benefit, accumulated with interest.

Participation: All qualified employees of the Retirement and Relief System are required to participate.

Contributions: The City and the City employees each contribute 6.50% of compensation for the year.

Changes in Plan Provisions: There have been no changes in plan provisions since the last valuation.