
**Firemen's Annuity and Benefit
Fund of Chicago, Illinois**

Actuarial Valuation Report

For the Year Ending December 31, 2006

April 2007

GRS

Gabriel Roeder Smith & Company



April 12, 2007

Retirement Board of the
Firemen's Annuity and Benefit Fund of Chicago
20 South Clark, Suite 1400
Chicago, IL 60603

Actuarial Certification

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the Firemen's Annuity and Benefit Fund of Chicago ("the Fund") as of December 31, 2006. This valuation has been performed to measure the funding status of the Fund and determine the contribution levels for 2007. In addition, it includes disclosure information required under GASB Statement No. 25, Statement No. 27, and Statement No. 43. The assumptions and methods used were selected by the actuary and meet the parameters set for the disclosure presented in the financial section by Government Accounting Standards Board (GASB) Statement Nos. 25 and 43. These actuarial valuations of the Fund are performed annually.

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

- Schedule of Active Member Data
- Retirements and Beneficiaries Added to and Removed from Rolls
- Solvency (Termination) Test
- Analysis of Financial Experience

We have also provided the following schedules in the financial sections of the report. We relied on information from the prior actuary for years before 1999.

- Schedule of Funding Progress
- Schedule of Employer Contributions

This valuation is based upon:

- a) **Data relative to the members of the Fund** — Data for active members and persons receiving benefits from the fund was provided by the Fund's staff. We have tested this data for reasonableness.
- b) **Asset Values** — The values of assets of the Fund were provided by the Fund's staff. Actuarial value of assets was used to develop actuarial results for the State-reporting basis, as well as for GASB Statement No. 25 and Statement No. 27.
- c) **Actuarial Method** — The actuarial method utilized by the Fund is the Entry-Age Actuarial Cost Method. The objective of this method is to amortize the costs of Fund benefits over the entire career of each member as a level percentage of compensation. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
- d) **Actuarial Assumptions** — The actuarial assumptions remain unchanged from the prior valuation. The assumptions used are set forth in Appendix 4: Actuarial Methods and Assumptions of the Valuation Report.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the Fund when due. The provision of State Law establishing the Fund constrains employer contributions to be 2.26 times the employee contribution level in the second prior fiscal year. Thus, with an administrative lag, the employer contribution is designed to match the employee contribution in a 2.26:1 relationship. The most recent actuarial valuation of the Fund on the State reporting basis shows that a ratio of 5.61:1 is needed to adequately finance the Fund.

The valuation results set forth in this report are based on the data and actuarial techniques described above, and upon the provisions of the Fund as of the valuation date. Based on these items, we certify these results to be true and correct.

To the best of our knowledge this report is complete and accurate and was conducted in accordance with standards of practice promulgated by the Actuarial Standards Board and in compliance with the City Ordinance. The actuarial assumptions used for the valuation produce results which, in the aggregate, are reasonable. This valuation was produced under the supervision of a member of the Academy of Actuaries with significant experience in valuing public employee retirement systems.

Gabriel, Roeder, Smith and Company



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SUMMARY OF VALUATION RESULTS

This report sets forth the results of the actuarial valuation of the Firemen's Annuity and Benefit Fund of the City of Chicago ("Fund") as of December 31, 2006. The purposes of this valuation are:

1. To develop the minimum actuarially determined contribution for 2007.
2. To develop the annual required contributions (ARC) under GASB #25 and GASB #43.
3. To develop the annual pension cost under GASB #27.
4. To review the funding status of the Fund.

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

For State reporting, as well as for Fund and City financial reports, the funding status is measured using liabilities under the Entry Age Normal funding method and the Actuarial (Market-Related) Value of Assets.

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

Comments on Results

For State reporting purposes, the minimum actuarially determined contribution for the year ending December 31, 2007, is \$228.8 million including estimated employee contributions of \$36.4 million. This is 59.0 percent of the total payroll for the Fund and a \$32.4 million increase over the minimum actuarial contribution for 2006.

The annual required contribution (ARC) under GASB #25 for the year ending December 31, 2007, is \$188.2 million, which is for pension benefits only. This amount is net of employee contributions of \$36.4 million.

GASB #43 requires the calculation of a separate ARC for Other Postemployment Benefits (OPEB). The OPEB ARC for the fiscal year ending December 31, 2007, is \$4.2 million.

Because of the requirements of GASB #43, there are some differences between the calculation of the ARC for pension benefits and the ARC for OPEB. These differences are summarized below.

	<u>Pension ARC</u>	<u>OPEB ARC</u>
Investment Return	8.00% per year	4.50% per year
Assets	5-year smoothed market	No assets (Pay-as-you-go)

SUMMARY OF VALUATION RESULTS (CONT'D)

GASB #43 requires that the investment return assumption (or “discount rate”) used to value OPEB liabilities be based on the estimated long-term yield on the investments expected to be used to finance the payment of benefits. The investment return assumption of 4.50 percent reflects the fact that OPEB liabilities are considered to be funded on a pay-as-you-go basis. That is, the health insurance supplement is financed with current contributions, and no separate healthcare asset account exists to pay the health insurance supplement.

Beginning with this valuation, GASB #25 requires the use of a 30-year amortization period to determine the pension ARC, which is already required for the OPEB ARC beginning with this valuation.

Based on the Market-Related Value of Assets, the Unfunded Actuarial Liability increased from \$1.68 billion to \$1.87 billion during the year, resulting in a decrease in funding ratio from 41.75 percent to 40.36 percent. The increase in the Unfunded Actuarial Liability is largely attributable to a salary loss and actual contributions less than the ARC.

Based on the Market Value of Assets, the Unfunded Actuarial Liability increased from \$1.61 billion to \$1.74 billion, and the funded ratio increased from 44.21 percent to 44.41 percent.

Actuarially determined contribution requirements increased and funded ratios (based on market-related asset values) decreased from the prior year levels. A number of factors combined to produce this result.

- The employer cost in excess of actual contributions was approximately \$68.6 million.
- Retroactive pay increases recognized in this valuation cycle resulted in a loss of \$105.5 million.
- The return on plan assets was well in excess of the assumed 8.0 percent return. However, not all of the gain was recognized, resulting in a gain on the market-related value of assets of \$24.4 million. There are deferred gains of approximately \$127 million that will be recognized in subsequent valuations.

A more thorough examination of these and other factors can be found in the Reconciliation of Unfunded Liability section and the gain/loss calculation of Table 3.

A summary of the primary results of this valuation is shown in the following table.

SUMMARY OF VALUATION RESULTS (CONT'D)

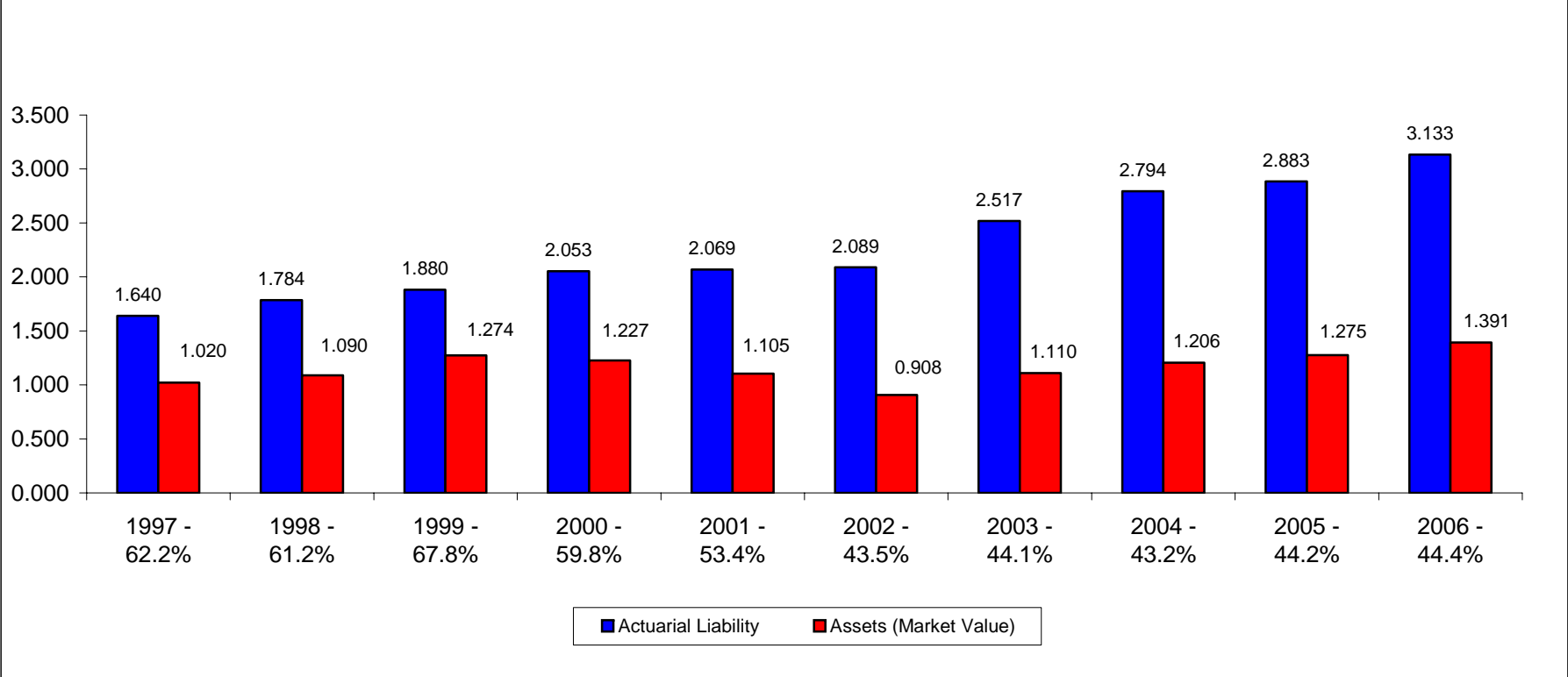
	December 31, 2005		December 31, 2006	
	\$ in Millions	% of Pay ¹	\$ in Millions	% of Pay ¹
Contribution Levels				
Minimum Actuarially Determined Contribution (State Reporting)	\$ 196.4	57.55	\$ 228.8	59.04
Annual Required Contribution ² (GASB 25 and 43)	164.3	48.15	192.4	49.65
Funding Status -- State/GASB #25 and #43				
Market-Related Value of Assets	\$ 1,203.7	352.72	\$ 1,264.5	326.37
Actuarial Liability	2,882.9	844.81	3,133.1	808.67
Funding Ratios	41.75%	N/A	40.36%	N/A
Funding Status -- Market Value				
Market Value of Assets	\$ 1,274.7	373.52	\$ 1,391.5	359.15
Actuarial Liability	2,882.9	844.81	3,133.1	808.67
Funding Ratios	44.21%	N/A	44.41%	N/A
Funding Status -- Book Value				
Book Value of Assets	\$ 1,071.4	313.96	\$ 1,193.0	307.93
Actuarial Liability	2,882.9	844.81	3,133.1	808.67
Funding Ratios	37.16%	N/A	38.08%	N/A

¹Payroll for 2005 was \$341.3 million and for 2006 was \$387.4 million.

²ARC for the following fiscal year. The 2007 ARC is the total ARC under GASB #25 and GASB #43. The 2006 ARC for pension is \$188,201,379 and the 2006 ARC for OPEB is \$4,176,767.

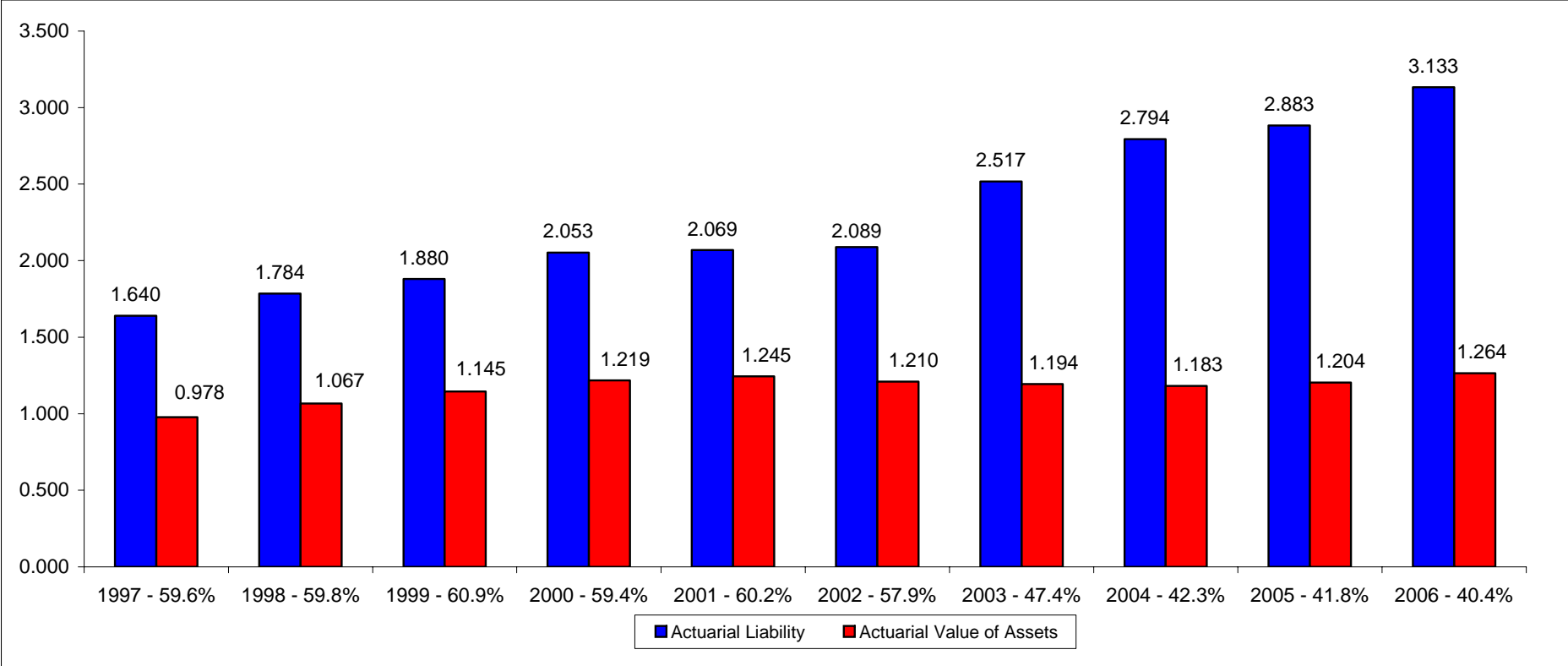
SUMMARY OF VALUATION RESULTS (CONT'D)

**COMPONENTS OF FUNDING RATIO
BASED ON MARKET VALUE
(\$ IN BILLIONS)**



SUMMARY OF VALUATION RESULTS (CONT'D)

**COMPONENTS OF FUNDING RATIO
GASB #25 AND #43 / STATE REPORTING
(\$ IN BILLIONS)**



SUMMARY OF VALUATION RESULTS (CONT'D)

Participants

The major characteristics of the data on the members of the Fund are summarized as follows:

	<u>December 31, 2005</u>	<u>December 31, 2006</u>
Active Participants		
Number	4,999	5,078 ¹
Average Age	44.0	44.4
Average Service	15.0	15.0
Average Annual Salary	\$68,264	\$76,298
Retirees		
Number	2,442	2,459
Average Age	71.3	71.3
Average Monthly Benefit	\$ 3,993	\$ 4,181
Survivors		
Number	1,436	1,437 ²
Average Age	75.7	75.7
Average Monthly Benefit	\$ 1,512	\$ 1,616

¹ Includes six participants on ordinary disability who continue to accrue benefit service.

² Includes one parent annuitant.

Total participants receiving benefits under the Fund, including disability, widow, and children, increased 0.6 percent during 2006 from 4,357 to 4,382. Total expenditures for these benefits increased from \$166.1 million in 2005 to \$176.6 million during 2006, or 6.3 percent.

Changes in Provisions of the Fund

There were no changes to the provisions of the Fund since the last valuation.

Analysis of Actuarial Assumptions

Actuarial assumptions are used to project future demographic and economic expectations for purposes of valuing the liabilities of the plan. The assumptions should reflect current patterns. However, their primary orientation is the long-term outlook for each factor affecting the valuation. Thus, while actual experience will fluctuate over the short run, actuarial assumptions are chosen in an attempt to model the future long-term experience.

SUMMARY OF VALUATION RESULTS (CONT'D)

There are two general types of actuarial assumptions:

1. Demographic Assumptions - reflect the flow of participants into and out of a retirement system, and
2. Economic Assumptions - reflect the effect of the economic climate on a retirement system.

Demographic assumptions can be readily studied over recent plan experience. Economic assumptions can be studied against recent experience; however, future experience is more likely to be a result of outside factors than of plan specifics. The most significant demographic assumptions are: active turnover, retirement, and post-retirement mortality. The most significant economic assumptions are: pay increases, investment return, and inflation. Other actuarial assumptions include: disability incidence, active mortality, and percent married.

Asset Valuation Method

The method used to develop the Fund's Actuarial Value of Assets is as follows: In years when Fund assets earn above 8 percent (i.e., experience gain) or below 8 percent (i.e., experience loss) the gain (or loss) will be gradually recognized over five years. This approach both smoothes the Fund's level of contribution and insures the Fund's assets will track the market value of assets.

2006 Experience Analysis

Pay Increase

The current salary increase assumption consists of a 4.0 percent base increase with an additional service-based increase. The overall effect is an annual increase of approximately 5.0 percent. When comparing members active in both 2005 and 2006 the average salary increase was 15.2 percent. This was 10.2 percent above our aggregate assumption of 5.0 percent resulting in an actuarial loss of approximately \$105.5 million, or 3.4 percent of total liabilities. The increase in salaries is due to the retroactive pay increases received by members for the period beginning July 1, 2003.

Investment Return

The Fund had an investment gain in 2006 of \$74.7 million relative to the 8 percent expected rate of return on a market value basis. The gain on the Actuarial (Market-Related) Value of Assets relative to the 8 percent expected rate of return was \$24.4 million due to the recognition of deferred investment gains and losses.

Changes in Plan Provisions

The current valuation reflects no changes in benefits. However, liabilities were increased due to the reclassification of several widows as compensation widows as a result of the Bertucci court option which was reported in the prior valuation. The reclassification increased liabilities by \$7.9 million or 0.3 percent of total liabilities.

SUMMARY OF VALUATION RESULTS (CONT'D)

Changes in Actuarial Assumptions & Methods

There were no changes in actuarial assumptions. Under GASB No. 25, the amortization period of the Unfunded Actuarial Accrued Liability for pension benefits was reduced from 40 years to 30 years.

Other

Increases in benefit payments that were larger than expected, mostly due to retroactive pay, increased liabilities \$6.7 million. The combination of retirements, disablements, and deaths resulted in a net actuarial loss of \$21.4 million. Gains and losses from all other sources, including new hires and data corrections, resulted in a net loss of \$3.7 million. The net actuarial loss from other sources is 0.1 percent of the liabilities at December 31, 2006, which is well within the range of reasonable variation.

Conclusion

Based on our analysis of the recent experience and expectation of the future, we believe that the current assumption set represents a reasonable set of actuarial assumptions. Table 3 of Appendix 1 shows a more detailed development of the actuarial gains and losses for the plan years ending December 31, 2005 and December 31, 2006.

Appendix 1

Results of Actuarial Valuation



TABLE 1
SUMMARY

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2006</u>
<u>Assets</u>		
Market Value - Beginning of Year	\$1,206,177,759	\$1,274,657,483
<u>Income</u>		
Investment Income Net Expenses	\$112,016,356	\$174,406,652
Employer Contributions	90,128,915	78,971,383
Employee Contributions	35,696,863	44,221,869
Miscellaneous	456,518	88,210
Subtotal	<u>\$238,298,652</u>	<u>\$297,688,114</u>
 <u>Outgo (Refunds, Benefits, & Administration)</u>	 <u>\$169,818,928</u>	 <u>\$ 180,861,284</u>
Market Value - End of Year	\$1,274,657,483	\$1,391,484,313
Actuarial Value - End of Year	1,203,654,052	1,264,497,434
Book Value - End of Year	1,071,406,121	1,193,042,445
 <u>Members</u>		
Active	4,999	5,078
Retirees	2,442	2,459
Survivors	1,436 ²	1,437 ²
Disabilities	361	370
Children	111	110
 <u>Payroll Data</u>		
Valuation Payroll ¹	\$ 341,252,492	\$ 387,442,074
Average Salary	68,264	76,298

¹ The valuation payroll includes compensation for six ordinary disability participants. They continue to accrue benefit service and hence additional liability while on ordinary disability.

² Includes Widow, Compensation, and Parent Annuitants.

TABLE 1 (CONT'D)
SUMMARY

	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2006</u>
<u>Actuarial Values</u>		
<u>Funding - State Basis</u>		
Actuarial Liability	\$2,882,935,717	\$3,133,141,527
Assets - Actuarial Value - Net	1,203,654,052	1,264,497,434
Unfunded Liability	1,679,281,665	1,868,644,093
Funded Ratio	41.75%	40.36%
Actuarially Required Total Contribution ¹	\$196,379,947	\$228,757,647
Deficiency in Required Contribution (est.)	79,041,899	112,875,711
Required Employer Contribution Multiple	4.54	5.61
<u>Termination Values</u>		
Liability	\$2,154,198,274	\$2,267,969,816
Deficiency	950,544,222	1,003,472,382
Quick Ratio	55.87%	55.75%
<u>GASB #25 and #43 Values</u>		
Actuarial Liability	\$2,882,935,717	\$3,133,141,527
Assets - Actuarial Value	1,203,654,052	1,264,497,434
Unfunded Liability	1,679,281,665	1,868,644,093
Funded Ratio	41.75%	40.36%
Annual Required Contribution (ARC) ²	164,321,700	192,378,146
<u>Market Values</u>		
Actuarial Liability	\$2,882,935,717	\$3,133,141,527
Assets - Market Value	1,274,657,483	1,391,484,313
Unfunded Liability	1,608,278,234	1,741,657,214
Funded Ratio	44.21%	44.41%

¹Includes projected employee contributions of \$32,058,247 for December 31, 2005, and \$36,379,501 for December 31, 2006.

²ARC for the following fiscal year. The ARC is the total ARC under GASB #25 and GASB #43. The 2007 ARC for pension is \$188,201,379 and the 2006 ARC for OPEB is \$4,176,767.

TABLE 2
DEVELOPMENT OF ANNUAL REQUIRED
CONTRIBUTION UNDER GASB #25 AND GASB #43 FOR 2007¹

	<u>Pension</u>	<u>Health Ins. Supplement</u>	<u>Total</u>
(1) Normal Cost	\$ 65,821,043	\$ 1,437,750	\$ 67,258,793
(2) Actuarial Accrued Liability (AAL)	\$ 3,088,124,064	\$ 45,017,463	\$ 3,133,141,527
(3) Unfunded AAL (UAAL)			
(a) Actuarial Value of Assets	\$ 1,264,497,434	\$ -	\$ 1,264,497,434
(b) UAAL [2-3(a)]	\$ 1,823,626,630	\$ 45,017,463	\$ 1,868,644,093
(4) Amortization (Level \$) Payable at Beginning of Year ²	\$ 149,988,956	\$ 2,644,681	\$ 152,633,637
(5) Minimum Actuarially Calculated Contribution			
(a) Interest Adjustment for Semimonthly Payment	\$ 8,770,881	\$ 94,336	\$ 8,865,217
(b) Total Minimum Contribution [1+4+5(a)]; but not less than zero	\$ 224,580,880	\$ 4,176,767	\$ 228,757,647
(c) Total Minimum Contribution (Percent of Pay)	57.97%	1.07%	59.04%
(6) Estimated Member Contributions	\$ 36,379,501	\$ -	\$ 36,379,501
(7) Annual Required Contribution (ARC)			
(a) Annual Required Contribution [5(b)-6]	\$ 188,201,379	\$ 4,176,767	\$ 192,378,146
(b) Annual Required Contribution (Percent of Pay)	48.58%	1.07%	49.65%
(8) Estimated City Contribution (after 4% loss)	\$ 78,492,611	\$ 2,182,299 ³	\$ 80,674,910
(9) City Contribution Deficiency/(Excess)			
(a) in Dollars [(7(a)-8)]	\$ 109,708,768	\$ 1,994,468	\$ 111,703,236
(b) as a Percentage of Pay	28.32%	0.51%	28.83%
(10) Combined City/Member Contributions Deficiency/(Excess)			
(a) in Dollars [5(b)-6-8]	\$ 109,708,768	\$ 1,994,468	\$ 111,703,236
(b) as a Percentage of Pay	28.32%	0.51%	28.83%

¹ Pension liabilities were discounted at 8.0% per year, and OPEB liabilities were discounted at 4.5% per year.

² Pension and Healthcare UAAL are amortized over a 30-year period.

³ Represents expected health insurance supplemental benefits for 2007.

TABLE 3
RECONCILIATION OF UNFUNDED LIABILITY

	2005	2006
<u>(1) Unfunded Actuarial Accrued Liability - Beginning of Year</u>	\$1,610,945,401	\$1,679,281,665
(2) Gains (Losses) During the Year Attributable to:		
Employer Cost in Excess of Contributions	(60,494,782)	(68,623,327)
Gain (Loss) on Investment Return	(32,194,356)	24,389,764
Gain (Loss) from Salary Changes	40,654,533	(105,514,447)
Gain (Loss) from Demographic Assumptions	(17,264,774)	(21,421,453)
Gain (Loss) from Retroactive Benefit Increases	-	(6,651,379)
Gain (Loss) from Additional Bertucci Liability	(11,681,326)	(7,878,491)
Gain (Loss) from Assumption Changes	(12,434,686)	-
Gain (Loss) from Law Changes	-	-
Gain (Loss) from All Other Sources	25,079,127	(3,663,095)
Total Actuarial Gain (Loss)	(\$68,336,264)	(\$189,362,428)
<u>(3) Unfunded Actuarial Accrued Liability - End of Year (1)-(2)</u>	\$1,679,281,665	\$1,868,644,093

TABLE 4
SUMMARY OF BASIC ACTUARIAL VALUES

	APV of Projected Benefits	Actuarial Accrued Liability (AAL)
<u>(1) Values for Active Members</u>	\$2,054,607,771	\$1,366,220,518
<u>(2) Values for Inactive Members</u>		
(a) Retired	1,283,210,908	1,283,210,908
(b) Spouse Annuitants	166,090,623	166,090,623
(c) Compensation Widows	69,736,693	69,736,693
(d) Ordinary Disability	786,666	786,666
(e) Occupational Disease Disability	71,394,794	71,394,794
(f) Duty Disability	155,436,986	155,436,986
(g) Inactive (Deferred Vested)	13,331,171	13,331,171
(h) Children	6,831,659	6,831,659
(i) Parent Annuitants	101,509	101,509
Total for Inactives	\$1,766,921,009	\$1,766,921,009
<u>(3) Grand Totals</u>	\$3,821,528,780	\$3,133,141,527
<u>(4) Normal Cost for Active Members</u>	\$67,258,793	
<u>(5) Actuarial Present Value of Future Compensation</u>	\$3,946,422,679	

TABLE 5
HISTORY OF RECOMMENDED EMPLOYER MULTIPLES

Year of Report	Statutory Multiple	Normal Cost Plus Interest	Normal Cost Plus Amortization ⁶	
			Level \$	Level % of Salary
1983 ^{1,2}	2.26	4.66	4.84	3.71
1984	2.26	4.89	5.08	3.86
1985 ²	2.26	5.07	5.27	4.03
1986 ¹	2.26	4.70	4.86	3.71
1987 ¹	2.26	4.39	4.54	3.47
1988	2.26	4.53	4.68	3.58
1989 ^{1,2}	2.26	4.39	4.52	3.41
1990 ^{1,2}	2.26	4.41	4.55	3.43
1991	2.26	4.55	4.69	3.53
1992 ²	2.26	4.75	4.89	3.69
1993 ²	2.26	4.89	5.03	3.81
1994 ^{1,2}	2.26	4.92	5.09	3.71
1995 ²	2.26	5.16	5.33	3.78
1996	2.26	5.02	5.19	3.78
1997 ^{1,2,3}	2.26	3.95	4.08	3.00
1998 ^{2,4}	2.26	4.31	4.22	2.91
1999	2.26	3.56	3.49	2.41
2000 ¹	2.26	4.39	4.30	2.99
2001 ⁴	2.26	4.61	4.44	3.12
2002	2.26	4.07	4.19	2.93
2003 ^{1,2}	2.26	4.90	5.08	3.18
2004 ^{2,5}	2.26	4.99	5.19	3.22
2005 ^{1,7}	2.26	4.35	4.54	3.09
2006	2.26	5.14	5.61	4.05

¹ Change in actuarial assumptions.

² Change in benefits.

³ Change in asset valuation method to GASB.

⁴ Change in actuary.

⁵ To reflect long term funding requirements, we have excluded \$10,182,825 from the 2003 employee contribution in the calculation of the recommended multiples. This amount is employee contributions for the retroactive pay increases.

⁶ Prior to 2005, 40-year amortization used. In 2005, OPEB based on 30-year amortization and pension on 40-year amortization. In 2006, 30-year amortization used for both pension and OPEB.

⁷ There was a significant decrease in the multiple from 2004 to 2005. This change is primarily due to the significant increase in employee contributions used to calculate the multiple because of retroactive pay increases. The employee contributions used in this calculation increased from \$32,482,563 for 2004 to \$37,734,425 for 2005.

TABLE 6
ORDINARY DEATH BENEFIT RESERVE

ASSETS

Fund Balance	\$ (8,925,590)
Present Values of Future Contributions:	
Contributions by Members at \$30.00 a Year	1,579,346
Annual City Contribution of \$142,000	1,472,149
Unfunded Liability	21,314,390
TOTAL ASSETS	\$ 15,440,295

LIABILITIES

Present Value of Future Death Benefits (3%, Plan Mortality Basis)	
Active Members	5,068,738
Retired Members	10,371,557
TOTAL LIABILITIES	\$ 15,440,295

Note: Benefits are also included in the accrued liability and valued on the actuarial assumptions.

TABLE 7
SUMMARY OF RESERVES

	<u>2005</u>	<u>2006</u>
Prior Service Annuity Reserve	\$ 1,093,501,679	\$ 1,137,972,227
City Contribution Reserve	580,983,152	590,699,579
Annuity Payment Reserve	551,718,149	593,205,455
Salary Deduction Reserve	481,645,463	488,956,188
Death Benefit Reserve	(8,049,339)	(8,925,590)
Ordinary Disability Reserve	(231,693)	(407,007)
Supplementary Payment Reserve	921,562	663,498
Gift Reserve	2,418,416	2,871,665
Reserve (Deficit)	<u>(1,428,249,905)</u>	<u>(1,413,551,703)</u>
Total Net Assets for Pension Benefits	\$1,274,657,483	\$1,391,484,313

TABLE 8
ACTUARIAL ACCRUED LIABILITY
PRIORITIZED SOLVENCY TEST

Valuation Date 12/31	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (ER Financed Portion)	Actuarial Value of Assets	Portion (%) of Present Value Covered by Assets		
					(1)	(2)	(3)
1986 ^{a,b}	\$159,247,413	\$ 409,282,863	\$393,153,564	\$ 440,687,231	100.00%	68.76%	0.00%
1987 ^{a,b}	171,040,140	442,476,049	384,316,705	483,965,269	100.00%	70.72%	0.00%
1988	176,885,164	500,141,377	359,459,177	511,237,886	100.00%	66.85%	0.00%
1989 ^{a,b}	180,224,846	533,989,887	361,889,786	554,780,349	100.00%	70.14%	0.00%
1990 ^{a,b}	203,385,446	551,819,011	388,646,637	562,765,339	100.00%	65.13%	0.00%
1991 ^b	220,541,857	582,545,890	429,281,414	593,664,230	100.00%	64.05%	0.00%
1992	233,769,778	620,585,314	413,794,955	636,208,355	100.00%	64.85%	0.00%
1993 ^b	247,328,526	652,460,861	401,268,935	680,145,547	100.00%	66.34%	0.00%
1994	231,721,857	820,223,870	388,977,064	712,992,314	100.00%	58.68%	0.00%
1995 ^b	284,613,679	890,790,702	356,835,156	787,000,898	100.00%	56.40%	0.00%
1996	302,854,182	928,790,813	344,144,574	845,432,187	100.00%	58.42%	0.00%
1997 ^{a,b}	320,757,406	992,967,015	326,296,251	978,313,319	100.00%	66.22%	0.00%
1998 ^{b,c}	335,026,373	1,075,922,284	372,620,521	1,066,891,190	100.00%	68.02%	0.00%
1999	357,739,707	1,146,375,517	375,551,644	1,145,215,019	100.00%	68.69%	0.00%
2000 ^a	354,336,276	1,279,911,268	419,092,931	1,219,486,962	100.00%	67.59%	0.00%
2001 ^c	379,067,821	1,294,672,267	394,977,813	1,245,129,955	100.00%	66.89%	0.00%
2002	394,531,369	1,329,341,162	364,833,686	1,209,768,204	100.00%	61.33%	0.00%
2003 ^{a,b}	422,940,367	1,458,548,217	635,779,523	1,194,007,767	100.00%	52.87%	0.00%
2004 ^b	443,541,204	1,588,594,240	761,388,911	1,182,578,954	100.00%	46.52%	0.00%
2005 ^a	467,820,652	1,686,377,622	728,737,443	1,203,654,052	100.00%	43.63%	0.00%
2006	501,048,807	1,766,921,009	865,171,711	1,264,497,434	100.00%	43.21%	0.00%

^a Change in actuarial assumptions.

^b Change in benefits.

^c Change in actuary.

Appendix 2

Assets of the Plan



ASSETS OF THE PLAN

The book value of the plan assets, net of accounts payable, increased from \$1,071 million as of December 31, 2005, to \$1,193 million as of December 31, 2006. The market value of the plan assets increased from \$1,275 million as of December 31, 2005, to \$1,391 million as of December 31, 2006. Table 9 details the reconciliation of asset values during 2006 and Table 10 shows the development of the actuarial value of assets as of December 31, 2006.

TABLE 9
RECONCILIATION OF ASSET VALUES
AS OF DECEMBER 31, 2006

	<u>Market Value</u>	<u>Book Value</u>
1. Value of assets as of 12/31/2005	\$ 1,274,657,483	\$ 1,071,406,121
2. Income for plan year:		
a) Member contributions	\$ 44,221,869	\$ 44,221,869
b) City contributions	78,971,383	78,971,383
c) Investment income net of expenses	174,406,652	179,216,146
d) Miscellaneous revenue	88,210	88,210
e) Total income	\$ 297,688,114	\$ 302,497,608
3. Disbursements for plan year:		
a) Benefit payments	\$ 176,595,438	\$ 176,595,438
b) Refunds	1,619,107	1,619,107
c) Administration	2,646,739	2,646,739
d) Total disbursements	\$ 180,861,284	\$ 180,861,284
4. Value of assets as of 12/31/2006	\$ 1,391,484,313	\$ 1,193,042,445
5. Estimated rate of return in 2006:		
a) Gross (Investment expense of \$6,622,559)	14.57%	17.88%
b) Net of investment expense	14.00%	17.19%

Method used for calculating rate of return does not reflect specific timing of income and outflows. It is also based on total assets, not invested assets.

TABLE 10
DEVELOPMENT OF ACTUARIAL (MARKET-RELATED)
VALUE OF ASSETS
AS OF DECEMBER 31, 2006

1. Expected Return on Market Value of Assets

- a) Market value of assets as of 12/31/2005 \$1,274,657,483
b) Actual income and disbursements in year ending 12/31/2006 weighted for timing

Item	Amount	Weight for Timing	Weighted Amount
i) Member contributions	\$44,221,869	50.0%	\$22,110,935
ii) City contributions	78,971,383	50.0%	39,485,692
iii) Miscellaneous revenue	88,210	50.0%	44,105
iv) Benefit payments	(176,595,438)	50.0%	(88,297,719)
v) Refunds	(1,619,107)	50.0%	(809,554)
vi) Administration	(2,646,739)	50.0%	(1,323,370)
vii) Total			(\$28,789,911)

- c) Market value of assets adjusted for actual income and disbursements [(a) + (b)(vii)] \$1,245,867,572
d) Assumed rate of return on plan assets for the year 8.00%
e) Expected return [(c) * (d)] \$99,669,406

2. Actual Return on Market Value of Assets for Year Ending 12/31/2006

- a) Market value of assets as of 12/31/2005 \$1,274,657,483
b) Income (less investment income) for year ending 12/31/2006 123,281,462
c) Disbursements paid in year ending 12/31/2006 180,861,284
d) Market value of assets as of 12/31/2006 1,391,484,313
e) Actual return [(d) + (c) - (b) - (a)] \$174,406,652

3. Investment Gain/(Loss) for Year Ending 12/31/2006 [2(e) - 1(e)] \$74,737,246

4. Actuarial Value of Assets as of 12/31/2006

- a) Market value of assets as of 12/31/2006 \$1,391,484,313
b) Deferred investment gains and (losses) for last 5 years

	Plan Year	Gain/(Loss)	Percent Deferred	Deferred Amount
i)	2002	(\$229,979,378)	0.00%	\$0
ii)	2003	179,300,444	20.00%	35,860,089
iii)	2004	52,447,080	40.00%	20,978,832
iv)	2005	17,263,601	60.00%	10,358,161
v)	2006	74,737,246	80.00%	59,789,797
vi)	Total	\$93,768,993		\$126,986,879

- c) Actuarial Value of Assets \$1,264,497,434

Note: Beginning with the December 31, 1998, valuation, the calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last 5 years at the rate of 20% per year.

Appendix 3

Data Reflecting Plan Members

EXHIBIT A
SUMMARY OF CHANGES IN ACTIVE PARTICIPANTS
FOR FISCAL YEAR ENDING DECEMBER 31, 2006

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Number of Participants at Beginning of Fiscal Year	4,705	287	4,992
Increases:			
Participants Added During Year	210	19	229
Participants Returning From Inactive or Disability Status	<u>8</u>	<u>2</u>	<u>10</u>
Totals	4,923	308	5,231
Decreases:			
Terminations During Year	<u>152</u>	<u>7</u>	<u>159</u>
Number of Participants at End of Fiscal Year	4,771	301	5,072
Total Inactive Participants			177
<u>Terminations:</u>			
Withdrawal (With Refunds) ¹	4	1	5
Withdrawal (Without Refunds)	16	2	18
Ordinary Disability Benefit	2	0	2
Occupational Disease Disability Benefit	25	0	25
Duty Disability Benefit	16	2	18
Retirements	84	2	86
Deaths (Occupational)	0	0	0
Deaths (Non-occupational)	<u>5</u>	<u>0</u>	<u>5</u>
Totals	152	7	159

¹This total differs from the total of 21 shown in Exhibit D due to the fact that only 5 of the refunds were paid to participants who were considered to be active as of December 31, 2005.

EXHIBIT B
SUMMARY OF CHANGES IN ANNUITANTS AND BENEFICIARIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2006

	<u>Number at Beginning of Year</u>	<u>Additions During Year</u>	<u>Terminations During Year</u>	<u>Number at End of Year</u>
Service Retirement Annuities	2,442	123	106	2,459
Spouse Annuitants	1,330	84	92	1,322
Children's Annuities	111	14	15	110
Parent Annuities	1	0	0	1
Ordinary Disability Benefit (Non-Occupational)	7	3	4	6
Occupational Disease Disability Benefit	107	29	23	113
Duty Disability Benefit (Occupational)	254	19	16	257
Widows' Compensation Annuities (Service Connected Death)	105	12	3	114
Totals	<u>4,357</u>	<u>284</u>	<u>259</u>	<u>4,382</u>

EXHIBIT C

PART I – TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE MALE PARTICIPANTS CLASSIFIED BY AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2006

AGE	Years of Service										Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over			
Under 20											0	\$ 0
20 to 24	-	6	-	-	-	-	-	-	-	-	6	353,328
	-	353,328	-	-	-	-	-	-	-	-		
25 to 29	-	54	11	-	-	-	-	-	-	-	65	3,763,164
	-	2,999,040	764,124	-	-	-	-	-	-	-		
30 to 34	12	193	196	93	-	-	-	-	-	-	494	31,813,314
	538,056	11,173,944	13,534,998	6,566,316	-	-	-	-	-	-		
35 to 39	23	249	317	166	14	-	-	-	-	-	769	50,474,916
	1,031,274	14,401,770	21,948,894	11,977,110	1,115,868	-	-	-	-	-		
40 to 44	9	164	162	215	312	127	-	-	-	-	989	72,120,978
	403,542	9,582,126	11,145,378	15,434,532	24,747,408	10,807,992	-	-	-	-		
45 to 49	5	59	69	165	312	211	223	1	-	-	1,045	83,153,910
	224,190	3,383,010	4,774,308	11,777,268	24,381,972	17,862,726	20,672,892	77,544	-	-		
50 to 54	-	17	27	56	115	132	505	66	-	-	918	80,220,468
	-	984,006	1,864,548	4,006,824	8,717,076	11,233,878	46,367,580	7,046,556	-	-		
55 to 59	-	1	3	12	36	51	220	62	5	-	390	34,283,190
	-	44,838	203,448	847,308	2,828,034	4,104,306	19,594,848	6,187,854	472,554	-		
60 to 64	-	1	1	4	4	3	34	19	26	-	92	8,510,286
	-	63,720	69,600	277,080	306,762	238,368	2,889,498	1,886,628	2,778,630	-		
65 and over											0	0
W/O DOB	2	1									3	151,464
	89,676	61,788										
Total Active	51	745	786	711	793	524	982	148	31	4,771		
Annual Salary¹	\$2,286,738	\$43,047,570	\$54,305,298	\$50,886,438	\$62,097,120	\$44,247,270	\$89,524,818	\$15,198,582	\$3,251,184	\$ 364,845,018		

¹ The number of participants and annual salary listed includes information on active participants only.

Hence, information on the 6 ordinary disability participants, who continue to earn benefit service, is not included in this exhibit.

EXHIBIT C
PART II – TOTAL LIVES AND ANNUAL SALARIES OF ACTIVE FEMALE PARTICIPANTS CLASSIFIED BY
AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2006

AGE	Years of Service									Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over		
Under 20										0	\$ 0
20 to 24	-	-	-	-	-	-	-	-	-	0	0
25 to 29	-	13	3	-	-	-	-	-	-	16	891,768
30 to 34	-	690,996	200,772	-	-	-	-	-	-	33	2,113,740
35 to 39	-	13	20	-	-	-	-	-	-	53	3,512,496
40 to 44	1	19	22	8	3	-	-	-	-	81	6,064,686
45 to 49	44,838	1,091,346	1,541,352	596,790	238,170	-	-	-	-	68	5,433,606
50 to 54	-	8	16	15	33	9	-	-	-	37	3,070,854
55 to 59	-	474,552	1,119,966	1,100,556	2,607,444	762,168	-	-	-	7	700,362
60 to 64	-	3	6	14	21	20	4	-	-	5	370,674
65 and over	-	178,260	422,766	1,017,756	1,662,408	1,737,264	415,152	-	-	1	77,544
W/O DOB	-	2	2	4	11	13	3	2	-	0	0
	-	124,440	142,116	279,852	832,728	1,147,344	317,622	226,752	-		
	-	-	-	1	1	-	4	1	-		
	-	-	-	74,946	85,818	-	413,634	125,964	-		
	-	-	-	1	2	2	-	-	-		
	-	-	-	69,270	155,160	146,244	-	-	-		
	-	-	-	-	-	-	1	-	-		
	-	-	-	-	-	-	77,544	-	-		
Total Active	1	58	69	43	71	44	12	3	-	301	
Annual Salary¹	\$44,838	\$3,293,034	\$4,807,272	\$3,139,170	\$5,581,728	\$3,793,020	\$1,223,952	\$352,716	\$0	\$ 22,235,730	

¹ The number of participants and annual salary listed includes information on active participants only.

Hence, information on the 6 ordinary disability participants, who continue to earn benefit service, is not included in this exhibit.

EXHIBIT C
PART III – TOTAL LIVES AND ANNUAL SALARIES OF ALL ACTIVE PARTICIPANTS CLASSIFIED BY
AGE AND YEARS OF SERVICE AS OF DECEMBER 31, 2006

AGE	Years of Service									Total	Annual Salary
	Under 1 year	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 and over		
Under 20										0	\$ 0
20 to 24		6								6	353,328
		353,328									
25 to 29		67	14							81	4,654,932
		3,690,036	964,896								
30 to 34	12	206	216	93						527	33,927,054
	538,056	11,907,384	14,915,298	6,566,316							
35 to 39	24	268	339	174	17					822	53,987,412
	1,076,112	15,493,116	23,490,246	12,573,900	1,354,038						
40 to 44	9	172	178	230	345	136				1,070	78,185,664
	403,542	10,056,678	12,265,344	16,535,088	27,354,852	11,570,160					
45 to 49	5	62	75	179	333	231	227	1		1,113	88,587,516
	224,190	3,561,270	5,197,074	12,795,024	26,044,380	19,599,990	21,088,044	77,544			
50 to 54		19	29	60	126	145	508	68		955	83,291,322
		1,108,446	2,006,664	4,286,676	9,549,804	12,381,222	46,685,202	7,273,308			
55 to 59		1	3	13	37	51	224	63	5	397	34,983,552
		44,838	203,448	922,254	2,913,852	4,104,306	20,008,482	6,313,818	472,554		
60 to 64		1	1	5	6	5	34	19	26	97	8,880,960
		63,720	69,600	346,350	461,922	384,612	2,889,498	1,886,628	2,778,630		
65 and over							1			1	77,544
							77,544				
W/O DOB	2	1								3	151,464
	89,676	61,788									
Total Active	52	803	855	754	864	568	994	151	31	5,072	
Annual Salary¹	\$2,331,576	\$46,340,604	\$59,112,570	\$54,025,608	\$67,678,848	\$48,040,290	\$90,748,770	\$15,551,298	\$3,251,184		\$ 387,080,748

¹ The number of participants and annual salary listed includes information on active participants only.

Hence, information on the 6 ordinary disability participants, who continue to earn benefit service, is not included in this exhibit.

EXHIBIT D - PART I
SHOWING NUMBER OF REFUND PAYMENTS MADE
DURING YEAR TO MALE EMPLOYEES
FOR FISCAL YEAR ENDING DECEMBER 31, 2006 ¹

Age at Date of Refund	Length of Service at Date of Refund						Total
	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and over	
Without Record	11	0	0	0	0	0	11
Under 20	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0
30 to 34	0	1	0	0	0	1	2
35 to 39	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	3	3
45 to 49	0	1	0	0	0	2	3
50 to 54	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0
60 & over	0	0	0	0	0	0	0
Totals	11	2	0	0	0	6	19

¹ Includes only the actual number of refunds paid or accrued during fiscal year reported.

EXHIBIT D - PART II
SHOWING NUMBER OF REFUND PAYMENTS MADE
DURING YEAR TO FEMALE EMPLOYEES
FOR FISCAL YEAR ENDING DECEMBER 31, 2006 ¹

Age at Date of Refund	Length of Service at Date of Refund						Total
	Under 1 Year	Between 1 and 2	Between 2 and 3	Between 3 and 4	Between 4 and 5	5 and over	
Without Record	1	0	0	0	0	0	1
Under 20	0	0	0	0	0	0	0
20 to 24	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	1	1
50 to 54	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0
60 & over	0	0	0	0	0	0	0
Totals	1	0	0	0	0	1	2

¹ Includes only the actual number of refunds paid or accrued during fiscal year reported.

EXHIBIT E
SHOWING STATISTICS ON SERVICE RETIREMENT ANNUITIES
CLASSIFIED BY AGE AS OF DECEMBER 31, 2006

AGE	MALE		FEMALE		TOTAL	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 50	2	\$ 11,400	0	\$ 0	2	\$ 11,400
50	10	422,631	0	0	10	422,631
51	8	347,676	2	59,374	10	407,050
52	11	543,842	1	5,700	12	549,542
53	17	768,105	0	0	17	768,105
54	30	1,382,838	4	181,073	34	1,563,911
55	29	1,593,581	1	5,700	30	1,599,281
56	21	1,060,421	2	49,243	23	1,109,664
57	19	893,842	0	0	19	893,842
58	16	865,267	0	0	16	865,267
59	26	1,473,964	0	0	26	1,473,964
60	42	2,343,129	0	0	42	2,343,129
61	44	2,471,304	0	0	44	2,471,304
62	55	3,078,618	0	0	55	3,078,618
63	103	6,179,082	1	51,681	104	6,230,763
64	151	9,382,521	0	0	151	9,382,521
65	130	7,771,824	0	0	130	7,771,824
66	136	7,555,038	0	0	136	7,555,038
67	84	4,837,191	1	70,758	85	4,907,949
68	77	4,213,552	0	0	77	4,213,552
69	65	3,541,535	1	44,159	66	3,585,694
70	121	6,684,714	0	0	121	6,684,714
71	88	4,955,683	0	0	88	4,955,683
72	89	5,163,776	0	0	89	5,163,776
73	97	5,177,238	0	0	97	5,177,238
74	89	4,726,490	0	0	89	4,726,490
75	123	6,064,229	0	0	123	6,064,229
76	108	5,110,871	0	0	108	5,110,871
77	90	3,961,576	0	0	90	3,961,576
78	83	3,527,231	0	0	83	3,527,231
79	86	3,479,554	0	0	86	3,479,554
80	83	3,249,819	0	0	83	3,249,819
81	69	2,362,844	0	0	69	2,362,844
82	55	1,936,018	0	0	55	1,936,018
83	38	1,277,805	0	0	38	1,277,805
84	31	1,070,946	0	0	31	1,070,946
85+	120	3,417,870	0	0	120	3,417,870
Totals	2,446	\$122,904,025	13	\$467,688	2,459	\$123,371,713

EXHIBIT F
SHOWING STATISTICS ON WIDOW'S ANNUITIES
CLASSIFIED BY AGE AS OF DECEMBER 31, 2006

Age	No. ¹	Annual Payments	Age	No. ¹	Annual Payments
Under 30	1	\$ 20,275	58	9	\$ 148,155
30	0	0	59	12	215,073
31	0	0	60	15	326,710
32	1	20,888	61	10	159,183
33	0	0	62	16	342,013
34	0	0	63	21	394,697
35	1	13,675	64	22	462,305
36	0	0	65	23	507,630
37	0	0	66	14	262,245
38	0	0	67	29	514,695
39	2	39,393	68	30	630,957
40	2	29,201	69	28	541,014
41	0	0	70	38	704,956
42	3	46,369	71	33	621,371
43	4	52,796	72	35	630,268
44	4	66,090	73	32	522,593
45	6	91,194	74	38	640,757
46	1	12,000	75	51	824,259
47	2	24,000	76	64	1,012,736
48	8	139,182	77	57	867,636
49	9	171,454	78	60	882,651
50	8	170,711	79	46	691,739
51	4	80,296	80	66	967,385
52	4	76,000	81	57	853,517
53	5	109,218	82	43	634,500
54	8	218,948	83	42	591,788
55	7	179,840	84	39	489,390
56	14	249,012	85+	289	3,667,317
57	9	193,074			
			Total	1,322	\$21,111,156

¹Excludes Parent Annuitants and Compensation Annuitants.

EXHIBIT G
SHOWING STATISTICS ON MISCELLANEOUS ANNUITIES
FOR FISCAL YEAR ENDING DECEMBER 31, 2006

	<u>No.</u>	<u>Annual Payments</u>
Children's Annuities	110	986,997
Widows' Compensation Annuities	114	6,747,262
Ordinary Disability Benefits	6	165,984
Occupational Disease Disability Benefits	113	5,560,817
Duty Disability Benefits	257	11,883,770
Parent Annuities	1	12,046
Totals	601	\$25,356,876

EXHIBIT H – PART I
SHOWING MALE PARTICIPANTS RECEIVING DUTY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2006

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30	0	0	0	0	0	0	0	0	0	0	0	0	0	\$ 0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	1	52,743	0	0	2	99,431	0	0	0	0	0	0	3	152,174
40 to 44	3	177,171	2	71,495	2	67,284	4	176,495	0	0	0	0	11	492,445
45 to 49	8	502,056	3	94,794	8	293,600	10	400,020	6	308,531	3	165,540	38	1,764,541
50 to 54	13	835,916	4	126,764	12	414,888	20	742,898	9	403,148	12	664,347	70	3,187,961
55 to 59	7	458,177	2	66,756	7	242,982	15	531,000	13	583,307	20	1,076,690	64	2,958,912
60 & over	5	324,462	0	0	0	0	2	72,108	4	161,936	22	1,183,639	33	1,742,145
Totals	37	\$ 2,350,525	11	\$ 359,809	31	\$ 1,118,185	51	\$ 1,922,521	32	\$ 1,456,922	57	\$ 3,090,216	219	\$ 10,298,178

EXHIBIT H – PART II
SHOWING FEMALE PARTICIPANTS RECEIVING DUTY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2006

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30	0	0	0	0	0	0	0	0	0	0	0	0	0	\$ 0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	1	57,620	0	0	0	0	0	0	0	0	0	0	1	57,620
40 to 44	3	163,736	1	31,860	0	0	2	98,532	0	0	0	0	6	294,128
45 to 49	0	0	1	30,360	2	85,704	2	91,409	2	108,158	0	0	7	315,631
50 to 54	0	0	0	0	5	178,494	7	265,657	0	0	2	108,086	14	552,237
55 to 59	0	0	1	27,318	3	108,774	4	150,357	0	0	1	40,742	9	327,191
60 & over	0	0	0	0	0	0	0	0	1	38,790	0	0	1	38,790
Totals	4	\$ 221,356	3	\$ 89,538	10	\$ 372,972	15	\$ 605,955	3	\$ 146,948	3	\$ 148,828	38	\$ 1,585,597

EXHIBIT I – PART I
SHOWING MALE PARTICIPANTS RECEIVING ORDINARY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2006

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30	0	0	0	0	0	0	0	0	0	0	0	0	0	\$ 0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	1	25,469	1	25,476	0	0	0	0	0	0	2	50,945
40 to 44	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	1	29,598	1	30,189	0	0	2	59,787
50 to 54	0	0	0	0	0	0	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	0	0	0	0	0	0	0
60 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	0	\$ 0	1	\$ 25,469	1	\$ 25,476	1	\$ 29,598	1	\$ 30,189	0	\$ 0	4	\$ 110,732

EXHIBIT I – PART II
SHOWING FEMALE PARTICIPANTS RECEIVING ORDINARY DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2006

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30	0	0	0	0	0	0	0	0	0	0	0	0	0	\$ 0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	2	55,252	0	0	0	0	0	0	2	55,252
50 to 54	0	0	0	0	0	0	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	0	0	0	0	0	0	0	0
60 & over	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Totals	0	\$ 0	0	\$ 0	2	\$ 55,252	0	\$ 0	0	\$ 0	0	\$ 0	2	\$ 55,252

EXHIBIT J – PART I
SHOWING MALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2006

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30	0	0	0	0	0	0	0	0	0	0	0	0	0	\$ 0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	2	87,461	1	59,910	1	50,723	4	198,094
45 to 49	0	0	0	0	0	0	2	76,110	1	43,568	4	219,733	7	339,411
50 to 54	0	0	0	0	0	0	2	73,253	3	112,690	20	1,091,942	25	1,277,885
55 to 59	0	0	0	0	0	0	2	68,165	5	194,125	34	1,711,167	41	1,973,457
60 & over	0	0	0	0	0	0	2	89,657	0	0	29	1,443,293	31	1,532,950
Totals	0	\$ 0	0	\$ 0	0	\$ 0	10	\$ 394,646	10	\$ 410,293	88	\$ 4,516,858	108	\$ 5,321,797

EXHIBIT J – PART II
SHOWING FEMALE PARTICIPANTS RECEIVING OCCUPATIONAL DISEASE DISABILITY
CLASSIFIED BY AGE AND LENGTH OF SERVICE AS OF DECEMBER 31, 2006

ATTAINED AGE	Under 1 Year		1 to 4		5 to 9		10 to 14		15 to 19		20 & Over		Total	
	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments	No.	Annual Payments
UNDER 30	0	0	0	0	0	0	0	0	0	0	0	0	0	\$ 0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	1	42,481	0	0	0	0	1	42,481
40 to 44	0	0	0	0	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	0	0	0	0	1	56,410	1	56,410
50 to 54	0	0	0	0	0	0	0	0	0	0	1	61,914	1	61,914
55 to 59	0	0	0	0	0	0	0	0	0	0	0	0	0	0
60 & over	0	0	0	0	1	35,634	1	42,580	0	0	0	0	2	78,214
Totals	0	\$ 0	0	\$ 0	1	\$ 35,634	2	\$ 85,061	0	\$ 0	2	\$ 118,324	5	\$ 239,019

EXHIBIT K
HISTORY OF AVERAGE ANNUAL SALARIES

Year End	Members in Service ¹	Current Year			Average		Actuarial Assumptions	CPI Chicago
		Increase	Salary	Increase	Salary	Increase		
1972	4,647	--	68,371,056	--	14,713	--	3.5%	3.0%
1973	4,743	2.1%	71,356,838	4.4%	15,045	2.3%	3.5%	6.3%
1974	4,587	(3.3)%	74,052,960	3.8%	16,144	7.3%	3.5%	10.6%
1975	4,484	(2.2)%	81,108,696	9.5%	18,088	12.0%	5.0%	8.0%
1976	4,321	(3.6)%	83,776,152	3.3%	19,388	7.2%	5.0%	4.7%
1977	4,434	2.6%	89,614,440	7.0%	20,211	4.2%	5.0%	6.3%
1978	4,478	1.0%	94,615,320	5.6%	21,129	4.5%	5.0%	8.5%
1979	4,297	(4.0)%	97,074,696	2.6%	22,591	6.9%	5.0%	12.5%
1980	5,054	17.6%	116,136,192	19.6%	22,979	1.7%	5.0%	14.5%
1981	4,884	(3.4)%	122,107,512	5.1%	25,002	8.8%	5.0%	9.5%
1982	4,834	(1.0)%	134,633,208	10.3%	27,851	11.4%	6.0%	6.9%
1983	5,294	9.5%	162,697,584	20.8%	30,732	10.3%	6.0%	4.0%
1984	5,147	(2.8)%	160,434,312	(1.4)%	31,170	1.4%	6.0%	3.8%
1985	5,047	(1.9)%	157,426,898	(1.9)%	31,192	0.1%	6.0%	3.8%
1986	5,103	1.1%	176,451,816	12.1%	34,578	10.9%	6.0%	2.1%
1987	5,183	1.6%	186,840,432	5.9%	36,049	4.3%	6.0%	4.1%
1988	5,233	1.0%	188,093,568	0.7%	35,944	(0.3)%	6.0%	3.9%
1989	5,231	0.0%	194,241,480	3.3%	37,133	3.3%	6.0%	5.0%
1990	5,337	2.0%	211,869,720	9.1%	39,698	6.9%	6.0%	5.4%
1991	5,323	(0.3)%	227,649,000	7.4%	42,767	7.7%	6.0%	4.0%
1992	5,204	(2.2)%	223,578,000	(1.8)%	42,963	0.5%	6.0%	3.0%
1993	5,124	(1.5)%	221,600,136	(0.9)%	43,247	0.7%	6.0%	3.0%
1993 ²	4,710	(8.1)%	202,080,072	(8.8)%	42,904	(0.8)%	6.0%	3.0%
1994	4,753	0.9%	226,703,496	12.2%	47,697	11.2%	6.0%	2.2%
1995	4,678	(1.6)%	228,604,584	0.8%	48,868	2.5%	6.0%	3.2%
1996	4,806	2.7%	233,033,832	1.9%	48,488	(0.8)%	6.0%	2.7%
1997	4,856	1.0%	234,726,936	0.7%	48,338	(0.3)%	5.0%	2.7%
1998	4,783	(1.5)%	262,248,978	11.7%	54,829	13.4%	5.0%	1.5%
1999	4,855	1.5%	271,335,540	3.5%	55,888	1.9%	5.0%	2.6%
2000	4,878	0.5%	275,106,756	1.4%	56,397	0.9%	5.0%	4.0%
2001	4,930	1.1%	277,964,912	1.0%	56,382	0.0%	5.0%	0.8%
2002	4,910	(0.4)%	277,053,144	(0.3)%	56,426	0.1%	5.0%	2.5%
2003	4,909	0.0%	335,170,501	21.0%	68,277	21.0%	5.0%	1.7%
2004	4,856	(1.1)%	334,423,753	(0.2)%	68,868	0.9%	5.0%	2.2%
2005	4,999	2.9%	341,252,492	2.0%	68,264	(0.9)%	5.0%	3.6%
2006 ³	5,078	1.6%	387,442,074	13.5%	76,298	11.8%	5.0%	0.7%
Average Increase (Decrease) for the last 5 years:		0.7 %		6.2 %		5.5 %		1.9 %

¹ Includes those members who were on disability through 1993.

² Restates without disabilities for comparison. Percent increases (decreases) are based on change from with disabilities in 1993 to without disabilities in 1994.

³ Average annual increase in average salary 1972-2006, is about 5.0% compounded. The average annual increase in the annual average Chicago CPI for the same period is about 4.6% compounded.

EXHIBIT L
NEW ANNUITIES GRANTED DURING 2006

	Annuitants	Widows/ Widowers of Deceased Employees¹	Widows/ Widowers of Deceased Annuitants	Compensation Widows/ Widowers³
Number retired/deceased	123	9	74	0
Average age attained [Employee]	57.7	60.3	74.0	N/A
Average length of service	30.1	25.7	30.6	N/A
Average spouse age	54.7	52.0	69.5	N/A
Average annual salary [4 out of 10]	\$ 85,115	N/A	N/A	N/A
Average annual final salary	\$ 93,554	N/A	N/A	N/A
Total annual annuity	\$ 7,524,112	248,064	1,681,482	N/A
Average annual annuity	\$ 61,172	27,563	22,723	N/A
Total statutory liability	\$ 125,827,098	4,066,579	16,966,147	N/A
Average liability	\$ 1,022,985	451,842	229,272	N/A
Total investment [Employee-paid for tax purposes]	\$ 12,666,920	N/A	N/A	N/A
Average investment ²	\$ 102,983	N/A	N/A	N/A
Liability/cost	9.93	N/A	N/A	N/A
Liability/final pay	10.93	N/A	N/A	N/A

¹ Not including compensation or supplemental.

² Based on previously taxed contributions.

³ Does not include transfers from supplemental widows.

EXHIBIT M
RETIREES AND BENEFICIARIES BY TYPE OF BENEFIT

Years	ANNUITANTS						DISABILITY			Widow/ Widower Comp.	Total
	Employee	Disability Pensioner	Spouse	Supplemental Wid/Widower	Child	Parent	Ordinary	Duty	Occup.		
1981	1,777	8	1,229	77	149	3	9	172	189	46	3,659
1982	1,784	4	1,231	78	142	3	15	184	198	43	3,682
1983	1,786	3	1,241	84	122	2	12	187	196	42	3,675
1984	1,813	3	1,228	79	129	2	6	199	198	44	3,701
1985	1,884	2	1,224	77	129	2	6	211	191	49	3,775
1986	2,025	1	1,233	75	126	2	5	226	158	56	3,907
1987	2,080	1	1,236	87	121	2	7	233	143	46	3,956
1988	2,180	1	1,245	83	115	2	9	216	117	43	4,011
1989	2,235	1	1,237	68	108	1	8	235	122	55	4,070
1990	2,242	0	1,248	67	106	1	11	253	133	51	4,112
1991	2,226	0	1,264	65	121	1	14	267	143	49	4,150
1992	2,261	0	1,277	68	113	1	11	286	147	40	4,204
1993	2,257	0	1,291	69	114	1	10	274	140	35	4,191
1994	2,207	0	1,316	66	114	2	6	284	142	36	4,173
1995	2,248	0	1,332	62	110	1	8	297	144	40	4,242
1996	2,257	0	1,328	61	110	1	8	292	169	44	4,270
1997	2,235	0	1,348	60	111	1	11	296	194	46	4,302
1998	2,251	0	1,360	56	125	2	8	295	197	49	4,343
1999	2,351	0	1,450	56	139	2	5	295	203	49	4,550
2000	2,538	0	1,440	51	132	2	6	257	139	49	4,614
2001 ¹	2,422	0	1,330	0	116	2	2	262	147	89	4,370
2002	2,411	0	1,330	0	121	1	2	257	144	85	4,351
2003	2,412	0	1,322	0	119	1	3	249	121	82	4,309
2004	2,441	0	1,352	0	114	1	7	244	113	81	4,353
2005	2,442	0	1,330	0	111	1	7	254	107	105	4,357
2006	2,459	0	1,322	0	110	1	6	257	113	114	4,382

¹ In 2001 all Supplemental Widows were moved into the Compensation Widows Group.

EXHIBIT N
AVERAGE EMPLOYEE RETIREMENT BENEFITS PAYABLE

Years Ended	Average Annual Benefit	Average Current Age of Retirees	Average Annual Benefit at Retirement Current Year	Average Age at Retirement Current Year	Average Years of Service at Retirement Current Year
1981	\$ 10,266	67	\$ 16,551	59.2	29.8
1982	11,083	67	15,862	59.0	28.3
1983	11,749	68	19,351	60.8	30.2
1984	13,012	68	21,401	59.4	30.5
1985	14,243	68	22,897	59.1	30.4
1986	15,635	68	24,826	58.6	29.8
1987	16,833	68	26,342	59.1	30.4
1988	18,476	68	28,166	61.4	31.1
1989	19,732	68	29,967	60.4	31.1
1990	20,853	68	30,038	60.3	30.9
1991	21,942	69	30,983	60.0	31.4
1992	23,503	69	32,758	59.9	31.3
1993	25,031	69	34,267	61.6	31.7
1994	26,262	70	34,391	59.8	31.2
1995	27,935	70	38,872	60.3	32.1
1996	29,304	70	40,406	60.4	32.0
1997	30,787	70	41,543	59.8	31.6
1998	32,503	71	43,905	60.1	32.1
1999	34,067	71	44,001	60.4	31.4
2000	36,458	71	48,534	63.5	34.2
2001	38,048	71	45,768	60.2	30.9
2002	40,052	71	45,346	59.7	30.8
2003	42,131	71	50,943	60.2	31.7
2004	45,675	71	59,608	60.0	32.1
2005	47,917	71	59,117	59.2	31.4
2006	50,171	71	61,172	57.7	30.1

EXHIBIT O – PART I
HISTORY OF ANNUITIES 1977-2006
EMPLOYEE ANNUITANTS (MALE AND FEMALE)

Year End	Number of Annuitants	Total Annuities	Average Annuities
1977	1,531	\$ 11,489,466	\$ 7,505
1978	1,622	13,321,159	8,213
1979	1,691	15,196,774	8,987
1980	1,738	16,834,908	9,686
1981	1,785	18,324,696	10,266
1982	1,788	19,816,065	11,083
1983	1,789	21,018,158	11,749
1984	1,816	23,648,174	13,022
1985	1,886	26,863,056	14,243
1986	2,026	31,676,856	15,635
1987	2,081	35,030,176	16,833
1988	2,181	40,296,025	18,476
1989	2,235	44,101,893	19,732
1990	2,242	46,752,084	20,853
1991	2,226	48,843,715	21,942
1992	2,261	53,140,074	23,503
1993	2,257	56,495,862	25,031
1994	2,207	57,960,522	26,262
1995	2,248	62,797,419	27,935
1996	2,257	66,139,690	29,304
1997	2,235	68,808,890	30,787
1998	2,251	73,163,601	32,503
1999	2,351	80,090,897	34,067
2000	2,538	92,529,624	36,458
2001	2,422	92,152,832	38,048
2002	2,411	96,565,842	40,052
2003	2,412	101,620,962	42,131
2004	2,441	111,491,737	45,675
2005	2,442	117,014,053	47,917
2006	2,459	123,371,713	50,171

EXHIBIT O – PART II
HISTORY OF ANNUITIES 1977-2006
WIDOW/WIDOWER ANNUITANTS
(INCLUDING PARENT BUT NOT COMPENSATION ANNUITANTS)

Year End	Number of Annuitants ¹	Total Annuities	Average Annuities
1977	1,239	\$ 3,304,974	\$ 2,667
1978	1,254	3,462,000	2,761
1979	1,294	3,635,109	2,809
1980	1,322	3,770,964	2,852
1981	1,309	4,390,509	3,354
1982	1,312	5,007,540	3,817
1983	1,327	5,220,709	3,934
1984	1,309	5,203,409	3,975
1985	1,303	5,328,940	4,090
1986	1,310	5,843,911	4,461
1987	1,325	6,273,158	4,734
1988	1,330	6,617,019	4,975
1989	1,319	7,743,932	5,871
1990	1,316	8,031,199	6,103
1991	1,330	9,316,132	7,005
1992	1,346	10,774,709	8,005
1993	1,361	12,121,722	8,906
1994	1,384	13,680,765	9,885
1995	1,395	14,495,633	10,391
1996	1,389	14,709,232	10,590
1997	1,409	15,397,832	10,928
1998	1,418	15,969,975	11,262
1999	1,508	18,136,173	12,027
2000	1,493	18,352,906	12,293
2001	1,332	16,516,021	12,399
2002	1,331	17,006,519	12,777
2003	1,323	17,490,584	13,220
2004	1,353	19,297,527	14,263
2005	1,331	20,481,794	15,388
2006	1,323	21,123,202	15,966

EXHIBIT P
HISTORY OF RETIREES AND BENEFICIARIES
ADDED TO AND REMOVED FROM BENEFIT PAYROLL

Yr.	Added to Payroll		Removed from Payroll		Payroll End of Year		Average Annual Benefits	Increase to Avg. Benefits
	No.	Annual Benefits.	No.	Annual Benefits	No.	Annual Benefits		
Employee Annuitants (Male and Female)								
1994	64	\$3,884,646	114	\$2,419,986	2,207	\$57,960,532	\$26,262	4.9%
1995	143	7,076,962	102	2,240,065	2,248	62,797,429	27,935	6.4
1996	101	5,578,794	92	2,236,533	2,257	66,139,690	29,304	4.9
1997	98	5,578,537	120	2,909,337	2,235	68,808,890	30,787	5.1
1998	122	5,356,352	106	2,446,381	2,251	73,163,601	32,503	5.6
1999	118	5,192,157	18	245,975	2,351	80,090,897	34,067	4.8
2000	265	12,861,578	78	2,413,778	2,538	92,529,624	36,458	7.0
2001	114	5,171,784	230	5,548,576	2,422	92,152,832	38,048	4.4
2002	107	4,851,988	118	438,978	2,411	96,565,842	40,052	5.3
2003	134	6,826,357	133	1,771,237	2,412	101,620,962	42,131	5.2
2004	147	14,053,559	118	4,182,784	2,441	111,491,737	45,675	8.4
2005	126	10,248,119	125	4,725,803	2,442	117,014,053	47,917	4.9
2006	123	10,689,546	106	4,331,886	2,459	123,371,713	50,171	4.7
Widow/Widower Annuitants (Not Including Compensation)								
1994	90	\$2,145,835	67	\$586,792	1,384	\$13,680,765	\$9,885	11.0%
1995	97	1,592,509	86	777,641	1,395	14,495,633	10,391	5.1
1996	64	860,178	70	646,579	1,389	14,709,232	10,590	1.9
1997	91	1,314,596	71	625,996	1,409	15,397,832	10,928	3.2
1998	86	1,188,236	73	778,838	1,418	15,969,975	11,262	3.1
1999	90	1,268,687	0	0	1,508	18,136,173	12,027	6.8
2000	70	1,204,364	85	987,631	1,493	18,352,906	12,293	2.2
2001	127	1,865,460	288	3,702,345	1,332	16,516,021	12,399	0.9
2002	73	1,316,617	74	826,119	1,331	17,006,519	12,777	3.0
2003	87	1,475,058	95	990,993	1,323	17,490,584	13,220	3.5
2004	92	2,595,350	62	788,407	1,353	19,297,527	14,263	7.9
2005	94	2,596,899	116	1,412,632	1,331	20,481,794	15,388	7.9
2006 ¹	84	1,964,568	92	1,323,160	1,323	21,123,202	15,966	3.8

¹ Including Parent Annuitants but not Compensation Annuitants.

Appendix 4

Actuarial Methods and Assumptions as of December 31, 2006



ACTUARIAL METHODS AND ASSUMPTIONS AS OF DECEMBER 31, 2006

I. ACTUARIAL COST METHOD

An Actuarial Cost Method is a set of techniques used by the actuary to develop contribution levels under a retirement plan. The Actuarial Cost Method used in this valuation for all purposes is the Entry Age Actuarial Cost Method. Under this Method, a Normal Cost is developed by amortizing the actuarial value of benefits expected to be received by each active participant (as a level percentage of pay) over the total working lifetime of that participant, from hire to termination.

To the extent that current assets and future Normal Costs do not support participants' expected future benefits, an Unfunded Actuarial Accrued liability ("UAAL") develops. The UAAL is generally amortized over a defined period of time (e.g. 30 years) The total contribution developed under this method is the sum of the Normal Cost and the payment toward the UAAL.

II. CURRENT ACTUARIAL ASSUMPTIONS

A. *Demographic Assumptions*

Mortality:	1983 Group Annuity Mortality Table, sex distinct.
Disabled Mortality:	1992 Railroad Retirement Board's Disabled Annuitant's Mortality Table.
Rates of Disability:	Rate at which members are assumed to become disabled under the provisions of the Fund. The rates assumed are as follows:

Attained Age	Rates
20-24	0.0016
25-29	0.0020
30-34	0.0028
35-39	0.0040
40-44	0.0052
45-49	0.0096
50-54	0.0190
55-59	0.0370
60-63	0.0450

Of the participants who become disabled, 35 percent are assumed to be duty disability, 60 percent are assumed to be occupational disease disability, and 5 percent are assumed to be ordinary disability.

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

Rate of Retirement: The table below shows the assumed rates of retirement.

Attained Age	Firefighters Rates	EMT Rates
50	0.05	0.05
51	0.03	0.03
52	0.03	0.03
53	0.03	0.03
54	0.03	0.03
55	0.08	0.08
56	0.08	0.08
57	0.08	0.08
58	0.08	0.08
59	0.12	0.12
60	0.20	0.20
61	0.25	0.25
62	0.40	0.40
63	1.00	0.40
64		0.40
65		1.00

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

Rate of Termination: The following sample rates exemplify the table:

<u>Years of Service</u>	<u>Rate</u>
1	0.002
5	0.007
10	0.007
15	0.007
20	0.007
25	0.007
30	0.007

B. Economic Assumptions

Investment Return Rate: 8.00 percent per annum for pensions and 4.50 percent for OPEB.
OPEB rate effective as of December 31, 2005.

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

<u>Years of Service</u>	<u>Rates</u>
0	18.0%
1	5.5%
2	5.0%
3	5.0%
4	5.0%
5-9	0.0%
10	3.5%
11-14	0.0%
15	3.5%
16-19	0.0%
20	3.5%
21-24	0.0%
25	3.5%
26-29	0.0%
30	3.5%
Over 30	0.0%

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

Asset Value: For State reporting, the actuarial value of assets is smoothed by using a five-year average market value.

For GASB #25 and #27, the actuarial value of assets is smoothed by using a five-year average market value.

C. Other Assumptions

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

Group Health Insurance: It is assumed for valuation purposes that the current health insurance supplement will continue for life for all employee annuitants (and their future widows). The amount of the Fund-paid health insurance from July 1, 2003 until June 30, 2008 is \$85.00 per month for each annuitant (employees and widows) not qualified to receive Medicare benefits and \$55.00 if qualified. After June 30, 2008, the amounts will be \$95.00 and \$65.00, respectively. It is assumed that all annuitants age 65 and over will be eligible for Medicare and all annuitants less than age 65 will not be eligible for Medicare. Future widows of retirees are assumed to be eligible for Medicare, as well as widow annuitants that are currently receiving a health insurance supplement.

Only retirees, beneficiaries and children who the Fund has indicated have Fund paid insurance are valued with this benefit.

**ACTUARIAL METHODS AND ASSUMPTIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

Required Ultimate Multiple:	The actuarial requirements (adjusted for tax levy loss) less expected employee contributions divided by the actual employee contributions made in the second prior year.
Loss in Tax Levy:	4 percent overall loss on tax levy is assumed.

Appendix 5

Summary of Provisions of the Fund as of December 31, 2006



**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006**

PARTICIPANTS

Person employed by the City of Chicago in its fire service as firefighter, fire paramedic, fire engineer, marine engineer, or fire pilot, whose duty it is to participate in the work of controlling and extinguishing fire at the location of any such fire, whether or not he is assigned to fire service other than the actual extinguishing of fire.

SERVICE

In computing service, the following periods shall be counted:

All periods of active service, vacation, leave of absence with whole or part pay, military service, periods of disability for which he receives disability benefit, and leave of absence without pay to perform the duties of a member of the General Assembly prior to January 9, 1997. It is computed on a day to day basis. Employees may purchase the 1980-strike time and periods of suspension less than one year. Employees may purchase, with 4 percent interest, periods of employment of the Chicago Fire Department from 1970 until the employee entered this fund.

RETIREMENT ANNUITY

Eligibility

Attainment of age 50 with at least 10 years of service.

Mandatory

Retirement is mandatory for a participant who has attained age 63, except for emergency medical technicians.

Accumulation Annuity

At age 50 or more, with 10 or more years of service, the employee is entitled to an annuity based on the sums accumulated for age and service annuity plus 1/10 of the sum accumulated from the contributions by the City for the age and service annuity for each completed year of service after the first 10 years. At age 50 or more with 20 or more years or at age 63, the employee is entitled to an annuity based on all sums accumulated to his or her credit. The maximum is 75 percent of highest salary.

Minimum Formula Annuity

If the employee has 20 or more years of service (the annuity will begin no earlier than age 50), he or she is entitled to the following annuity: 50 percent plus 2.5 percent of the final average salary for each year or fraction of service over twenty years. Maximum is 75 percent of the final average salary.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

Retirement at Age 63 with Less than 20 Years Service¹

An employee who reaches compulsory retirement age with less than 20 years but greater than 10 years of service shall be entitled to a minimum annuity equal to 30 percent of final average salary for the first 10 years of service plus an additional 2 percent for each year in excess of 10, not to exceed 50 percent of final average salary.

Automatic Increase in Annuity

If an employee qualifies for a minimum formula annuity, 1.5 percent of the original annuity, starting on the first of the month one year after retirement or the first of the month following attainment of age 60 (age 55 if born before January 1, 1955, effective January 16, 2004), whichever is later, with a maximum of 30 percent (20 years). Such increases shall be 3 percent for firefighters born before January 1, 1955, (effective January 16, 2004), and such firefighters shall not be subject to the 30 percent maximum increase.

Minimum Annuity

The minimum monthly annuity is \$1,050 if the firefighter retired at age 50 or over with at least 20 years of service.

WIDOW/WIDOWER ANNUITY

Payable until remarriage if widow/widower remarries before age 60, except Compensation and Supplemental Annuities. If the annuity is suspended because the widow/widower remarries before age 60, annuity payments will be resumed if the subsequent marriage ends. Any widow/widower's annuity, which was suspended on account of remarriage prior to December 31, 1989, will be resumed, if subsequent marriage ends, the later of July 14, 1995, or when the marriage ended. Beginning January 16, 2004, widows retain their rights to benefits after remarriage at any age. Benefits are not available to a widow of a fireman who received a refund of contributions for widow's benefits, unless the refund is repaid with 4 percent interest per year.

Death in Service (Non-Duty)

- (1) If the firefighter dies with at least 1.5 years of service, 30 percent of the salary attached to the rank of a first class firefighter in the classified career service at the time of the firefighter's death; or,
- (2) 50 percent of the annuity the deceased firefighter would have received if he had retired just prior to the date of death; or,
- (3) Money purchase based on the total salary deductions and City contributions for age and service annuity and widow/widower's annuity.
- (4) The widow of an active fireman with 10 or more years of service will receive no less than 50 percent of the benefit that the active fireman would have received had they attained age 50 and 20 years of service.

¹ Between January 1994 and December 2000, benefits have been administered as if there were no compulsory retirement age. Beginning December 2000 benefits have been administered as if age 63 is the compulsory retirement age for non-EMT participants and there is no compulsory retirement age for EMT participants.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

Death In Service (Duty Related)

Compensation Annuity²

The annuity paid to the spouse equals 75 percent of the firefighter's salary attached to his civil service position at the time of his death. This amount increases as the salary of the position increases. This benefit is payable until the year in which the firefighter would have reached the compulsory retirement age.

Death In Service (Duty Disability)

Compensation Annuity

The annuity paid to the spouse of a member who dies in receipt of duty disability benefits equals 75 percent of the firefighter's salary attached to his civil service position at the time of his death. This amount increases as the salary of the position increases.

Death after Retirement

- (1) If the firefighter dies after retirement, the annuity is 50 percent of the retirement annuity that the deceased firefighter was receiving at the time of his or her death; or,
- (2) money purchase based on the sums accumulated for the spouse annuity plus 10 percent of the accumulated City contributions for each year of service from 10 to 20 years, and full accumulated City contributions after 20 years of service.

Maximum Annuity

No maximum dollar amount.

Minimum Annuity

The minimum monthly annuity for any widow/widower is \$1,000.

CHILD ANNUITY

Upon the death of the firefighter, unmarried children less than age 18 (except where child is so physically or mentally handicapped as to be unable to support himself), who have been born or legally adopted and at least one year prior to death or withdrawal (except if duty death, then no one year limit on adoption). The amount of annuity payable for a child is 10 percent of the current annual maximum salary of a first class firefighter while a widow/widower survives; 15 percent when no widow/widower survives.

FAMILY MAXIMUM

The total annuities for widow/widower and children cannot exceed 60 percent for non-duty death, or 100 percent for duty death, of the current maximum annual salary of a first class firefighter.

² Between January 1994 and December 2000, benefits have been administered as if there were no compulsory retirement age. Beginning December 2000 benefits have been administered as if age 63 is the compulsory retirement age for non-EMT participants and there is no compulsory retirement age for EMT participants.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

PARENT ANNUITY

Parent's annuity is provided for each surviving parent of a firefighter who dies prior to separation from service, or while out of service with at least 20 years; provided there is no widow/widower or child and that the deceased firefighter was contributing to their support. The benefit is an amount equal to 18 percent of the current annual salary attached to the classified position held by the firefighter at the time of death.

DISABILITIES

Duty Disability Benefit³

Injury incurred in the performance of duty. The amount of the benefit is 75 percent of salary at the time the disability is allowed payable to employee's compulsory retirement age plus \$30 per month for each unmarried child less than age 18 (except where the child is so physically or mentally handicapped as to be unable to support him/herself), but the total amount of child benefits shall not exceed 25 percent of salary. Effective January 1, 1994, the minimum benefit, if the employee has been on disability at least 10 years, is 50 percent of current salary at the rank held by the employee when he was removed from the Department payroll. Salary deductions are contributed by the City. There are no age or service requirements for retirement on money purchase annuity and receiving full contributions.

Occupational Disease Disability³

A firefighter who has 10 or more years of service and is unable to perform his or her duties by reason of heart disease, tuberculosis, or any disease of the lungs or respiratory tract, resulting solely from his or her service as a firefighter. Occupational disease also includes disabling cancer of the type which may be caused by exposure to heat, radiation or a known carcinogen as defined by the International Agency for Research on Cancer. The amount of the benefit is 65 percent of salary at the time of the employee's removal from the Department payroll payable to compulsory retirement age plus \$30 a month for each unmarried child less than age 18 (except where the child is so physically or mentally handicapped as to be unable to support him/ herself), but the total amount of child's benefits shall not exceed 25 percent of salary. Effective January 1, 1994 the minimum benefit, if the employee has been on disability at least 10 years, is 50 percent of current salary at the rank held by the employee when he or she was removed from Department payroll. Salary deductions are contributed by the City. There are no age or service requirements for retirement on money purchase annuity and receiving full contributions.

Ordinary Disability Benefit

Cause other than the performance of an act of duty, payable after 30 days for a period equal to 50 percent of total service (not including any previous O.D. time), but not to exceed 5 years. The disability benefit is 50 percent of salary at time of disability less pension deductions. When the disabled firefighter becomes eligible for the minimum formula annuity, the disability benefit shall cease, and he or she shall thereafter receive an annuity; however, there are no age or service requirements to retire on money purchase from disability prior to qualification for the minimum formula annuity if the disability then terminates.

³ Between January 1994 and December 2000, benefits have been administered as if there were no compulsory retirement age. Beginning December 2000 benefits have been administered as if age 63 is the compulsory retirement age for non-EMT participants and there is no compulsory retirement age for EMT participants.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

DEATH BENEFIT

In active service, on an authorized leave of absence, if death occurs within 60 days of receipt of salary, receiving duty or ordinary disability benefit, occurring within 60 days of termination of such benefit, or occurring on retirement while in receipt of annuity and separation was effective after age 50 and application was made within 60 days from separation; payable to written beneficiaries or, if none, to estate.

<u>Age</u>	<u>Death in Service After July 1, 1983</u>	<u>Death After Retirement After July 1, 1983</u>
49 and under	\$12,000	\$6,000
50	11,600	6,000
51	11,200	6,000
52	10,800	6,000
53	10,400	6,000
54	10,000	6,000
55	9,600	6,000
56	9,200	6,000
57	8,800	6,000
58	8,400	6,000
59	8,000	6,000
60	7,600	6,000
61	7,200	6,000
62	6,800	6,000
63	6,400	6,000
64 and over	6,000	6,000

GROUP HEALTH HOSPITAL AND SURGICAL INSURANCE PREMIUMS

The pension fund shall provide payments in the amount of \$85 per month for non-Medicare eligible city annuitants and \$55 per month for Medicare eligible city annuitants from July 1, 2003, through June 30, 2008. Thereafter, the pension fund shall provide payments in the amount of \$95 per month for non-Medicare eligible city annuitants and \$65 per month for Medicare eligible city annuitants from July 1, 2008, through June 30, 2013.

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

REFUNDS

To Firefighters

Of entire amount (excluding ordinary disability pension deductions) with interest at 4 percent if entered before June 30, 1953, and 3 percent otherwise, before age 50, or before age 57 and less than 10 years service. A firefighter who receives a refund and who subsequently reenters the service shall not receive, nor his or her widow/widower or parents, any annuity benefit or pension unless the refund is repaid with 4 percent interest. Repayment must be made within two years after reentry.

FOR WIDOW/WIDOWER ANNUITY

If the Firefighter is not married when he retires on annuity, he or she will receive a refund of all his or her contributions, with interest, for spouse's annuity.

REFUNDS OF REMAINING AMOUNTS

If amounts contributed by a Firefighter (with interest) are not paid out to him or her, in the form of a refund or annuity, or his or her widow/widower in the form of annuity, the remaining amounts (with interest) shall be paid out to his or her heirs, or to administrator of estate, for burial expense. If there are children under age 18, amount necessary to pay children annuities will not be refunded. There will be no refund paid to a widow/widower whose annuity is suspended because of remarriage.

DEDUCTIONS AND CONTRIBUTIONS

	<u>Deductions</u>	<u>City Contributions¹</u>
Employee	7.125%	8.500%
Spouse	1.500%	2.000%
Ordinary Disability	0.125%	0.000%
Annuity Increase	<u>0.375%</u>	<u>0.000%</u>
	9.125%	10.500%

¹ Credited to participant's Accumulation Annuity and Widow's Annuity accounts

The city shall levy a tax annually at a rate on the dollar of the assessed valuation of all taxable property that will produce an amount not to exceed the total amount of contributions by the firefighters to the Fund made in the calendar year two years prior multiplied by 2.26 for 1982 and each year thereafter, plus \$142,000 for the Ordinary Death Benefit.

DEATH BENEFIT

Employees contribute \$2.50 per month at the same time and with the same frequency as other deductions (with each payment of salary).

**SUMMARY OF
PRINCIPAL ELIGIBILITY AND BENEFIT PROVISIONS
AS OF DECEMBER 31, 2006 (CONT'D)**

TAX SHELTER OF EMPLOYEE SALARY DEDUCTIONS

Beginning January 1, 1982, employee contributions were designated for income tax purposes to be made by the employer. The W-2 salary is therefore reduced by the amount of contribution. For pension purposes the salary remains unchanged. Income tax will be paid when a refund or annuity is received. For the purpose of benefits, refunds or financing, these contributions will be treated as employee contributions.

COMPULSORY RETIREMENT AGE

Effective January 1, 1994, the federal law (ADEA) allowing compulsory retirement at age 63 lapsed. As such, duty disability and occupational disease disability benefits and widow/widower compensation benefits may be "open ended", i.e., without limiting age.

Effective December 2000 the City of Chicago enacted a compulsory retirement age of 63 for non-EMT participants. As such, all disability benefits for non-EMT participants cease at age 63 and become payable as retiree benefits.

COMPENSATION WIDOWS

Beginning January 1, 2001, mandatory retirement will have no impact on Widow benefits. Therefore, effective with the December 31, 2001, valuation, all Supplemental Widows have been re-classified as Compensation Widows. The classification of Supplemental Widows has been discontinued.

Appendix 6

Legislative Changes 1968 through 2006

LEGISLATIVE CHANGES 1968 THROUGH 2006

1968 to 1979 Sessions

- Compensation widow/widower annuities changed from \$300 to 75 percent of salary;
- Supplemental widow/widower annuities became 40 percent of salary;
- 5-year average salary became 4 years;
- Minimum employee annuities increased from \$200 in stages;
- Minimum widow/widower annuities increased from \$100 in stages;
- Children's annuities changed from \$40/\$60 to 10%/15% of salary of first class firefighter;
- Parent annuities increased to 18 percent of salary of first class firefighter;
- Lump sum benefits were increases; and
- The deduction from salary increased from 1 percent to 1.5 percent of salary for the spouse annuity.

1979 Session

SB 854

Recall of elective members of the Board of Trustees.

HB 291

Authorizes investment in Time Deposits of Certificate of Deposit.

HB 2012

Employer may pick up, under IRS Code Section 414(h), the employee contributions for all compensation earned after December 31, 1980 by a reduction in the cash salary, an offset to a future salary increase, or by a combination of both.

1980 Session

Transfer of credit to the General Assembly System.

HB 3635

Reversed all changes made by HB 2012 and put the pick up section as a new paragraph. They are treated as employee contributions for all purposes including refunds and determination of the tax levy.

1981 Session

SB 21

Actuarial Reporting Standards.

SB 851

Authorizes investments in conventional mortgage pass-through securities.

SB 879

Financial statement required by Department of Insurance within 6 months and actuarial statement within 9 months. \$100 penalty per day if late.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

HB 291

Increase minimum survivor's annuity from \$200 to \$250.

Spring 1982 Session

SB 740

3 percent post-retirement increase for employees born before January 1, 1930. All increases begin at age 60 instead of age 63 effective July 1, 1982.

SB 1127

Group health hospital and surgical insurance premium \$55 for annuitant not qualified to receive Medicare; \$21 if annuitant is qualified, effective January 1, 1983.

SB 1579

Expanded fiduciary standards, prohibited transactions, civil action may be brought by Attorney General or by a participant. List of permitted investments moved to general section of the statute.

HB 2361

Election by mail ballot.

Spring 1983 Session

SB 22

Delegation of investment authority restrictions.

SB 1147

Minimum reporting and actuarial information for 1984.

HB 366, SB 288

Changes fiduciary standards: party in interest definition; reasonable care of co-fiduciary; eliminates civil action.

HB 377

Cancer as occupational disability.

HB 380

Paramedics as members July 1, 1983.

HB 455

Bill of Rights.

HB 483

Temporary position defined.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

HB 514

10 percent prudent person investment category.

HB 755

Change in lump sum death benefit: \$6,000 if retired, \$12,000 if active and under age 50, reduced by \$400 each year age 50 or older.

HB 758

Vote by mail.

50/20 2 percent minimum annuity formula (52/22 in 1984; 51/21 in 1985; 50/20 in 1986 and after).

30 percent salary of first class firefighter; widow/widower of active employee with 1.5 years of service effective June 30, 1984.

50 percent of retirement pension being paid (includes increases); widow/widower of retiree effective June 30, 1984.

City Ordinance

Change in lump sum death benefit: \$6,000 if retired, \$12,000 if active and under age 50, reduced by \$400 each year age 50 or older.

Changes compulsory retirement from 63 to 70.

1984 Session

Direct deposit.

Illinois Public Employees' Pension Laws Commission abolished.

1985 Session

HB 164

Occupational disability benefits from 50 percent to 65 percent of salary for new disabilities.

Survivors' annuity for death in service 50 percent of the firefighter's annuity as if the deceased firefighter had retired just prior to the date of death.

Removes alcoholism and venereal disease prohibition against paying ordinary disability.

Removes adoption before age 50 requirement for child's benefit.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

1986 Session

HB 2630

Removes the age 18 limitation for handicapped children of duty and occupational disease disability recipients.

Provides for waiver of annual physical examination for disability recipients if firefighter is permanently disabled and unable to ever return to service.

1987 Session

None.

1988 Session—City Ordinance

Compulsory retirement changed to age 63.

1989 Session

HB 332

\$325 minimum widow/widower annuity effective January 1, 1988.

SB 95

Changed the amount of fund paid health insurance “supplement” from January 1, 1988, until December 31, 1992, to \$65 per month for each annuitant not qualified to receive Medicare benefits (and \$35 if qualified) and from January 1, 1993, until December 31, 1997, the amounts are \$75 and \$45, respectively. Widow/widowers will now be eligible for supplement. The City will be required to pay 50 percent of the aggregate cost of health care claims for the retired group under all health care plans offered by the City. A procedure was established for the City to determine, with the help of an independent actuary, the aggregate cost of claims and premiums for each calendar year from 1989 through 1998 for the retired group.

\$475 minimum employee annuity effective January 1, 1990.

Compensation and Supplemental annuitants may remarry after 1989 without loss of benefits.

Employee refunds must be repaid at 4 percent before the later of 2 years after the date of reentry or January 1, 1992.

3 percent postretirement increase beginning January 1, 1990 for employees born after December 31, 1929, and before January 1, 1940.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

Employee may purchase periods of suspension (not to exceed a total of 1 year of service) and 1980 strike time (not to exceed 23 days). Paramedic who transferred from the pension fund established under Article 8 of this Code to this Fund by operation of Public Act 83-780 may purchase Article 8 service at 4 percent annual compound interest rate prior to January 1, 1992, if the employee received a refund from the Article 8 fund.

1990 Session

SB 136

Amends Chapter 120, Paragraph 671 of the Revenue Act to provide for a separate listing on the tax bill of the dollar amount of tax due from the person assessed, which is allocable to a tax levied under the Illinois Pension Code, or any other tax levied by a municipality or township for public pension or retirement purposes. Effective January 1, 1990.

SB 1951

Signed January 14, 1991. Service credit will be given for any periods prior to January 14, 1993 that an active firefighter who is a member of the General Assembly is absent to perform his legislative duties. No payment is required for this service credit. The current salary of the rank would be used for average salary for annuity purposes.

Any firefighter who had service as a paramedic in the Municipal Fund and received a refund of contributions could receive credit for the service in the Fire Fund by making written application to the Board by January 1, 1992 and paying for the service.

Beginning December 31, 1990, any firefighter with at least 20 years of service may withdraw from the service at any age and receive an annuity calculated under Section 6-128 beginning at age 50 if under that age at withdrawal.

Beginning January 1, 1990, the minimum widow/widower annuity is \$400 per month for all those receiving a widow/widower annuity on January 14, 1991 and for future widow/widowers of employees who retired at age 50 or over with at least 20 years of service.

If a widow/widower remarries after December 31, 1989, after attaining age 60, the annuity will continue without interruption. If the annuity is suspended because of remarriage before attaining age 60, annuity payments will be resumed if the subsequent marriage ends.

If any widow/widower receives a widow/widower annuity from the Fire Fund and after December 31, 1989, marries a firefighter in the Fund, his/her first widow/widower annuity will be canceled if she accepts any payment of a second widow/widower's annuity after he dies.

Beginning January 14, 1991, any city officer can transfer his Fire service to the Municipal Fund.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

1991 Session

None.

1992 Session

HB 969

Approved March 26, 1992. Beginning January 1992, the minimum retirement annuity (requires retirement at age 50 or over with at least 20 years of service) was increased to \$650 per month and the minimum widow/widower annuity was increased to \$500 for those receiving annuity and those who will be eligible in the future (requires retirement or death in service at age 50 or over with at least 20 years of service).

SB 1650

Approved January 25, 1993.

The minimum retirement annuity (requires retirement at age 50 with at least 20 years of service) was increased to \$750 per month on January 1, 1993, and \$850 per month on January 1, 1994.

The minimum widow/widower annuity (requires retirement or death in service at age 50 or over with at least 20 years of service) was increased to \$600 per month on January 1, 1993 and \$700 per month on January 1, 1994 for those eligible present and future widow/widowers.

Service credit will be given for any periods in General Assembly prior to January 9, 1997 (instead of January 14, 1993).

The annuitant may waive all or any portion of his annuity.

1993 Session

SB 358

Approved January 10, 1994. Beginning January 1, 1994, minimum Duty and Occupational Disease Disabilities have been established, if the employee has been on the disability for 10 years: 50 percent of current salary of rank at removal from Department payroll.

ADEA

Effective January 1, 1994, the federal law (ADEA) allowing compulsory retirement at age 63 lapsed. As such, duty disability and occupational disease disability benefits and widow/widower compensation benefits may be "open ended", i.e., without limiting age.

1994 Session

None.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

1995 Session

SB 114

Approved July 14, 1995.

The minimum widow/widower annuity was increased to \$700 per month for anyone entitled to receive a widow/widower annuity.

A widow/widower's annuity that was previously terminated because of remarriage before December 31, 1989 will be resumed upon proper application if the subsequent marriage has ended.

Employees have until 2 years after the date of reentry or January 1, 2000 to repay a refund.

For employee annuitants born before January 1, 1945, the 3 percent postretirement increase begins at age 55.

The provisions relating to purchase of credit for certain periods of service as a paramedic or other fire department employee were changed.

The City is authorized to substitute funds obtained from borrowings and other sources for a portion of its authorized tax levy for pension purposes.

The amount of earnings that may be taken into account by any retirement system is limited to the maximum dollar limitation specified in Section 401(a)(17) of the Internal Revenue Code, except for persons who became participants before 1996.

The Fund is authorized to make certain involuntary distributions required by Section 401(a)(9) of the Internal Revenue Code.

SB 424

Approved July 7, 1995.

The Pension Laws Commission was created as a legislative support services agency.

1996 Session

SBJPA

On August 20, 1996 the Small Business Job Protection Act was signed by President Clinton.

Treatment of governmental plans under Code Section 415:

Rule limiting annual benefit to 100 percent of the average of the highest 3-year compensation no longer applies.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

Excess benefit plans are permitted to provide participants with benefits in excess of the Code Section 415 limits.

Early retirement reduction does not apply to certain survivor and disability benefits.

The definition of compensation now includes elective deferrals.

Taxation of distributions:

\$5,000 death benefit exclusion was repealed for deaths after August 20, 1996.

Five-year averaging for lump sum distributions was repealed effective January 1, 2000.

Annuity payments will be taxed according to a simplified general rule, which uses investment and age as of annuity starting date for annuities, which start on or after November 19, 1996.

1997 Session

HB 313

Signed June 27, 1997.

Coverage in the City group health insurance is extended through June 30, 2002, with some modification in plans offered. Pension fund supplement remains \$45 and \$75 for Medicare eligible and non-Medicare eligible annuitants respectively.

1998 Union Contract Cost of Living Increases

The following salary increases are scheduled:

1.5 percent effective July 1, 1995.

1.5 percent effective January 1, 1996.

1.5 percent effective July 1, 1996.

3.5 percent effective January 1, 1997.

3.75 percent effective January 1, 1998.

2.25 percent effective January 1, 1999.

1998 Session

The minimum widow/widower annuity (requires retirement or death in service at age fifty or over with at least twenty years of service) was increased to \$800 per month on January 1, 1999 for those eligible present and future widow/widowers.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

1999 Session

None.

2000 Session

In 2000 the City of Chicago enacted mandatory retirement for all firefighters, except for emergency medical technicians, upon attainment of age 63.

2001 Session

None.

2002 Session

HB 5168

Effective June 28, 2002

The pension fund subsidy for retiree health insurance was extended through June 30, 2003 (other than child annuitants). The subsidy is \$75 per month if the annuitant is not eligible for Medicare and \$45 per month if the annuitant is eligible for Medicare.

2003 Session

SB 1701

Effective July 1, 2003.

The healthcare benefits were increased to \$85 per month for non-Medicare eligible participants and \$55 per month for Medicare eligible participants for the period from July 1, 2003 through June 30, 2008. Thereafter, the benefits are increased from \$85 to \$95 and \$55 to \$65 for the period July 1, 2008 to June 30, 2013.

The healthcare benefits referred to above are not and shall not be construed to be pension or retirement benefits for the purposes of Section 5 of Article XIII of the Illinois Constitution of 1970.

2004 Session

PA 93-0654

Effective January 16, 2004

Changes to the definition of salary used for benefit calculation

- For members born before 1955, who hold an exempt position above career service rank, salary means the actual salary attached to the exempt rank position.
- Salary as an ambulance commander shall be included. Employee contributions must be made retroactively before 1/1/2006. Beneficiaries may also make the contributions.
- Additional compensation for being licensed as an EMT shall be included.
- Duty availability pay shall be included. Employee contributions must be made retroactively before 1/1/2006. Beneficiaries may also make the contributions.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

PA 93-0654(continued)

An employee who reaches the compulsory retirement age with greater than 10 years of service, but less than 20 is now entitled to an annuity of 30 percent of average salary for the first 10 years of service plus an additional two percent for each year in excess of 10, not to exceed 50 percent.

The minimum annuity formula accrual rate for service after 20 years was increased from 2.0 percent to 2.5 percent with total benefits limited to 75 percent of final average pay.

The minimum benefit for retirements at age 50 with 20 years of service was increased to \$950 per month during 2004 and \$1,050 per month thereafter.

The minimum widow annuity was increased to \$900 per month during 2004 and \$1,000 per month thereafter.

The widow of an active fireman with 10 or more years of service will receive no less than 50 percent of the benefit the active firemen would have received had he attained age 50 and 20 years of service.

A widow who was married to a deceased fireman before the fireman began to receive a retirement annuity and for at least one year preceding the fireman's death is entitled to a widow's benefit. Any refunded contributions must be repaid with four percent interest.

A widow's benefit will continue following remarriage. Those annuities previously terminated will resume.

Members born prior to January 1, 1955, are entitled to a three percent simple COLA commencing at the later of age 55 or the first anniversary of retirement. Members born on or after January 1, 1955, are entitled to a 1.5 percent COLA commencing at the later of age 60 or the first anniversary of retirement limited to 30 percent. Previously the cutoff date was January 1, 1945.

Former city contributions for paramedics will be transferred to this fund with 11 percent interest and credited to the individual fireman if he or she pays for prior service as a paramedic in full.

Bertucci court opinion

Effective June 29, 2004

For members who die while receiving duty disability payments, the widow's benefit is now 75 percent of the member's salary attached to his civil service position. The benefit increases as the salary attached to this position increases. Previously the widow's benefit was 50 percent of the member's benefit.

PA 93-0917 (HB 378)

Effective August 12, 2004

Changes the widow eligibility conditions by expanding widow benefits that were previously limited by marriage conditions after withdrawal or disability. Benefits cannot be reinstated or granted earlier than January 16, 2004.

LEGISLATIVE CHANGES 1968 THROUGH 2006 (CONT'D)

PA 93-0917(continued)

A fireman who accumulated service under the Municipal Employees' Annuity and Benefit Fund of Chicago, who terminated and received a refund, may purchase such service credit until January 1, 2005. Those firemen that retired after January 16, 2004, but before the effective date of this act may still purchase service before January 1, 2005, and have their benefit recalculated. Employer contributions with interest, for such service, will be transferred from the Municipal Employees' Annuity and Benefit Fund to the Firemen's Annuity and Benefit Fund.

2005 Session

SB 23

Approved June 27, 2005

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

2006 Session

None.

Appendix 7

Additional Exhibits – GASB Disclosures

EXHIBIT A-1

GASB NOS. 25, 27, AND 43 DISCLOSURES

The Governmental Accounting Standards Board (GASB) has adopted Statement #25, changing the way in which governmental retirement systems must report financial information. GASB #25 is effective for Fund and City reporting in 1997.

GASB #25 and #27 make a number of significant changes to retirement plan reporting. They eliminate the dual reporting of actuarial liabilities that was required under GASB #5. Under GASB #5, many plans including the Fund, reported liabilities determined under one actuarial cost method for internal purposes, but were required to also provide liabilities determined under the Projected Unit Credit method for financial reports. Under GASB #25 and #27, systems select one actuarial method from several acceptable alternatives, and report all information on this one basis.

This report includes the following Exhibits with information required to be reported under GASB #25 and #27.

Exhibit A-2: Schedule of Funding Progress for GASB #25

This exhibit shows a 6-year history of funding progress. The funding progress is a comparison of Actuarial Value of Assets with the Actuarial Accrued Liability (AAL), and a comparison of the unfunded AAL (UAAL) with compensation.

Exhibit A-3: Schedule of Employer Contributions for GASB #25

This exhibit shows the Annual Required Contribution (ARC) as computed under GASB #25 and the percent of this amount actually received. This exhibit includes a 10-year history.

Exhibits A-4: Supplementary Information for GASB #25

This exhibit has certain information required in the notes to the Fund and City financial reports.

Exhibits A-5: Supplementary Information for GASB #27

This exhibit has certain information required in the notes to the Fund and City financial reports.

Exhibit A-6: Annual Pension Cost and Contributions Made for GASB #27

This exhibit shows the components of annual pension cost (ARC, interest on the Net Pension Obligation (NPO), and the adjustment to the ARC), increase or decrease in the NPO, and the NPO at the end of the year. The exhibit also includes the dollar amount of contributions made.

Exhibit A-7: Pension Cost Summary for GASB #27

This exhibit shows a 10-year summary of annual pension cost, percentage of annual pension cost contributed that year, and NPO at the end of the year.

Exhibit A-8: Development of Net Pension Obligation (NPO) at January 1, 1997

This exhibit documents the calculation of the pension liability at transition in accordance with GASB #27.

GASB No. 43 became effective for Fund reporting in 2006. GASB No. 45 will become effective for City reporting in 2007. This report includes the following Exhibits with information required to be reported under GASB #43.

EXHIBIT A-1
GASB NOS. 25, 27, AND 43 DISCLOSURES (CONT'D)

Exhibit A-9: Schedule of Funding Progress for GASB #43

This exhibit shows a two-year history of funding progress. The funding progress is a comparison of Actuarial Value of Assets with the Actuarial Accrued Liability (AAL), and a comparison of the unfunded AAL (UAAL) with compensation.

Exhibit A-10: Schedule of Employer Contributions for GASB #43

This exhibit shows the Annual Required Contribution (ARC) as computed under GASB #43 and the percent of this amount actually received. This exhibit includes a two-year history.

Exhibit A-11: Supplementary Information for GASB #43

This exhibit has certain information required in the notes to the Fund and City financial reports.

EXHIBIT A-2
SCHEDULE OF FUNDING PROGRESS
FOR GASB #25

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age ¹ (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2006	\$ 1,264,497,434	\$ 3,088,124,064	\$ 1,823,626,630	40.95 %	\$ 387,442,074	470.68 %
12/31/2005	1,203,654,052	2,882,935,717	1,679,281,665	41.75	341,252,492	492.09
12/31/2004	1,182,578,954	2,793,524,355	1,610,945,401	42.33	334,423,753	481.71
12/31/2003	1,194,007,767	2,517,268,107	1,323,260,340	47.43	335,170,501	394.80
12/31/2002	1,209,768,204	2,088,706,217	878,938,013	57.92	277,053,144	317.25
12/31/2001	1,245,129,955	2,068,717,901	823,587,946	60.19	277,964,912	296.29

¹ Actuarial accrued liability excludes OPEB benefits as of December 31, 2006.

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

For Year Ending December 31	Annual Required Contribution	Actual Employer Contribution	Percentage Contributed
2007	\$188,201,379	TBD	TBD
2006 ¹	160,246,525	76,763,308	47.90%
2005	161,696,388	90,128,915	55.74%
2004	134,762,334	55,532,454	41.21%
2003	111,079,054	60,234,206	54.23%
2002	105,106,367	59,452,787	56.56%
2001	104,014,168	60,399,909	58.07%
2000	90,530,458	65,928,675	72.82%
1999	87,959,556	53,410,352	60.72%
1998	78,020,603	48,397,527	62.03%
1997	86,981,231	54,921,536	63.14%

¹ Starting with fiscal year 2006, GASB #25 disclosure includes pension benefits only. The retiree healthcare supplement is recognized under GASB #43 disclosure. For fiscal year 2007, the pension GASB #25 ARC is \$188,201,379 and the OPEB GASB #43 ARC is \$4,176,767.

EXHIBIT A-4
SUPPLEMENTARY INFORMATION FOR
GASB #25

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial Cost Method	Entry Age
Actuarial Value of Assets	5-year smoothed market
Amortization Method	Level dollar
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Pension Investment Rate of Return	8.0%
Projected Salary Increases	4.0% per year, plus an additional percentage related to service and promotion
Post-retirement Increases	1.5% simple interest for 20 years for members born in or after 1955 3% simple interest for life for members born before 1955

	2005	2006¹
Payable to Retirees and Beneficiaries	\$ 1,686,377,622	\$ 1,740,073,749
Current Employees:		
Accumulated Employee Contributions Including		
Statutory Interest	467,820,652	501,048,807
Payable to Vested and Non-Vested Employees	728,737,443	847,001,508
Total Actuarial Accrued Liability	\$ 2,882,935,717	\$ 3,088,124,064
Net Plan Actuarial Assets	1,203,654,052	1,264,497,434
Unfunded AAL (assets in excess of AAL)	\$ 1,679,281,665	\$ 1,823,626,630
Percent Funded	41.75%	40.95%
Unfunded AAL as Percent of Payroll	492.09%	470.68%
Payroll	\$ 341,252,492	\$ 387,442,074

¹Excludes liabilities for retiree healthcare subsidy.

EXHIBIT A-5
SUPPLEMENTARY INFORMATION FOR
GASB #27

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial Cost Method	Entry Age
Actuarial Value of Assets	5-year smoothed market
Amortization Method	Level dollar
Remaining Amortization Period	30 years
Actuarial Assumptions:	
Pension Investment Rate of Return	8.0%
OPEB Investment Rate of Return	4.5%
Projected Salary Increases	4.0% per year, plus an additional percentage related to service and promotion
Post-retirement Increases	1.5% simple interest for 20 years for members born in or after 1955 3% simple interest for life for members born before 1955

	2005	2006¹
Payable to Retirees and Beneficiaries	\$ 1,686,377,622	\$ 1,766,921,009
Current Employees:		
Accumulated Employee Contributions Including Statutory Interest	467,820,652	501,048,807
Payable to Vested and Non-Vested Employees	728,737,443	865,171,711
Total Actuarial Accrued Liability	\$ 2,882,935,717	\$ 3,133,141,527
Net Plan Actuarial Assets	1,203,654,052	1,264,497,434
Unfunded AAL (assets in excess of AAL)	\$ 1,679,281,665	\$ 1,868,644,093
Percent Funded	41.75%	40.36%
Unfunded AAL as Percent of Payroll	492.09%	482.30%
Payroll	\$ 341,252,492	\$ 387,442,074

¹Includes liabilities for retiree healthcare subsidy.

EXHIBIT A-6
ANNUAL PENSION COST AND CONTRIBUTIONS
MADE FOR GASB #27

Contribution rates

City	Proceeds from a tax levy not more than an amount equal to the total amount of contributions by the employees to the Fund made in the calendar year two years prior to the year for which the annual applicable tax is levied, multiplied by 2.26.
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Plan members	9.125%
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Annual Pension Cost FY 2006:

Annual Required Contribution (ARC)	\$ 164,321,700
Interest on Net Pension Obligation	63,261,136
Adjustment to ARC	<u>(61,007,779)</u>
Total	\$ 166,575,057

Contributions Made FY 2006	\$ 78,971,383
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Net Pension Obligation (NPO) FYE 2006:

NPO, Beginning of Year	\$ 790,764,195
Increase/(Decrease) in NPO	<u>87,603,674</u>
NPO, End of Year	\$ 878,367,869

Pension Liability at Transition (January 1, 1997)	\$ 369,267,330
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**EXHIBIT A-7
PENSION COST SUMMARY
FOR GASB #27**

Year Ended December 31	Annual Pension Cost	% of Annual Pension Cost Contributed	Net Pension Obligation
2006	\$166,575,057	47.41%	\$878,367,869
2005	163,383,756	55.16%	790,764,195
2004	136,259,855	40.75%	717,509,354
2003	112,453,771	53.56%	636,781,953
2002	106,370,746	55.89%	584,562,388
2001	105,173,254	57.43%	537,644,429
2000	91,629,104	71.95%	492,871,084
1999	88,974,566	60.03%	467,170,655
1998	78,963,730	61.29%	431,606,441
1997	86,732,136	63.37%	401,040,238

EXHIBIT A-8
DEVELOPMENT OF NET PENSION OBLIGATION (NPO) AT JANUARY 1, 1997

Year Ending December 31:	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Assumptions and Method										
Interest Rate	7.5%	7.5%	7.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Amortization Period (years)	40	40	40	40	40	40	40	40	40	40
Cost Method	EAN	EAN	EAN	EAN	EAN	EAN	EAN	EAN	EAN	EAN
Annual Pension Cost										
Actuarially Determined Contribution (ADC)										
Normal Cost	\$44,023,556	\$44,652,516	\$45,746,453	\$43,184,329	\$47,236,555	\$51,515,900	\$52,304,610	\$53,235,963	\$48,144,514	\$49,878,875
40 Year Amortization	39,898,154	39,352,208	40,223,713	42,067,968	46,890,387	51,539,966	50,994,199	50,104,234	58,739,960	60,136,652
Total ADC	\$83,921,710	\$84,004,724	\$85,970,166	\$85,252,297	\$94,126,942	\$103,055,866	\$103,298,809	\$103,340,197	\$106,884,474	\$110,015,527
Interest on NPO	-	2,769,886	5,550,082	8,059,065	10,439,561	13,342,202	16,836,891	20,063,899	23,224,933	26,163,631
Adjustment to ADC	-	(2,827,639)	(5,596,880)	(8,127,020)	(10,527,588)	(13,454,705)	(16,978,861)	(20,233,079)	(23,420,768)	(26,384,245)
Annual Pension Cost	\$83,921,710	\$83,946,971	\$85,923,368	\$85,184,342	\$94,038,915	\$102,943,363	\$103,156,839	\$103,171,017	\$106,688,639	\$109,794,913
Contributions for Year										
Employer Contributions	\$29,562,500	\$34,339,139	\$37,016,865	\$36,478,751	\$36,504,134	\$38,448,497	\$42,036,863	\$42,727,953	\$41,616,542	\$43,527,172
Employee Contributions	17,427,400	17,163,621	17,544,210	18,949,395	21,251,755	20,811,264	20,782,382	20,930,122	28,338,382	24,045,799
Total Contributions	\$46,989,900	\$51,502,760	\$54,561,075	\$55,428,146	\$57,755,889	\$59,259,761	\$62,819,245	\$63,658,075	\$69,954,924	\$67,572,971
Net Pension Obligations (NPO)										
NPO at Beginning of Year	\$0	\$36,931,810	\$69,376,021	\$100,738,313	\$130,494,509	\$166,777,535	\$210,461,137	\$250,798,731	\$290,311,673	\$327,045,388
Annual Pension Cost	83,921,710	83,946,971	85,923,368	85,184,342	94,038,915	102,943,363	103,156,839	103,171,017	106,688,639	109,794,913
Total Contributions	(46,989,900)	(51,502,760)	(54,561,075)	(55,428,146)	(57,755,889)	(59,259,761)	(62,819,245)	(63,658,075)	(69,954,924)	(67,572,971)
NPO at End of Year	\$36,931,810	\$69,376,021	\$100,738,313	\$130,494,509	\$166,777,535	\$210,461,137	\$250,798,731	\$290,311,673	\$327,045,388	\$369,267,330

EXHIBIT A-9
SCHEDULE OF FUNDING PROGRESS
FOR GASB #43

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2006	\$ 0	\$ 45,017,463	\$ 45,017,463	0.00 %	\$ 387,442,074	11.62 %
12/31/2005	0	44,237,156	44,237,156	0.00	341,252,492	12.96

EXHIBIT A-10
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR GASB #43

<u>For Year Ending December 31</u>	<u>Annual Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>
2007	\$4,176,767	TBD	TBD
2006	4,075,175	2,208,075	54.18%

EXHIBIT A-11
SUPPLEMENTARY INFORMATION FOR
GASB #43

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial Cost Method	Entry Age
Actuarial Value of Assets	No assets (Pay-as-you-go)
Amortization Method	Level dollar
Remaining Amortization Period	30 years
Actuarial Assumptions:	
OPEB Investment Rate of Return	4.5%
Projected Salary Increases	4.0% per year, plus an additional percentage related to service and promotion