Wichita Employees' Retirement System

Actuarial Valuation Report as of December 31, 2005

A MILLIMAN GLOBAL FIRM

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Consultants and Actuaries

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1120 South 101st Street, Suite 400
Omaha, NE 68124-1088
Phone: (402) 393-9400
Fax: (402) 393-1037
www.milliman.com

April 10, 2006

The Board of Trustees
City of Wichita Employees' Retirement System
City Hall, 12th Floor
Wichita, KS 67202

Dear Members of the Board:

At your request, we have conducted an annual actuarial valuation of the City of Wichita Employees' Retirement System as of December 31, 2005. The results of the valuation are contained in the following report. There was no change in plan provisions or actuarial assumptions and methods from the prior valuation.

In preparing our report, we relied, without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, member data and financial information. We have relied, without audit, on this data. If the underlying data or information is inaccurate or incomplete the results of our analysis may also be inaccurate or incomplete.

Actuarial computations presented in this report are for purposes of determining the actuarial contribution rates for funding the System. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. Determinations for purposes other than these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

We understand this report is considered a public document and, as such, may be subject to disclosure to third parties. However, Milliman does not intend to benefit, and assumes no liability to, any third party who receives the report in this fashion. Any distribution of the enclosed report must be in its entirety including this cover letter, unless prior written consent is obtained from Milliman, Inc.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board (ASB) and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

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

We would like to express our appreciation to Barbara Davis, Pension Manager, and to members of her staff, who gave substantial assistance in supplying the data on which this report is based.

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

Respectfully Submitted,

MILLIMAN, Inc.

I, Patrice A. Beckham, F.S.A. am a member of the American Academy of Actuaries and a Fellow of the Society of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Patrice Beckham

Patrice A. Beckham, F.S.A.
Consulting Actuary

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

Brent A. Banister, F.S.A.
Consulting Actuary

SECTION 1

BOARD SUMMARY

OVERVIEW

This report presents the results of the December 31, 2005 actuarial valuation of the Wichita Employees' Retirement System (WER). The primary purposes of performing a valuation are to:

- determine the employer contribution rates required to fund the System on an actuarial basis,
- disclose asset and liability measures as of the valuation date,
- determine the experience of the System since the last valuation date, and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

All new employees hired by the City participate in Plan 3 (a defined contribution plan) for the first seven years. After seven years, the member makes an election to either remain in the defined contribution plan or move to Plan 2. The members that elect to remain in the defined contribution plan are referred to as Plan 3b members. This report is intended to value assets and liabilities only for employees who are members of the defined benefit plans (Plan 1 and 2) or Plan 3 members who will have the right to elect such coverage in the future. Therefore, the member data, liability and asset values shown in this report exclude Plan 3b members.

There were no changes in the benefit provisions or actuarial assumptions and methods from the last valuation.

The valuation results provide a "snapshot" view of the System's financial condition on December 31, 2005. The surplus of the actuarial value of assets over actuarial liability decreased by about $4 million, due to experience during the year. A detailed analysis of the change in the unfunded actuarial liability from December 31, 2004 to December 31, 2005 is shown on page 3.

ASSETS

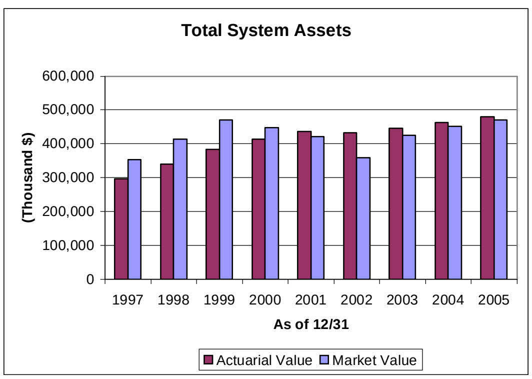
As of December 31, 2005, the System had total funds, when measured on a market value basis, of $471.3 million, excluding Plan 3 assets for those members who have elected to stay in Plan 3. There was an increase of $20.4 million from the December 31, 2004 figure of $450.9 million. The components of the change in the market value of assets for the Retirement System (in millions) are set forth below:

	Market Value ($M)
Assets, December 31, 2004	$450.9
• City and Member Contributions	7.0
• Benefit Payments, Refunds and Transfers	(23.3)
• Investment Income (net of expenses)	36.7
Assets, December 31, 2005	$471.3

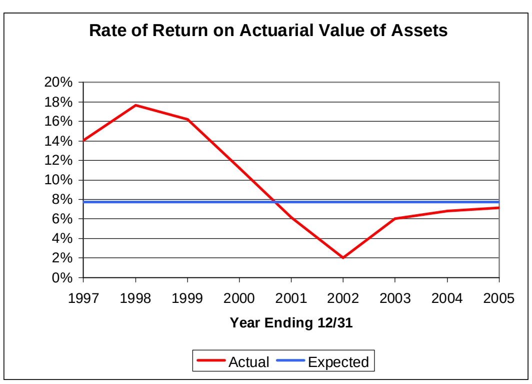
The market value of assets is not used directly in the calculation of the City's contribution rate. An asset valuation method is used to smooth the effect of market fluctuations. The actuarial value of assets is equal to the Expected Value (calculated using the actuarial assumed rate of 7.75%) plus 25% of the difference between the market and expected value. See Table 3 on page 11 for a detailed development of the actuarial value of assets. The change in the actuarial value of assets from December 31, 2004 to December 31, 2005 is shown below:

	Actuarial Value ($M)
Assets, December 31, 2004	$463.0
• City and Member Contributions	7.0
• Benefit Payments, Refunds and Transfers	(23.3)
• Investment Income (net of expenses)	32.6
Assets, December 31, 2005	$479.3

The annualized dollar-weighted rate of return, measured on the actuarial value of assets, was 7.2% and, measured on the market value of assets, was approximately 8.3%. The actuarial value of assets as of December 31, 2005 was $479.3 million, which represents an actuarial loss of about $3 million.



The actuarial value of assets has exceeded the market value for the last few years. However, due to strong returns, the difference between the actuarial and market value of assets has nearly been eliminated.



In general, the rate of return on the actuarial value of assets has exceeded the assumed rate of 7.75%, resulting in experience gains for the Retirement System. The impact of unfavorable market performance in prior years continues to be recognized in the rate of return on the actuarial value of assets.

Due to the asset smoothing method, there is about $8 million of deferred investment loss that has not been recognized. Absent investment returns above the 7.75% assumed rate of return in the next few years to offset this unrecognized investment loss, it will gradually be reflected in the actuarial value of assets. We estimate it would require a return of approximately 9.5% in 2006 to eliminate the unrecognized losses. As the deferred loss flows through the asset smoothing method, the valuation will show an actuarial loss. This will reduce the "surplus" assets, absent favorable liability experience to offset it.

LIABILITIES

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

The Actuarial Liability and Unfunded Actuarial Liability for the System is:

Actuarial Liability	$433,296,876
Actuarial Value of Assets	479,274,507
Unfunded Actuarial Liability	(45,977,631)

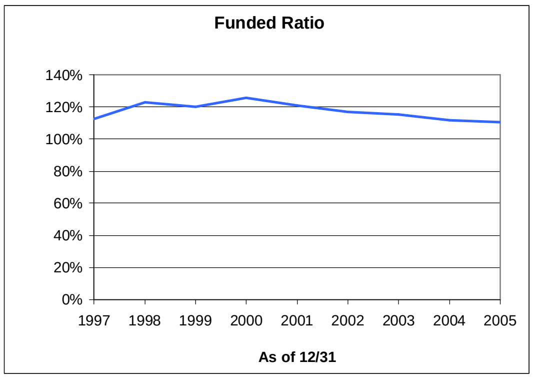
Between December 31, 2004 and December 31, 2005 the change in the unfunded actuarial liability for the System was as follows (in millions):

	$(M)
UAL, December 31, 2004	(49.8)
+ Normal cost for year	8.7
+ Expected investment return for year	(3.2)
- Actual contributions (member + city)	7.0
- Interest on contribution	0.3
= Expected Unfunded Actuarial Liability, December 31, 2005	(51.6)
+ Change from amendments	0
+ Change from assumption changes	0
= Expected UAL after changes	(51.6)
Actual UAL, December 31, 2005	(46.0)
Experience gain/(loss) (Expected UAL – Actual UAL)	(5.6)

The experience loss for the 2005 plan year of $5.6 million reflects the combined impact of an actuarial loss of about $2.7 million on System assets (actuarial value), and an actuarial loss of about $2.9 million on System liabilities. The loss is largely attributable to higher salary increases than expected.

Analysis of the unfunded actuarial liability strictly as a dollar amount can be misleading. Another way to evaluate the unfunded actuarial liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial liability. This information for recent years is shown below (in millions). Historical information is shown in the graph following the chart.

	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
Actuarial Liability ($M)	$349.6	$370.4	$387.0	$413.2	$433.3
Actuarial Value of Assets ($M)	428.2	433.4	446.8	463.0	479.3
Funded Ratio (Assets/Liability)	121.2%	117.0%	115.4%	112.1%	110.6%



The System continues to have a funded ratio above 100%. However, this measurement is based on the actuarial value rather than market value. On a market value basis, the funded ratio is lower but still above 100%.

As mentioned earlier in this report, there is currently about $8 million of deferred investment loss which may be reflected, in part or in total, in the actuarial value of assets over the next few years. If these deferred investment losses are recognized in the future, the surplus will decline by that amount. The surplus also declines by the amount of surplus amortized in the current plan year (used to reduce the contribution). The duration of the System's surplus funded status will be heavily dependent on investment returns in the next few years.

CONTRIBUTION RATES

Generally, contributions to the System consist of:

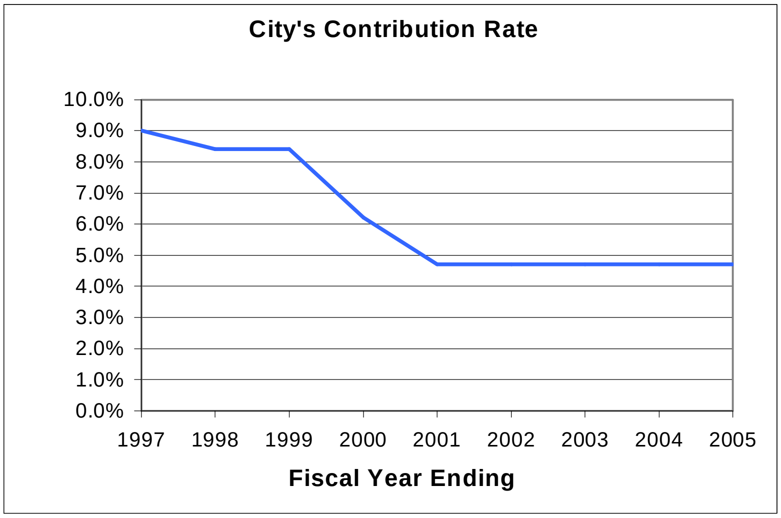
- a "normal cost" for the portion of projected liabilities allocated to service of members during the year following the valuation date, by the actuarial cost method, and
- an "unfunded actuarial liability or (surplus) contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets.

Contribution rates are computed with the objective of developing costs that are level as a percentage of covered payroll. The contribution rate for fiscal year 2007 is computed based on the December 31, 2005 actuarial valuation.

As of December 31, 2005, the actuarial value of assets exceeds the actuarial liability and a portion of the surplus is used to reduce the required employer contribution. Amortization of the surplus of actuarial assets over the actuarial liability over a 20 year rolling period results in a temporary amortization credit. A range of contributions is developed based on (1) contributing the full normal cost rate or (2) applying the amortization credit (which reduces the amount of surplus). This valuation indicates the range of City contributions to be 3.9% to 8.2%.

The current surplus is based on the actuarial value of assets, not market value. There is currently a difference of about $8 million between the actuarial and market value of assets. Even if the 7.75% assumed rate of return is met in 2006 and later years, the surplus will be reduced as the deferred investment losses are recognized. Absent favorable experience, contribution rates in future years are expected to increase as surplus assets are reduced.

A summary of the City's historical contribution rate for the system is shown below:



COMMENTS

The System experienced a return on the market value of assets of about 8% for calendar year 2005, slightly above the assumed rate. Despite strong returns for the last three years, the actuarial value of assets remains about 2% higher than market value. However, this is a marked improvement over the December 31, 2002 results when the actuarial value was 20% greater than market value. Due to the asset smoothing method, there is currently a difference of about $8 million between the market and actuarial value of assets. Without investment returns above the assumed rate of 7.75% in the next few years, the deferred investment loss of $8 million will eventually be recognized in the actuarial value of assets. As the deferred loss flows into the calculation of the actuarial value of assets, the amount of surplus will be reduced and the contribution range will narrow and become closer to the employer normal cost rate of 8.2%.

We conclude this Board Summary with the following exhibit which compares the principal results of the current and prior actuarial valuations.

SUMMARY OF PRINCIPAL RESULTS

1. PARTICIPANT DATA	12/31/2005 Valuation	12/31/2004 Valuation	% Change
Number of:			
Active Members			
Plan 1	104	127	(18.1) %
Plan 2	883	860	2.7 %
Plan 3 (excluding Plan 3b)	822	802	2.5 %
Total	1,809	1,789	1.1 %
DROP Members			
Plan 1	47	42	11.9 %
Plan 2	17	17	0.0 %
Total	64	59	8.5 %
Retired Members and Beneficiaries	1,080	1,062	1.7 %
Inactive Vested Members	127	120	5.8 %
Total Members	3,080	3,030	1.7 %
Annual Valuation Salaries of Active Members			
Plan 1	$ 7,926,969	$ 8,057,841	(1.6) %
Plan 2	38,223,009	36,682,878	4.2 %
Plan 3	26,011,891	25,757,963	1.0 %
Total	72,161,869	70,498,682	2.4 %
Annual Retirement Payments for Retired Members and Beneficiaries	$ 22,803,853	$ 21,301,439	7.1 %
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	$ 433,296,876	$ 413,159,236	4.9 %
Market Value of Assets	471,285,677	450,945,259	4.5 %
Assets for Valuation Purposes	479,274,507	462,994,047	3.5 %
Unfunded Actuarial Liability/(Surplus)	(45,977,631)	(49,834,811)	(7.7) %
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	13.1 %	13.1 %	0.0 %
Member Financed	4.9 %	4.9 %	0.0 %
Employer Normal Cost	8.2 %	8.2 %	0.0 %
Amortization of Unfunded Actuarial	(4.3) %	(4.7) %	(8.5) %
Range of Employer Contribution Rates			
Full Normal Cost Rate	8.2 %	8.2 %	0.0 %
With Amortization Credit	3.9 %	3.5 %	11.4 %

SECTION 2

SCOPE OF THE REPORT

This report presents the actuarial valuation of the City of Wichita Employees' System (WER) as of December 31, 2005. This valuation was prepared at the request of the System's Board of Trustees. The report is based on plan provisions and actuarial assumptions that are unchanged from last year.

Please pay particular attention to our cover letter, where the guidelines employed in the preparation of this report are outlined. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of the System. Sections 4 and 5 describe how the obligations of the System are to be met under the actuarial cost method in use. Section 6 includes the information required for the financial reporting standards established by the Governmental Accounting Standards Board (GASB).

This report includes several appendices:

- Appendix A — Schedules of valuation data classified by various categories of members.
- Appendix B — A summary of the current benefit structure, as determined by the provisions of governing law on the valuation date.
- Appendix C — A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D — A glossary of actuarial terms.

SECTION 3

ASSETS

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is December 31, 2005. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process then leads to a method of determining the contributions needed by members and the employer in the future to balance the System assets and liabilities.

Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, market values of assets provide a basis for measuring investment performance from time to time. At December 31, 2005 the market value of assets for the System excluding Plan 3 assets for members who have elected to remain in Plan 3 (Plan 3b), was $471 million. Table 1 is a comparison, at market values, of System assets as of December 31, 2004, and December 31, 2005, in total and by investment category. Table 2 summarizes the change in the market value of assets from December 31, 2004 to December 31, 2005.

Actuarial Value of Assets

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

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. This methodology, first adopted for the 12/31/02 valuation, smoothes market experience by recognizing 25% of the difference between expected actuarial value and market value. Table 3 shows the development of the actuarial value of assets (AVA) as of December 31, 2005.

In the later part of the 1990's, the actuarial value was lower than the market value of assets. However, due to the negative rate of returns on the market value of assets from 2000 to 2002, the actuarial value of assets has been greater than the market value for the past five years. Currently there is about an $8 million difference between the actuarial and market value of assets. Absent rates of return above the assumed rate of 7.75% in the short term, the unrecognized losses (difference between the market and actuarial value) will flow into the actuarial value of assets and create an actuarial loss in future valuations.

TABLE 1

WICHITA EMPLOYEES' RETIREMENT SYSTEM

ANALYSIS OF NET ASSETS AT MARKET VALUE

	As of December 31, 2005		As of December 31, 2004	
	Amount ($ Millions)	% of Total	Amount ($ Millions)	% of Total
Cash & Equivalents	$ 0.2	0.0 %	$ 11.9	2.7 %
Government Securities	14.6	3.2	16.8	3.8
Corporate Debt	34.8	7.6	33.1	7.5
Mortgage Backed Securities	24.8	5.4	22.2	5.0
Pooled Funds	140.2	30.5	142.0	32.3
Domestic Equity	166.3	36.2	160.3	36.4
International Equity	56.4	12.3	62.5	14.2
Real Estate	23.2	5.0	11.9	2.7
Securities lending collateral pool	39.8	8.7		
Other	0.2	0.0		
Receivables	6.0	1.3	6.6	1.5
Liabilities	(46.9)	(10.2)	(27.2)	(6.1)
Total Plans 1 and 2	$ 459.6	100.0 %	$ 440.1	100.0 %
Plan 3 Assets				
Members Electing to Stay in Plan 3	$ 1.2		$ 0.8	
Other Plan 3 Members	11.7		10.8	
Total	12.9		11.6	
Net Assets (Plans 1, 2, and 3)	$ 472.5		$ 451.7	

TABLE 2

WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF CHANGES IN NET ASSETS
DURING YEAR ENDED DECEMBER 31, 2005

(Market Value)

	Plans 1 & 2	Plan 3*	Total
1. Market Value of Assets as of December 31, 2004	$ 440,141,428	$ 10,803,831	$ 450,945,259
2. Contributions:			
a. Members	$ 2,358,466	$ 1,230,597	$ 3,589,063
b. City	2,170,650	1,230,597	3,401,247
c. Other	0	0	0
d. Transfers	1,562,135	(1,905,363)	(343,228)
e. Total [2(a) + 2(b) + 2(c) + 2(d)]	$ 6,091,251	$ 555,831	$ 6,647,082
3. Investment Income			
a. Interest and Dividends	$ 10,515,274	$ 261,540	$ 10,776,814
b. Net Appreciation in Fair Value	27,554,292	699,129	28,253,421
c. Commission Recapture	51,371	1,271	52,642
d. Securities Lending Income	129,237	3,223	132,460
e. Total [3(a) + 3(b) + 3(c) + 3(d)]	$ 38,250,174	$ 965,163	$ 39,215,337
4. Expenditures			
a. Refunds of Member Contributions	$ 251,710	$ 517,428	$ 769,138
b. Benefits Paid:			
(1) Pension and death benefits	20,027,640	0	20,027,640
(2) DROP payments	2,168,410	0	2,168,410
c. Administrative Expenses	268,546	28,178	296,724
d. Investment Expenses	2,204,465	55,624	2,260,089
e. Total [4(a) + 4(b) + 4(c) + 4(d)]	$ 24,920,771	$ 601,230	$ 25,522,001
5. Net Change [2(e) + 3(e) - 4(e)]	19,420,654	919,764	20,340,418
6. Market Value of Assets as of December 31, 2005 (1) + (5)	$ 459,562,082	$ 11,723,595	$ 471,285,677

* Excludes assets for Plan 3b members. The December 31, 2005 value of the assets for this group was $1,184,255.

TABLE 3

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

As of December 31, 2005

	Plans 1 & 2	Plan 3*	Total
1. Actuarial Value of Assets as of December 31, 2004	$ 452,034,647	$ 10,959,400	$ 462,994,047
2. Actual Contribution/Disbursements			
a. Contributions	4,529,116	2,461,194	6,990,310
b. Transfers	1,562,135	(1,905,363)	(343,228)
c. Benefit Payments and Refunds	(22,447,760)	(517,428)	(22,965,188)
d. Net (a + b + c)	(16,356,509)	38,403	(16,318,106)
3. Expected Value of Assets as of December 31, 2005 [(1) x 1.0775] + [(2d) x $(1.0775)^{.5}$]	470,088,834	11,848,617	481,937,451
4. Market Value of Assets as of December 31, 2005	459,562,082	11,723,595	471,285,677
5. Difference Between Market and Expected Values (4) - (3)	(10,526,752)	(125,022)	(10,651,774)
6. Actuarial Value of Assets as of December 31, 2005 (3) + [(5) x 25%]	$ 467,457,146	$ 11,817,361	$ 479,274,507

* Excludes Plan 3b.

	Plans 1 & 2	Plan 3*	Total
Actuarial Value of Assets/Market Value of Assets (6) / (4)	101.72%	100.80%	101.70%
Market Value less Actuarial Value of Assets	$ (7,895,064)	$ (93,766)	$ (7,988,830)

SECTION 4

SYSTEM LIABILITIES

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the System as of the valuation date, December 31, 2005. In this section, the discussion will focus on the commitments of the System, which are referred to as its liabilities.

Table 4 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries.

The liabilities summarized in Table 4 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes the measurement of both benefits already earned and future benefits to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and for the lives of the surviving beneficiaries.

All liabilities reflect the benefit provisions in place as of December 31, 2005.

Actuarial Liability

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to "breakdown" the present value of future benefits into two components:

(1) that which is attributable to the past and

(2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the "past service liability" or the "actuarial liability". The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the "normal cost". Table 5 contains the calculation of actuarial liability for the System. The Entry Age Normal actuarial cost method is used to develop the actuarial liability.

TABLE 4

WICHITA EMPLOYEES' RETIREMENT SYSTEM

PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF DECEMBER 31, 2005

	Plan 1	Plan 2	Plan 3	Total
1. Active employees				
a. Retirement Benefit	$ 39,342,101	$ 133,337,236	$ 42,149,129	$ 214,828,466
b. Pre-Retirement Death Benefit	295,170	1,977,589	625,764	2,898,523
c. Withdrawal Benefit	1,969,970	12,710,858	6,941,338	21,622,166
d. Disability Benefit	989,098	5,741,636	2,243,306	8,974,040
e. Total	$ 42,596,339	$ 153,767,319	$ 51,959,537	$ 248,323,195
2. DROP Members				
a. DROP Account Balance	$ 3,587,340	$ 547,573	$ 0	$ 4,134,913
b. Monthly Retirement Benefit	29,206,649	3,607,157	0	32,813,806
c. Total	$ 32,793,989	$ 4,154,730	$ 0	$ 36,948,719
3. Inactive Vested Members	$ 2,533,356	$ 14,920,456	$ 0	$ 17,453,812
4. Inactive Nonvested Members	$ 0	$ 0	$ 0	$ 0
5. In Pay Members				
a. Disabled Members	$ 2,119,672	$ 1,027,587	$ 0	$ 3,147,259
b. Retirees	168,009,146	21,882,683	0	189,891,829
c. Beneficiaries	15,507,970	2,407,331	0	17,915,301
d. Total	$ 185,636,788	$ 25,317,601	$ 0	$ 210,954,389
6. Total PVFB (1e) + (2c) + (3) + (4) + (5d)	$ 263,560,472	$ 198,160,106	$ 51,959,537	$ 513,680,115

TABLE 5

WICHITA EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL LIABILITY
AS OF DECEMBER 31, 2005

	Plan 1	Plan 2	Plan 3	Total
1. Active employees				
a. Present Value of Future Benefits	$ 42,596,339	$ 153,767,319	$ 51,959,537	$ 248,323,195
b. Present Value of Future Normal Costs	5,541,310	39,770,616	35,165,079	80,477,005
c. Actuarial Liability (1a) - (1b)	37,055,029	113,996,703	16,794,458	167,846,190
2. DROP Members	$ 32,793,989	$ 4,154,730	$ 0	$ 36,948,719
3. Inactive Vested Members	$ 2,533,356	$ 14,920,456	$ 0	$ 17,453,812
4. Inactive Nonvested Members	$ 0	$ 0	$ 0	$ 0
5. In Pay Members				
a. Disabled Members	$ 2,119,672	$ 1,027,587	$ 0	$ 3,147,259
b. Retirees	168,009,146	21,882,683	0	189,891,829
c. Beneficiaries	15,507,970	2,407,331	0	17,915,301
d. Total	$ 185,636,788	$ 25,317,601	$ 0	$ 210,954,389
6. Reserve for Plan 3 Members	$ 0	$ 0	$ 93,766	$ 93,766
7. Total Actuarial Liability (1c) + (2) + (3) + (4) + (5d) + (6)	$ 258,019,162	$ 158,389,490	$ 16,888,224	$ 433,296,876

TABLE 6

WICHITA EMPLOYEES' RETIREMENT SYSTEM

PRESENT VALUE OF ACCRUED BENEFITS
AS OF DECEMBER 31, 2005

The present value of accrued benefits for the System reflects the benefits earned based on service, earnings, and the System provisions as of the valuation date. It also reflects the on-going nature of the System by using the same actuarial assumptions as are used for funding purposes. Further, although the System provides that the accrued benefits of deferred vested members are indexed until benefits begin, the present value of accrued benefit liability does not reflect this provision until the assumed termination of employment.

		Plan 1		Plan 2		Plan 3		Total
1. Active Members	$	28,038,223	$	66,421,651	$	11,723,595	$	106,183,469
2. DROP Members	$	32,793,989	$	4,154,730	$	0	$	36,948,719
3. Inactive Vested Members	$	2,533,356	$	14,920,456	$	0	$	17,453,812
4. In Pay Members								
a. Disabled Members	$	2,119,672	$	1,027,587	$	0	$	3,147,259
b. Retirees		168,009,146		21,882,683		0		189,891,829
c. Beneficiaries		15,507,970		2,407,331		0		17,915,301
d. Total	$	185,636,788	$	25,317,601	$	0	$	210,954,389
5. Total	$	249,002,356	$	110,814,438	$	11,723,595	$	371,540,389
6. Market Value of Assets*	$	318,028,627	$	141,533,455	$	11,723,595	$	471,285,677
7. Funded Ratio (6)/(5)		128%		128%		100%		127%

* Split of assets between Plan 1 and Plan 2 is in proportion to the liabilities for illustration purposes only.

SECTION 5

EMPLOYER CONTRIBUTIONS

The previous two sections were devoted to a discussion of the assets and liabilities of the System. A comparison of Tables 3 and 4 indicates that current assets fall short of meeting the present value of future benefits (total liability). This is expected in all but a completely closed fund, where no further contributions are anticipated. In an active system, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost rate and (2) the unfunded actuarial liability contribution rate.

The term "fully funded" is often applied to a system in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, systems are not fully funded, either because of past benefit improvements that have not been completely funded or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated. Under these circumstances, an unfunded actuarial liability (UAL) exists. Likewise, when the actuarial value of assets is greater than the actuarial liability, a surplus exists.

Description of Contribution Rate Components

The individual Entry Age Normal (EAN) actuarial cost method is used for the valuation. Under that method, the normal cost for each year from entry age to assumed exit age is a constant percentage of the member's year by year projected compensation. The portion of the present value of future benefits not provided by the present value of future normal costs is the actuarial liability. The unfunded actuarial liability/(surplus) represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date. The unfunded actuarial liability is calculated each year and reflects experience gains/losses.

In general, contributions are computed in accordance with a level percent-of-payroll funding objective.
The contribution rates based on this December 31, 2005 actuarial valuation will be used to determine employer contribution rates to the City of Wichita Employees' Retirement System for fiscal year 2007. In this context, the term "contribution rate" means the percentage, which is applied to a particular active member payroll to determine the actual employer contribution amount (i.e., in dollars) for the group.

As of December 31, 2005, the actuarial liability was fully covered by the valuation assets (in fact, a surplus exists). The City's funding policy is to amortize the surplus over a rolling 20 year period. The amortization of the existing surplus results in a temporary amortization credit, thereby reducing the employer contribution.

Contribution Rate Summary

In Table 7 the amortization credit related to the surplus assets, as of December 31, 2005, is developed. Table 8 develops the normal cost rate for the System. The derivation of the range of contribution rates for the City is shown in Table 9. Table 10 shows the historical summary of the City's contribution rates. Table 11 develops the experience gain/(loss) for the year ended December 31, 2005.

The rates shown in this report, which are based on the actuarial assumptions and cost methods described in Appendix C.

TABLE 7

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DECEMBER 31, 2005 VALUATION

DERIVATION OF UNFUNDED ACTUARIAL LIABILITY CONTRIBUTION RATE

1. Actuarial Accrued Liability	$	433,296,876	
2. Actuarial Value of Assets	$	479,274,507	
3. Unfunded Actuarial Liability/(Surplus Assets)	$	(45,977,631)	
4. Payment (Adjusted to Mid-Year) to Amortize Unfunded Actuarial Liability/(Surplus) Over 20 Years *	$	(3,142,920)	
5. Total Projected Payroll for the Year	$	73,767,645	
6. Amortization Payment as a Percent of Payroll		(4.3)	%

* The City has elected to amortize the surplus as a level percent of payroll over a rolling 20 year period.

TABLE 8

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DERIVATION OF NORMAL COST RATE

Normal Cost at December 31, 2005		
Service pensions	$	6,713,070
Disability pensions		363,154
Survivor pensions		116,358
Termination benefits		
- Deferred service pensions		943,672
- Return of member contributions		703,682
Total Normal Cost	$	8,839,936
Normal Cost Adjusted to Mid-Year	$	9,176,092
Projected Payroll for Members Under Certain Retirement Age	$	69,973,385
Total Normal Cost Rate for Year		13.1%

TABLE 9

WICHITA EMPLOYEES' RETIREMENT SYSTEM
EMPLOYER CONTRIBUTION RATES
FOR FISCAL YEAR
COMMENCING IN 2007

	Range of Contribution Requirements as % of Payroll	
Normal Cost		
Service pensions	10.0 %	10.0 %
Disability pensions	0.5 %	0.5 %
Survivor pensions	0.2 %	0.2 %
Termination benefits		
- Deferred service pensions	1.4 %	1.4 %
- Return of member contributions	1.0 %	1.0 %
Total Normal Cost	13.1 %	13.1 %
Unfunded Actuarial Accrued Liability		
Retired members and beneficiaries (1)	0.0 %	0.0 %
Active and former members (2)	0.0 %	(4.3) %
Total UAAL Contribution	0.0 %	(4.3) %
Total Contribution Requirement		
Member Financed Portion (3)	4.9 %	4.9 %
City Financed Portion	8.2 %	3.9 %
Total	13.1 %	8.8 %

(1) Actuarial value of assets exceeds the actuarial liability as of December 31, 2005.

(2) The excess of the actuarial value of assets over actuarial liability, financed as a level percent of active member payroll over a rolling 20 year period, produces a temporary amortization credit of 4.3% of payroll.

(3) The weighted average of member contribution rates: 6.4% for Plan 1, 4.7% for Plan 2, and 4.7% for Plan 3.

TABLE 10

WICHITA EMPLOYEES' RETIREMENT SYSTEM

HISTORICAL SUMMARY OF CITY CONTRIBUTION RATES

Contribution rates are computed in accordance with a level percent of payroll funding objective. As of December 31, 2005, actuarial liabilities continue to be fully covered by valuation assets. The excess is amortized over a rolling 20 year period, resulting in an amortization credit.

		City Contributions as Percents of Active Member Pensionable Payroll	
Valuation Date	**Fiscal Year**	**Funding Objective**	**Amortization Credit**
11/30/90	1992	11.0%	-%
11/30/91	1993	10.0	-
11/30/92	1994	9.5	-
11/30/93	1995	9.5	-
11/30/94	1996	9.4	-
12/31/95	1997	9.0	-
12/31/96	1998	6.9 – 8.4	(1.5)
12/31/97	1999	4.6 – 8.5	(3.9)
12/31/98	2000	0.8 – 8.3	(7.5)
12/31/99	2001	2.5 – 9.8	(7.3)
12/31/00	2002	0.5 – 9.7	(9.2)
12/31/01	2003	1.9 – 9.4	(7.5)
12/31/02	2004	2.7 – 8.8	(6.1)
12/31/03	2005	3.1 – 8.9	(5.8)
12/31/04	2006	3.5 – 8.2	(4.7)
12/31/05	2007	3.9 – 8.2	(4.3)

TABLE 11

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DERIVATION OF SYSTEM EXPERIENCE GAIN/(LOSS)

			($M) Year Ended 12/31/05
(1)		UAL* at start of year	(49.8)
(2)	+	Normal cost for year	8.7
(3)	+	Assumed investment return on (1) & (2)	(3.2)
(4)	-	Actual contributions (member + City)	7.0
(5)	-	Assumed investment return on (4)	0.3
(6)	=	Expected UAL at end of year	(51.6)
(7)	+	Increase (decr.) from amendments	0
(8)	+	Increase (decr.) from assumption changes	0.0
(9)	=	Expected UAL after changes	(51.6)
(10)	=	Actual UAL at year end	(46.0)
(11)	=	Experience gain (loss) (9) – (10)	(5.6)**
(12)	=	Percent of beginning of year AL	1.4%

* *Unfunded Actuarial Liability*

** *Of this amount, $2.7 million of the experience loss is due to experience on the actuarial value of assets.*

SECTION 6

ACCOUNTING INFORMATION

The actuarial accrued liability is a measure intended to help the reader assess (i) a retirement system's funded status on a going concern basis, and (ii) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the individual entry-age actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the System's level percent of payroll annual required contribution between entry-age and assumed exit age. Entry-age was established by subtracting credited service from current age on the valuation date.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

The entry-age actuarial liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the entry-age actuarial liability include:

(a) a rate of return on the investment of present and future assets of 7.75% per year compounded annually,

(b) projected salary increases of 4.50% per year compounded annually, (4.0% attributable to inflation, and 0.50% attributable to productivity),

(c) additional projected salary increases of 0.0% to 5.5% per year attributable to seniority/merit, and

(d) the assumption that benefits will increase 3.0% per year of retirement (non-compounded) for Plan 1 and 2.0% per year of retirement (non-compounded) for Plan 2.

Actuarial Liability:

Active members	$167,939,956
DROP members	36,948,719
Retired members and beneficiaries currently receiving benefits	210,954,389
Vested terminated members not yet receiving benefits	17,453,812
Total Actuarial Liability	433,296,876
Actuarial Value of Assets (market value was $471,285,677)	479,274,507
Assets in Excess of Actuarial Liability	(45,977,631)

During the year ended December 31, 2005, the Plan experienced a net change of $20.1 million in the actuarial liability.

TABLE 12

WICHITA EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b)–(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	Unfunded AAL as a Percentage of Active Member Covered Payroll ((b-a)/c)
11/30/90	$143,758	$178,659	$ 34,901	80.5%	$ 44,509	78.4%
11/30/91	163,047	190,748	27,701	85.5	47,017	58.9
11/30/92	182,186	204,730	22,544	89.0	49,552	45.5
11/30/93	200,853	218,603	17,750	91.9	52,093	34.1
11/30/94	215,385	230,217	14,832	93.6	52,169	28.4
12/31/95	238,441	242,354	3,913	98.4	54,039	7.2
12/31/96	266,404	252,968	(13,436)	105.3	53,534	(25.1)
12/31/97	296,705	263,573	(33,132)	112.6	54,346	(61.0)
12/31/98	340,417	276,980	(63,437)	122.9	56,093	(113.1)
12/31/99*	383,338	319,289	(64,049)	120.1	57,562	(111.3)
12/31/00	414,643	329,390	(85,253)	125.9	61,112	(139.5)
12/31/01	428,204	353,158	(75,046)	121.2	65,347	(114.8)
12/31/02	433,366**	370,399	(62,967)	117.0	68,117	(92.4)
12/31/03	446,794**	387,037	(59,757)	115.4	69,161	(86.4)
12/31/04*	462,994**	413,159	(49,835)	112.1	72,154	(69.1)
12/31/05*	479,275**	433,297	(45,978)	110.6	72,367	(63.5)

Dollar amounts are in thousands.

**After changes in benefits and/or actuarial assumptions and/or actuarial cost methods.*
***Includes all members except Plan 3b.*

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the System's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan's funding. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan's funding.

TABLE 13

WICHITA EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year	Actuarial Valuation Date	Annual Required Contribution	Percent Contribution
1995	11/30/93	5,688,326	100.0
1996	11/30/94	4,751,698	100.0
1997	12/31/95	4,459,654	100.0
1998	12/31/96	4,140,163	100.0
1999	12/31/97	4,134,826	100.0
2000	12/31/98	2,751,084	100.0
2001	12/31/99	1,843,213	100.0
2002	12/31/00	3,137,912*	100.0
2003	12/31/01	3,189,513*	100.0
2004	12/31/02	3,266,706*	100.0
2005	12/31/03	3,589,063	100.0

**Reflects contributions to Plans 1, 2 and 3. Excludes contributions for Plan 3b members.*

Notes to Required Supplementary Information
Summary of Actuarial Methods and Assumptions

Valuation Date	December 31, 2005
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percent of payroll, open
Remaining Amortization Period	20 years
Asset Valuation Method	Expected + 25% of (Market – Expected Values)
Actuarial Assumptions:	
Investment Rate of Return*	7.75%
Projected Salary Increases*	4.50% - 10.00%
* Includes Inflation at	4.00%
Cost-of-Living Adjustments	3.00% Non-compounded (Plan 1) 2.00% Non-compounded (Plan 2)

TABLE 14

WICHITA EMPLOYEES' RETIREMENT SYSTEM

SOLVENCY TEST

	Aggregate Actuarial Liability For				Portion of Actuarial Liabilities Covered by Reported Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries*	(3) Active Members (Employer Financed Portion)	Reported Valuation Assets	(1)	(2)	(3)
11/30/94	25,426,998	111,681,938	93,108,469	215,385,559	100.0	100.0	84.1
12/31/95	28,549,082	123,759,638	90,046,029	238,441,351	100.0	100.0	95.7
12/31/96	28,996,944	133,093,326	90,877,809	266,403,759	100.0	100.0	114.8
12/31/97	29,881,922	141,922,445	91,768,436	296,704,769	100.0	100.0	136.1
12/31/98	29,694,389	156,764,183	90,521,375	340,417,265	100.0	100.0	170.1
12/31/99	32,017,094	169,602,958	117,669,351	383,337,991	100.0	100.0	154.4
12/31/00	34,189,528	177,095,907	118,104,491	414,642,694	100.0	100.0	172.2
12/31/01	33,516,616	179,374,487	140,266,410	428,204,828	100.0	100.0	153.5
12/31/02	38,291,472	192,615,216	139,492,410	433,365,890	100.0	100.0	145.1
12/31/03	39,847,119	205,799,341	141,390,445	446,794,052	100.0	100.0	142.3
12/31/04	41,852,724	218,518,676	152,632,267	462,994,047	100.0	100.0	132.8
12/31/05	43,397,403	228,408,201	161,491,272	479,274,508	100.0	100.0	128.5

During the twelve months ended December 31, 2005, the City of Wichita Employees' Retirement System generated a net experience loss of $5.6 million dollars. The amount is 1.4% of the actuarial liability at the beginning of the year.

**Includes vested terminated members*

APPENDIX A

SUMMARY OF MEMBERSHIP DATA

MEMBER DATA RECONCILIATION

December 31, 2004 to December 31, 2005

The number of members included in the valuation, as summarized in the table below, is in accordance with the data submitted by the System for members as of the valuation date.

	Active Participants			**DROP Participants**		**Retirees & Beneficiaries**		**Terminated Vested**		**Total**
	Plan 1	**Plan 2**	**Plan 3**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	**Plan 1**	**Plan 2**	
Members as of 12/31/04	127	860	802	42	17	880	182	17	103	3,030
New Members	0	+1	+189	0	0	+8	+3	0	-1	+200
Transfers	0	+70	-84	0	0	0	0	0	0	-14
Terminations				0	0					
Refunded	0	-5	-83	0	0	0	0	0	-2	-90
Deferred Vested	0	-14	0	0	0	0	0	0	+14	0
Retirements										
Service	-5	-19	0	-12	-6	+18	+26	-1	-1	0
Disability	-1	-1	0	0	0	+1	+1	0	0	0
DROP	-17	-6	0	+17	+6	0	0	0	0	0
Deaths				0	0					
Cashed Out	0	-1	-2	0	0	0	0	0	-1	-4
With Beneficiary	0	-2	0	0	0	-8	-1	0	0	-11
Without Beneficiary	0	0	0	0	0	-30	-1	0	0	-31
Data Adjustments	0	0	0	0	0	-1	+2	-1	0	0
Members as of 12/31/05	**104**	**883**	**822**	**47**	**17**	**868**	**212**	**15**	**112**	**3,080**

APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

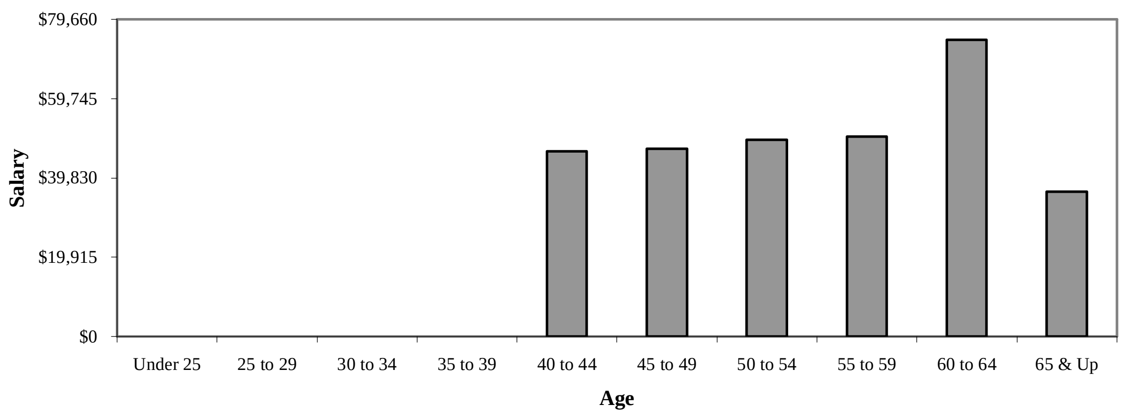
SUMMARY OF ACTIVE MEMBERS

as of December 31, 2005

Plan 1

Age	Number			Salaries		
	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	0	0	0	-	-	-
30 to 34	0	0	0	-	-	-
35 to 39	0	0	0	-	-	-
40 to 44	3	0	3	139,480	-	139,480
45 to 49	28	13	41	1,343,137	589,664	1,932,801
50 to 54	26	15	41	1,324,070	705,477	2,029,547
55 to 59	11	5	16	583,765	220,296	804,061
60 to 64	1	1	2	105,263	43,807	149,070
65 & Up	0	1	1	-	36,466	36,466
Total	69	35	104	$ 3,495,715	$ 1,595,710	$ 5,091,425

Average Salary by Age



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

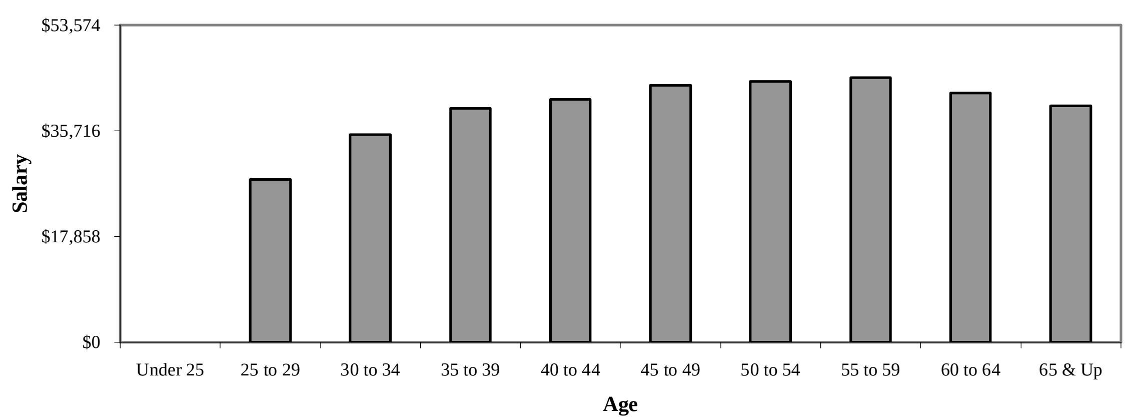
SUMMARY OF ACTIVE MEMBERS

as of December 31, 2005

Plan 2

Age	Number			Salaries		
	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	2	0	2	55,042	-	55,042
30 to 34	13	9	22	473,127	299,728	772,855
35 to 39	50	28	78	1,938,059	1,147,474	3,085,533
40 to 44	92	54	146	3,761,562	2,234,696	5,996,258
45 to 49	110	90	200	4,868,337	3,812,973	8,681,310
50 to 54	138	79	217	6,066,496	3,491,477	9,557,973
55 to 59	88	49	137	4,182,076	1,949,401	6,131,477
60 to 64	33	31	64	1,459,069	1,233,804	2,692,873
65 & Up	9	8	17	346,189	333,514	679,703
Total	535	348	883	$ 23,149,957	$ 14,503,067	$ 37,653,024

Average Salary by Age



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

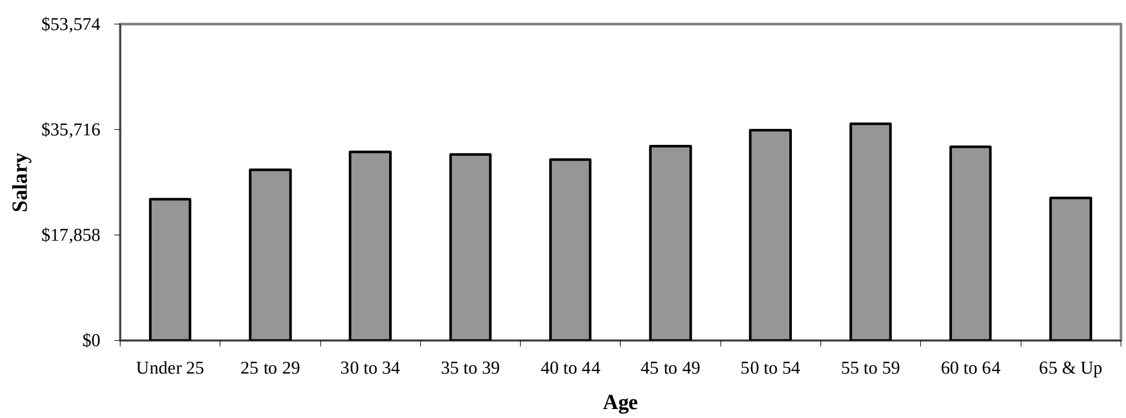
SUMMARY OF ACTIVE MEMBERS

as of December 31, 2005

Plan 3

Age	Number			Salaries		
	Male	Female	Total	Male	Female	Total
Under 25	48	11	59	$ 1,142,128	$ 267,241	$ 1,409,369
25 to 29	63	35	98	1,777,747	1,055,344	2,833,091
30 to 34	65	46	111	2,098,085	1,451,141	3,549,226
35 to 39	76	43	119	2,320,447	1,435,352	3,755,799
40 to 44	85	51	136	2,572,449	1,593,763	4,166,212
45 to 49	77	33	110	2,517,399	1,108,268	3,625,667
50 to 54	58	43	101	2,023,953	1,574,686	3,598,639
55 to 59	45	19	64	1,684,959	662,735	2,347,694
60 to 64	14	3	17	478,765	78,649	557,414
65 & Up	6	1	7	150,062	18,718	168,780
Total	537	285	822	$ 16,765,994	$ 9,245,897	$ 26,011,891

Average Salary by Age



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

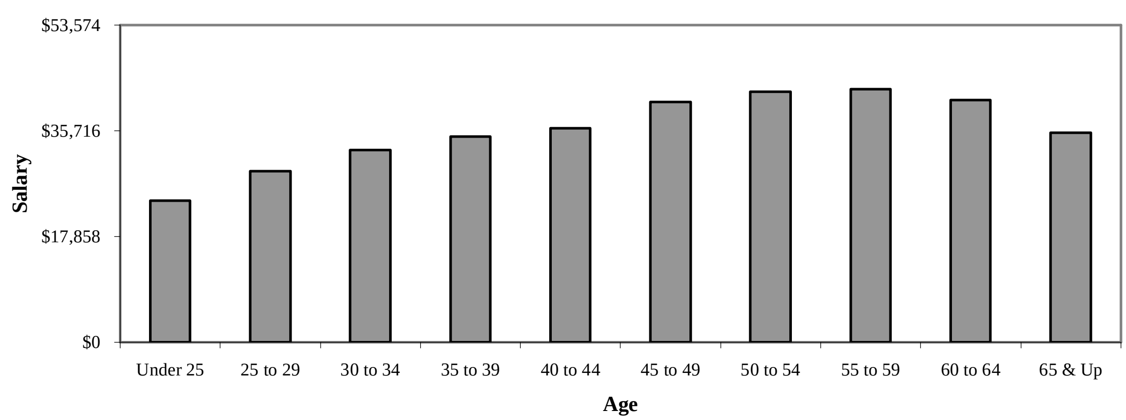
SUMMARY OF ACTIVE MEMBERS

as of December 31, 2005

All Plans

	Number			Salaries		
Age	Male	Female	Total	Male	Female	Total
Under 25	48	11	59	$ 1,142,128	$ 267,241	$ 1,409,369
25 to 29	65	35	100	1,832,789	1,055,344	2,888,133
30 to 34	78	55	133	2,571,212	1,750,869	4,322,081
35 to 39	126	71	197	4,258,506	2,582,826	6,841,332
40 to 44	180	105	285	6,473,491	3,828,459	10,301,950
45 to 49	215	136	351	8,728,873	5,510,905	14,239,778
50 to 54	222	137	359	9,414,519	5,771,640	15,186,159
55 to 59	144	73	217	6,450,800	2,832,432	9,283,232
60 to 64	48	35	83	2,043,097	1,356,260	3,399,357
65 & Up	15	10	25	496,251	388,698	884,949
Total	1,141	668	1,809	$ 43,411,666	$ 25,344,674	$ 68,756,340

Average Salary by Age



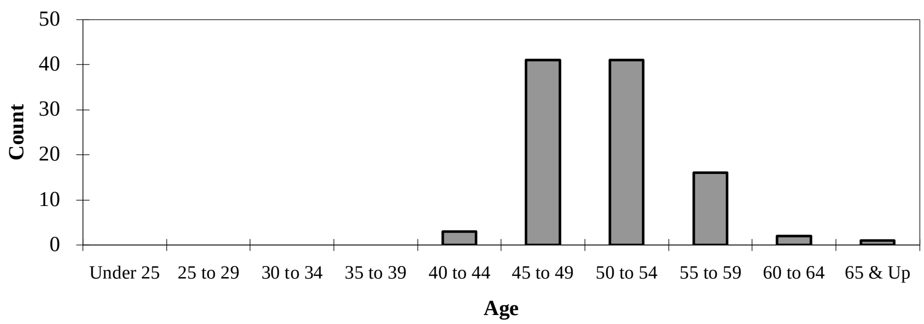
APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of December 31, 2005

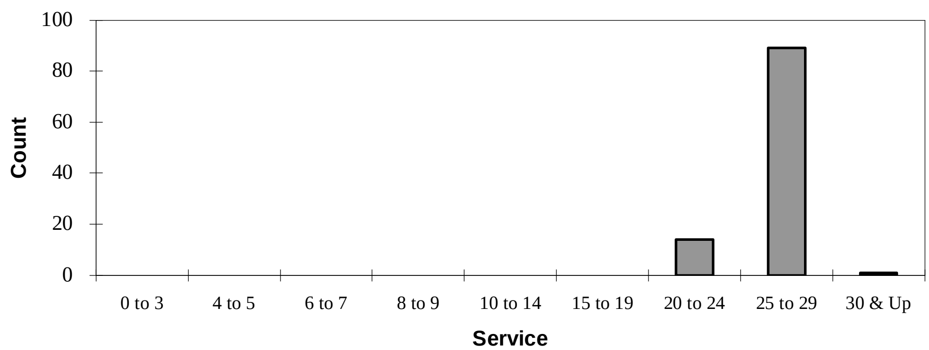
Plan 1

	Service									
Age	0 to 3	4 to 5	6 to 7	8 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	1	2	0	3
45 to 49	0	0	0	0	0	0	6	35	0	41
50 to 54	0	0	0	0	0	0	5	35	1	41
55 to 59	0	0	0	0	0	0	2	14	0	16
60 to 64	0	0	0	0	0	0	0	2	0	2
65 & Up	0	0	0	0	0	0	0	1	0	1
Total	0	0	0	0	0	0	14	89	1	104

Age Distribution



Service Distribution



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

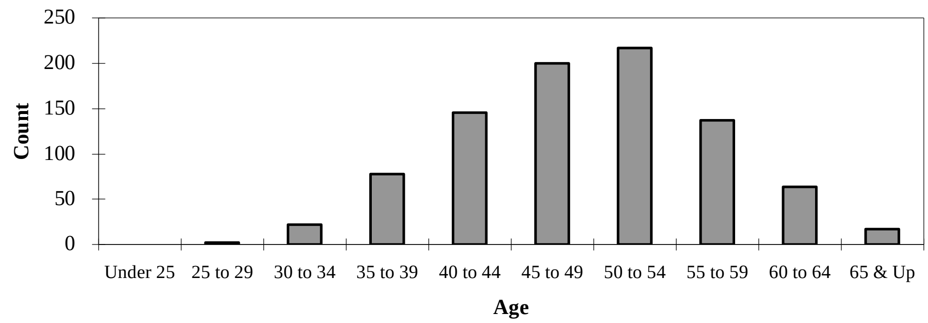
DISTRIBUTION OF ACTIVE MEMBERS

as of December 31, 2005

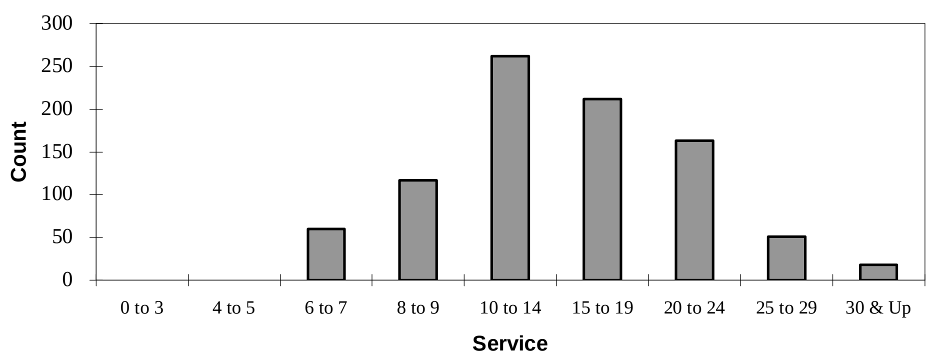
Plan 2

	Service									
Age	0 to 3	4 to 5	6 to 7	8 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	2	0	0	0	0	0	2
30 to 34	0	0	3	11	8	0	0	0	0	22
35 to 39	0	0	13	18	31	16	0	0	0	78
40 to 44	0	0	11	14	45	45	31	0	0	146
45 to 49	0	0	13	21	56	55	41	11	3	200
50 to 54	0	0	9	23	61	49	45	23	7	217
55 to 59	0	0	6	19	34	32	28	10	8	137
60 to 64	0	0	3	7	23	9	15	7	0	64
65 & Up	0	0	2	2	4	6	3	0	0	17
Total	0	0	60	117	262	212	163	51	18	883

Age Distribution



Service Distribution



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

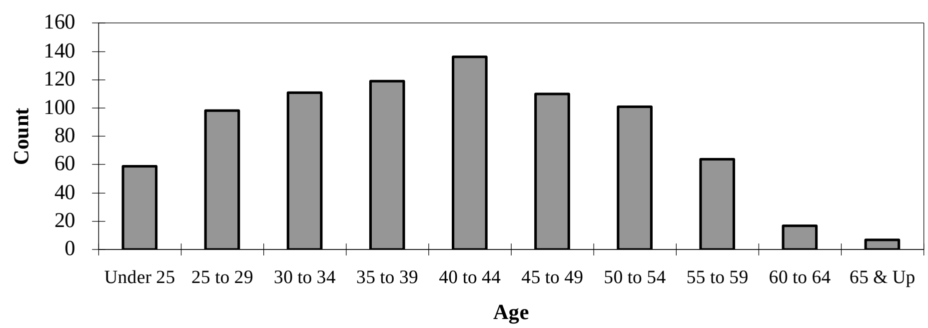
DISTRIBUTION OF ACTIVE MEMBERS

as of December 31, 2005

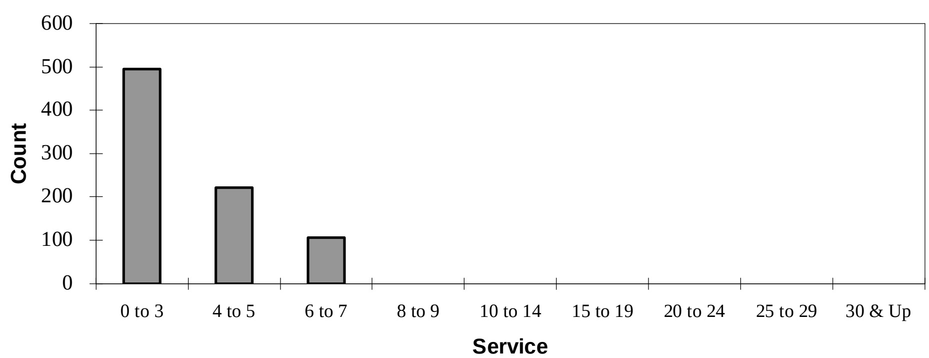
Plan 3

	Service									
Age	0 to 3	4 to 5	6 to 7	8 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	52	7	0	0	0	0	0	0	0	59
25 to 29	72	21	5	0	0	0	0	0	0	98
30 to 34	60	36	15	0	0	0	0	0	0	111
35 to 39	72	30	17	0	0	0	0	0	0	119
40 to 44	84	35	17	0	0	0	0	0	0	136
45 to 49	62	36	12	0	0	0	0	0	0	110
50 to 54	51	26	24	0	0	0	0	0	0	101
55 to 59	35	20	9	0	0	0	0	0	0	64
60 to 64	4	7	6	0	0	0	0	0	0	17
65 & Up	3	3	1	0	0	0	0	0	0	7
Total	495	221	106	0	0	0	0	0	0	822

Age Distribution



Service Distribution



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

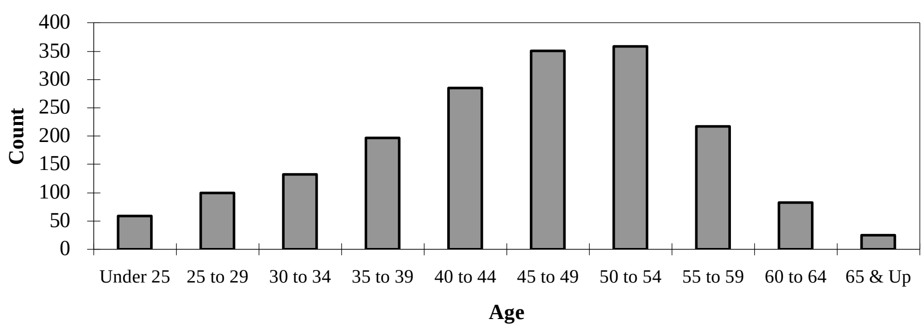
DISTRIBUTION OF ACTIVE MEMBERS

as of December 31, 2005

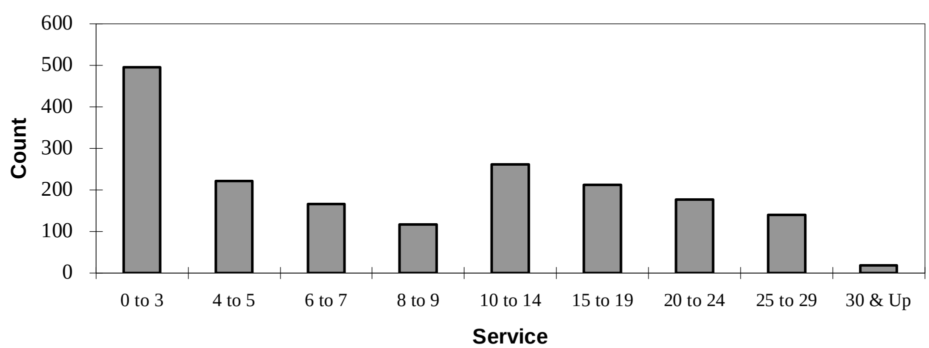
All Plans

	Service									
Age	0 to 3	4 to 5	6 to 7	8 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	52	7	0	0	0	0	0	0	0	59
25 to 29	72	21	5	2	0	0	0	0	0	100
30 to 34	60	36	18	11	8	0	0	0	0	133
35 to 39	72	30	30	18	31	16	0	0	0	197
40 to 44	84	35	28	14	45	45	32	2	0	285
45 to 49	62	36	25	21	56	55	47	46	3	351
50 to 54	51	26	33	23	61	49	50	58	8	359
55 to 59	35	20	15	19	34	32	30	24	8	217
60 to 64	4	7	9	7	23	9	15	9	0	83
65 & Up	3	3	3	2	4	6	3	1	0	25
Total	495	221	166	117	262	212	177	140	19	1,809

Age Distribution



Service Distribution



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM
DISTRIBUTION OF DROP MEMBERS
as of December 31, 2005

Plan 1

	Service					
Age	Under 20	20 to 24	25 to 29	30 to 34	35 & Up	Total
Under 50	0	0	4	0	0	4
50-54	0	0	18	0	0	18
55-59	0	1	15	1	0	17
60-64	0	0	5	1	0	6
65 & Up	0	0	1	1	0	2
Total	0	1	43	3	0	47

	DROP Duration Elected (months)					
Age	1 to 12	13 to 24	25 to 36	37 to 48	48 to 60	Total
Under 50	0	0	0	1	3	4
50-54	0	0	1	1	16	18
55-59	0	0	3	2	12	17
60-64	0	0	0	1	5	6
65 & Up	0	0	0	1	1	2
Total	0	0	4	6	37	47

Age	Monthly Benefits	Estimated Balance
Under 50	$ 11,042	$ 97,956
50-54	65,006	1,391,100
55-59	59,968	1,424,484
60-64	20,153	504,024
65 & Up	5,520	169,788
Total	$ 161,690	$ 3,587,352

APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF DROP MEMBERS

as of December 31, 2005

Plan 2

	Service							
Age	Under 10	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 & Up	Total
Under 50	0	0	0	0	0	0	0	0
50-55	0	0	0	0	0	0	0	0
55-59	0	1	0	2	0	0	0	3
60-64	1	1	4	4	1	0	0	11
65 & Up	0	0	1	2	0	0	0	3
Total	1	2	5	8	1	0	0	17

	DROP Duration Elected (months)					
Age	1 to 12	13 to 24	25 to 36	37 to 48	48 to 60	Total
Under 50	0	0	0	0	0	0
50-55	0	0	0	0	0	0
55-59	0	0	0	0	3	3
60-64	0	0	3	7	1	11
65 & Up	0	0	1	0	2	3
Total	0	0	4	7	6	17

Age	Monthly Benefits	Estimated Balance
Under 50	$ 0	$ 0
50-54	0	0
55-59	6,670	325,722
60-64	14,478	130,727
65 & Up	3,808	91,125
Total	$ 24,957	$ 547,573

APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

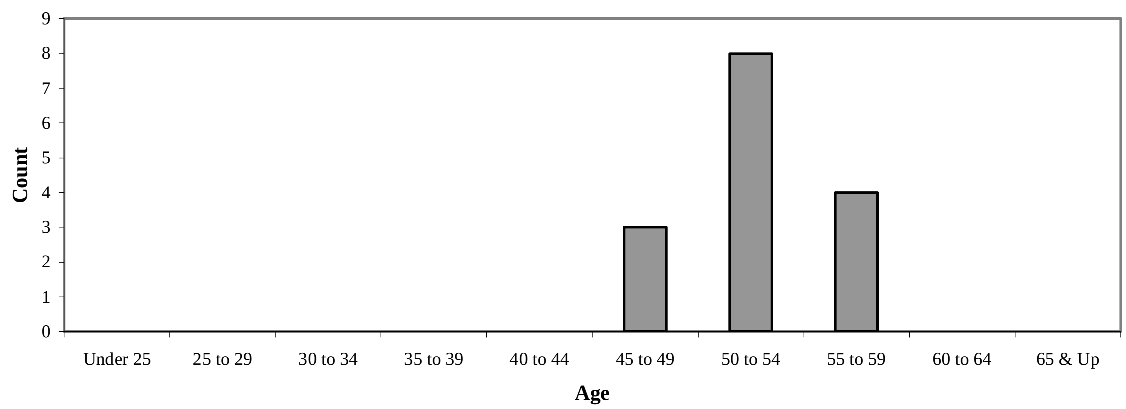
SUMMARY OF DEFERRED VESTED MEMBERS

as of December 31, 2005

Plan 1

Age	Number: Male	Number: Female	Number: Total	Current Monthly Benefit at Retirement: Male	Current Monthly Benefit at Retirement: Female	Current Monthly Benefit at Retirement: Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	0	0	0	-	-	-
30 to 34	0	0	0	-	-	-
35 to 39	0	0	0	-	-	-
40 to 44	0	0	0	-	-	-
45 to 49	1	2	3	1,437	2,309	3,746
50 to 54	3	5	8	6,336	6,622	12,958
55 to 59	4	0	4	4,504	-	4,504
60 to 64	0	0	0	-	-	-
65 & Up	0	0	0	-	-	-
Total	8	7	15	$ 12,277	$ 8,931	$ 21,207

Age Distribution



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

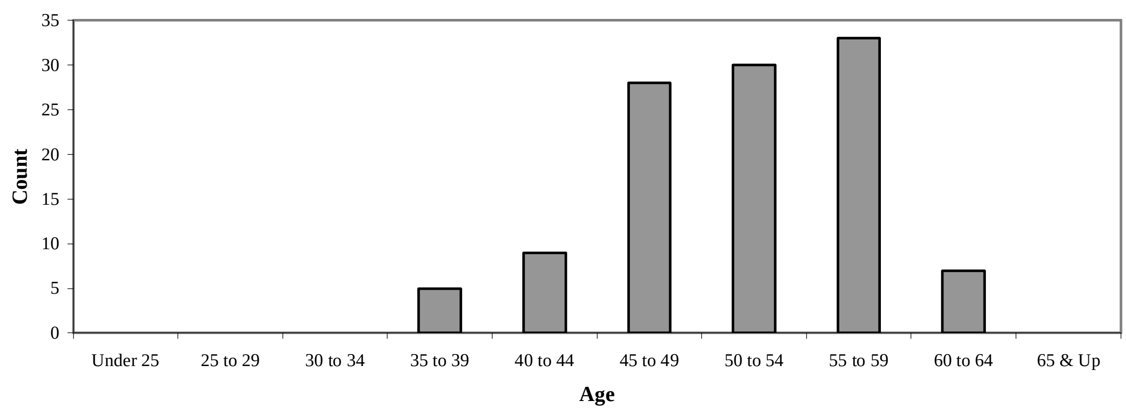
SUMMARY OF DEFERRED VESTED MEMBERS

as of December 31, 2005

Plan 2

Age	Number			Current Monthly Benefit at Retirement		
	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	0	0	0	-	-	-
30 to 34	0	0	0	-	-	-
35 to 39	3	2	5	2,401	1,600	4,001
40 to 44	2	7	9	2,461	7,369	9,830
45 to 49	13	15	28	15,506	16,064	31,571
50 to 54	17	13	30	22,228	16,425	38,653
55 to 59	16	17	33	22,266	20,683	42,948
60 to 64	3	4	7	5,293	7,664	12,957
65 & Up	0	0	0	-	-	-
Total	54	58	112	$ 70,155	$ 69,805	$ 139,960

Age Distribution



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

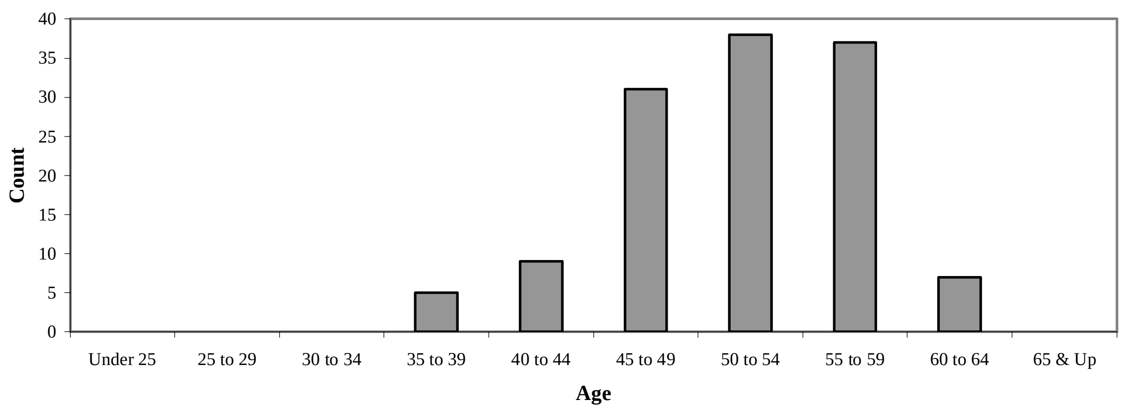
SUMMARY OF DEFERRED VESTED MEMBERS

as of December 31, 2005

All Plans

Age	Number			Current Monthly Benefit at Retirement		
	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	0	0	0	-	-	-
30 to 34	0	0	0	-	-	-
35 to 39	3	2	5	2,401	1,600	4,001
40 to 44	2	7	9	2,461	7,369	9,830
45 to 49	14	17	31	16,943	18,373	35,317
50 to 54	20	18	38	28,564	23,047	51,611
55 to 59	20	17	37	26,769	20,683	47,452
60 to 64	3	4	7	5,293	7,664	12,957
65 & Up	0	0	0	-	-	-
Total	62	65	127	$ 82,431	$ 78,736	$ 161,167

Age Distribution



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

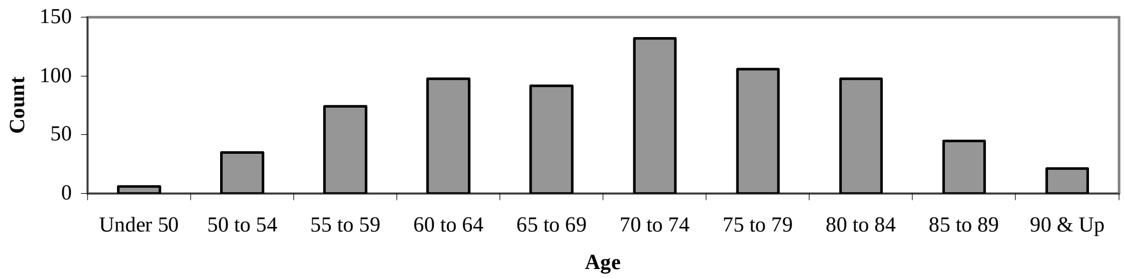
SUMMARY OF RETIRED MEMBERS*

as of December 31, 2005

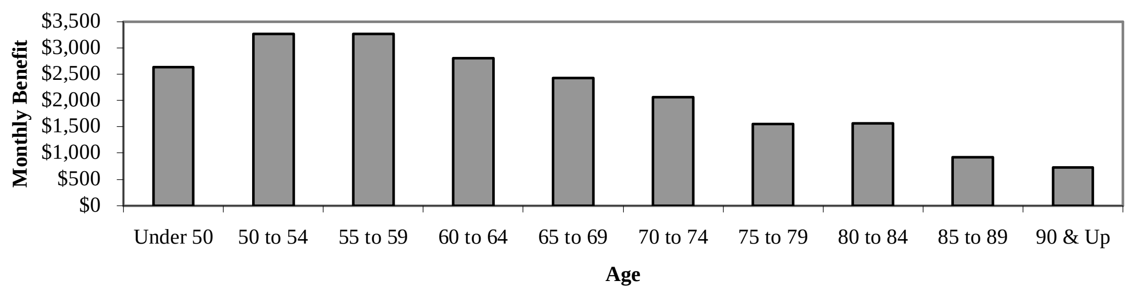
Plan 1

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	3	3	6	$ 9,326	$ 6,487	$ 15,813
50 to 54	27	8	35	95,379	19,072	114,452
55 to 59	56	18	74	194,807	47,337	242,144
60 to 64	66	32	98	206,290	68,289	274,579
65 to 69	61	31	92	162,097	61,708	223,806
70 to 74	80	52	132	182,940	89,263	272,204
75 to 79	62	44	106	118,397	46,036	164,432
80 to 84	53	45	98	107,888	45,308	153,196
85 to 89	24	21	45	26,430	15,219	41,648
90 & Up	6	15	21	5,325	10,018	15,343
Total	438	269	707	$ 1,108,879	$ 408,738	$ 1,517,617

Age Distribution



Average Benefit



* Includes DROP members.

APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

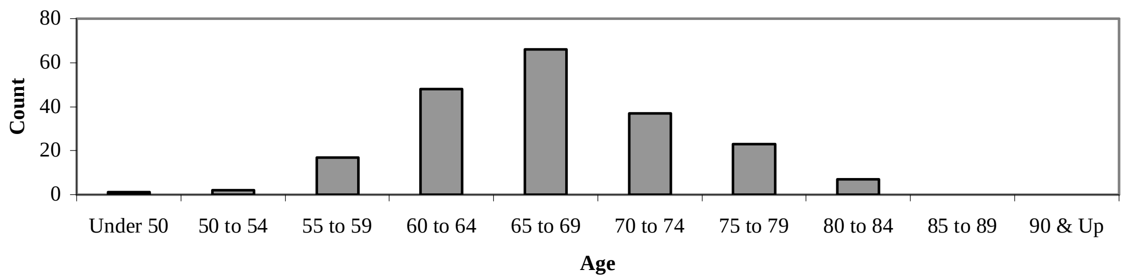
SUMMARY OF RETIRED MEMBERS*

as of December 31, 2005

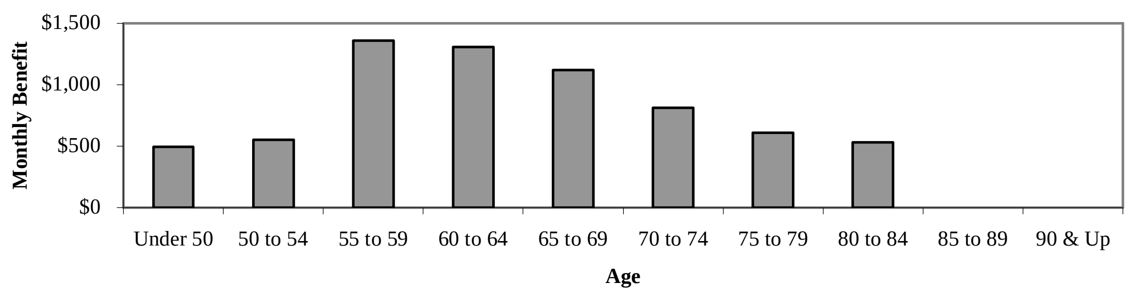
Plan 2

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	1	0	1	$ 494	$ -	$ 494
50 to 54	2	0	2	1,105	-	1,105
55 to 59	12	5	17	17,742	5,405	23,148
60 to 64	26	22	48	36,751	26,035	62,786
65 to 69	33	33	66	41,959	31,812	73,771
70 to 74	21	16	37	16,868	13,221	30,088
75 to 79	11	12	23	6,058	7,897	13,955
80 to 84	2	5	7	1,734	1,975	3,709
85 to 89	0	0	0	-	-	-
90 & Up	0	0	0	-	-	-
Total	108	93	201	$ 122,712	$ 86,343	$ 209,055

Age Distribution



Average Benefit



* Includes DROP members.

APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

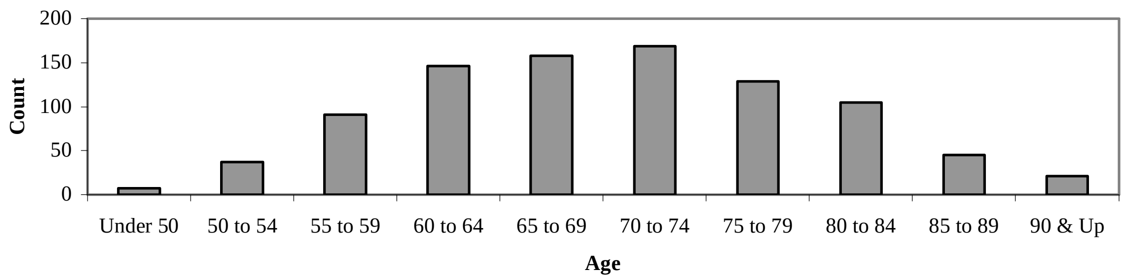
SUMMARY OF RETIRED MEMBERS*

as of December 31, 2005

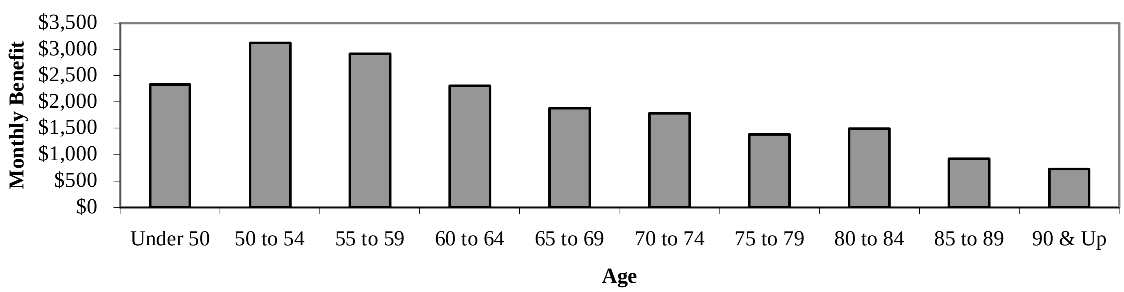
All Plans

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	4	3	7	$ 9,820	$ 6,487	$ 16,307
50 to 54	29	8	37	96,485	19,072	115,557
55 to 59	68	23	91	212,550	52,742	265,292
60 to 64	92	54	146	243,041	94,324	337,365
65 to 69	94	64	158	204,057	93,520	297,576
70 to 74	101	68	169	199,808	102,484	302,292
75 to 79	73	56	129	124,455	53,933	178,388
80 to 84	55	50	105	109,622	47,283	156,904
85 to 89	24	21	45	26,430	15,219	41,648
90 & Up	6	15	21	5,325	10,018	15,343
Total	546	362	908	$ 1,231,591	$ 495,081	$ 1,726,672

Age Distribution



Average Benefit



* Includes DROP members.

APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

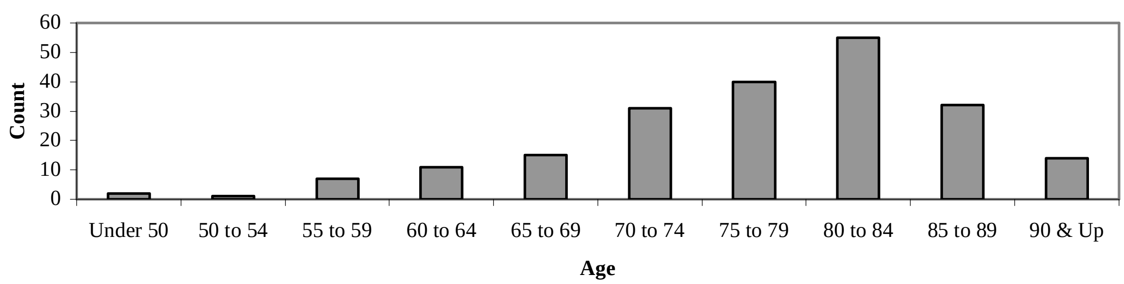
SUMMARY OF BENEFICIARIES

as of December 31, 2005

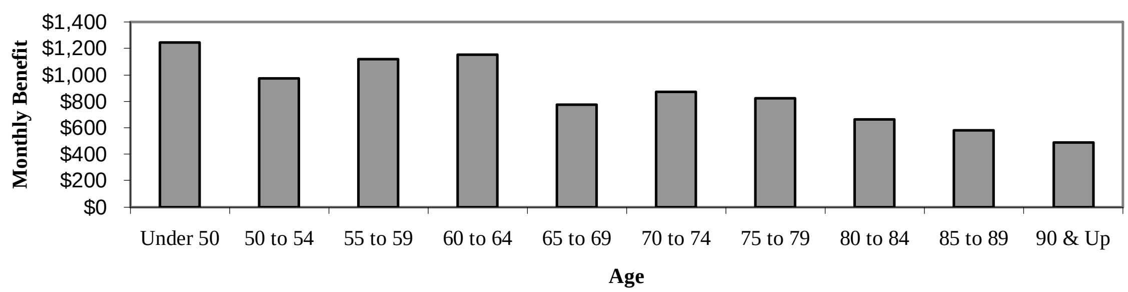
Plan 1

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	0	2	2	$ -	$ 2,487	$ 2,487
50 to 54	0	1	1	-	973	973
55 to 59	0	7	7	-	7,845	7,845
60 to 64	2	9	11	1,258	11,437	12,695
65 to 69	3	12	15	2,107	9,490	11,597
70 to 74	5	26	31	3,138	23,815	26,953
75 to 79	6	34	40	2,717	30,245	32,962
80 to 84	4	51	55	1,724	34,664	36,389
85 to 89	1	31	32	174	18,352	18,526
90 & Up	0	14	14	-	6,834	6,834
Total	21	187	208	$ 11,119	$ 146,142	$ 157,261

Age Distribution



Average Benefit



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

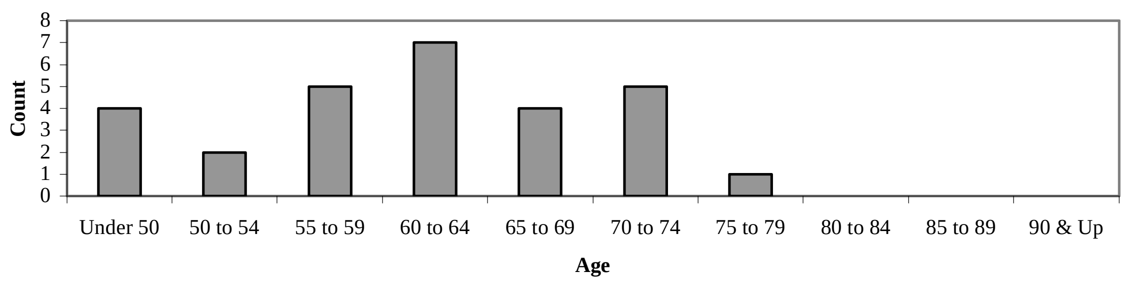
SUMMARY OF BENEFICIARIES

as of December 31, 2005

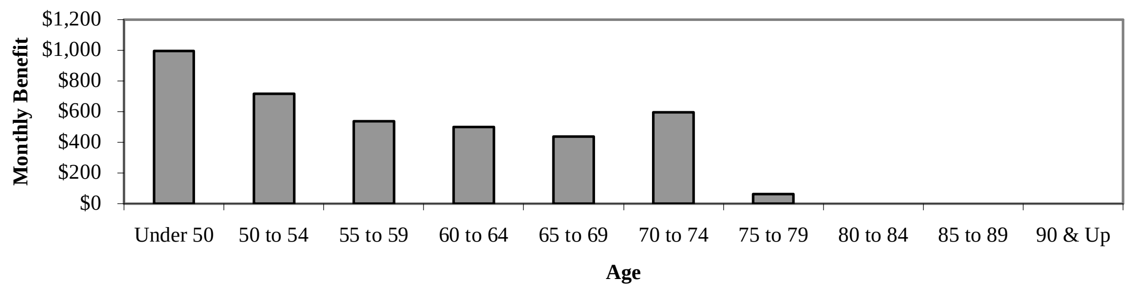
Plan 2

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	1	3	4	$ 1,018	$ 2,973	$ 3,991
50 to 54	0	2	2	-	1,433	1,433
55 to 59	0	5	5	-	2,682	2,682
60 to 64	1	6	7	151	3,342	3,493
65 to 69	0	4	4	-	1,749	1,749
70 to 74	0	5	5	-	2,977	2,977
75 to 79	0	1	1	-	63	63
80 to 84	0	0	0	-	-	-
85 to 89	0	0	0	-	-	-
90 & Up	0	0	0	-	-	-
Total	2	26	28	$ 1,169	$ 15,219	$ 16,388

Age Distribution



Average Benefit



APPENDIX A

WICHITA EMPLOYEES' RETIREMENT SYSTEM

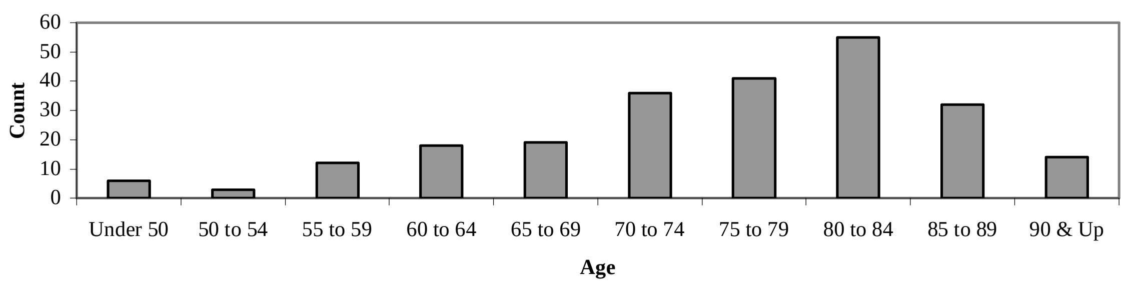
SUMMARY OF BENEFICIARIES

as of December 31, 2005

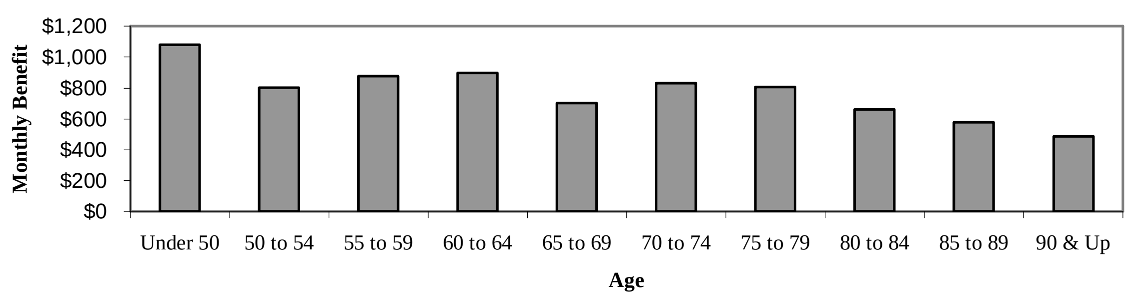
All Plans

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	1	5	6	$ 1,018	$ 5,461	$ 6,479
50 to 54	0	3	3	-	2,405	2,405
55 to 59	0	12	12	-	10,528	10,528
60 to 64	3	15	18	1,409	14,778	16,187
65 to 69	3	16	19	2,107	11,239	13,346
70 to 74	5	31	36	3,138	26,792	29,930
75 to 79	6	35	41	2,717	30,308	33,026
80 to 84	4	51	55	1,724	34,664	36,389
85 to 89	1	31	32	174	18,352	18,526
90 & Up	0	14	14	-	6,834	6,834
Total	23	213	236	$ 12,288	$ 161,361	$ 173,649

Age Distribution



Average Benefit



APPENDIX B

SUMMARY OF BENEFIT PROVISIONS

DEFINED BENEFIT PLANS 1 AND 2

Plan 1 is applicable to members employed prior to July 18, 1981 who have not elected to be covered by Plan 2.

Plan 2 is applicable to members employed or re-employed on or after July 18, 1981 and before January 1, 1994 and to other employees who have elected Plan 2 coverage.

Normal Retirement (no reduction factor)

Eligibility – Plan 1: Age 60 with 7 or more years of service, or any age with 30 or more years of service.
Plan 2: Age 62 with 7 or more years of service (effective August 1, 1990).

Annual Amount – Plan 1: Service times 2.5% of average annual compensation to a maximum of 75% of average annual salary.
Plan 2: Service times 2.25% of average annual compensation, to a maximum of 75% of average annual compensation (effective January 1, 2000).

Average Annual Compensation – Highest 3 consecutive years out of last 10.

Early Retirement (with reduction factor)

Eligibility – Plan 1: Age 55 with 7 or more years of service.
Plan 2: Age 55 with 7 or more years of service.

Annual Amount – An amount computed as for normal retirement but reduced for each month retirement precedes age 60 under Plan 1 and age 62 under Plan 2. The amount of reduction per month of early retirement is:

Plan 1	Plan 2
A service graduated percentage for each month retirement precedes age 60. The percentage is .05 of 1% if service is 29 years but less than 30 years, increasing by .05 of 1% for each additional year service is less than 30 years to a maximum of .50 of 1% if service is less than 20 years.	An age graduated percentage for each month retirement precedes age 62. The percentage is 0.6% for each month that the member's age precedes age 62.

APPENDIX B (continued)

Deferred Retirement (Vested Termination)

Eligibility **–** 7 or more years of service. Terminated employee may apply for a reduced pension upon meeting the applicable age requirement for early retirement or an unreduced pension upon meeting the applicable age requirement for normal retirement. Terminated employee may elect a refund of employee contributions in lieu of a deferred retirement benefit.

Annual Amount **–** An amount computed as for normal retirement. Vested deferred pensions are adjusted during the deferral period based on changes in National Average Earnings, up to 5.5% annual adjustments.

Deferred Retirement Option Plan (DROP)

Eligibility **–** Member must be eligible to retire under early reduced or normal age and/or service requirements and elect to participate in DROP for up to 5 years.

Amount **–** Benefit computed based on years of service, final average salary as of the DROP election date, and length of DROP period. Benefit is paid into member's notational DROP account during the deferral period. Member continues to make required employee contributions during the deferral period. Interest at an annual rate of 5% is credited to the notational DROP account. Voluntary termination of employment during the DROP period results in loss of accrued interest. Balance of DROP account is payable within 90 days of actual termination of employment.

Service Connected Disability

Eligibility **–** No age or service requirement. Requires total and permanent disability, as defined in State worker's compensation act, for employment by the City in a position commensurate with the employee's training, experience and education.

Annual Amount **–** Plan 1: 60% of final rate of salary.
Plan 2: 50% of final rate of salary.

Non Service Connected Disability

Eligibility **–** 7 or more years of service. Requires total and permanent disability for employment by the City in a position commensurate with the employee's training, experience and education.

Annual Amount **–** Plan 1: 30% of average annual compensation plus 1% of average annual compensation for each year of service in excess of 7 years. Maximum is 50% of average annual compensation.
Plan 2: 25% of final rate of salary.

Post-Retirement Survivor Benefits

Eligibility: Surviving Spouse - must have been married to retired employee for 1 year or more, at time of death.

Minor Children – under age 18.

Annual Amount: Surviving Spouse - 50% of amount that was being paid to retiree.

Minor Child with Surviving Spouse - 10% of the member's final average salary for each child under age 18. Maximum including surviving spouse benefit is 75% of final average salary.

Minor Child without Surviving Spouse - 20% of the member's final average salary for each child under age 18. Maximum including surviving spouse benefit is 60% of final average salary.

Post-Retirement Funeral Benefit

Eligibility: Designated Beneficiary – must have been designated by the retired employee.

Amount - Plan 1: $1,500 funeral benefit.
Plan 2: No funeral benefit provided.

Pre-Retirement Survivor Benefits

Eligibility: Surviving Spouse - Plan 1: Death of employee with 7 or more years of credited service.
Plan 2: Death of employee with 7 or more years of credited service.

Annual Amount - 50% of amount that the deceased employed would have been entitled to had he/she been retired at time of death.

Eligibility: Designated Beneficiary – The beneficiary designated by an unmarried member or by a member who fails to meet the 7 year service requirement for the surviving spouse benefit.

Amount – The deceased employee's accumulated contributions plus one month's salary for each full year of service up to a maximum of 6 years.

Other Termination Benefits

Eligibility – Termination of employment without eligibility for any other benefit.

Amount – Accumulated employee contributions with interest are refunded.

Post-Retirement Adjustment of Annual Benefits

Eligibility – Plan 1: Completion of 12 full months of retirement and annually thereafter.
Plan 2: If retired on or after January 1, 2000: Completion of 12 full months of retirement.
If retired before January 1, 2000: Benefit not provided (effective 2/18/2000).

Annual Amount – Plan 1: 3.0% of the base amount of benefit (increases are not compounded).
Plan 2: 2.0% of the base amount of benefit (increases are not compounded).

Employee Contributions

Plan 1: 6.4% of total compensation.
Plan 2: 4.7% of base salary and longevity pay (effective February 19, 2000).

City Contributions

Actuarially determined amount which together with employee contributions and investment earnings will fund the obligations of the Plan in accordance with accepted actuarial principles.

Unused Sick Leave

Each month of accumulated unused sick leave is considered to be a month of service for the purpose of computing annual benefit amounts.

APPENDIX B (continued)

SUMMARY OF BENEFIT PROVISIONS
DEFINED BENEFIT PLAN 3

Plan 3 is applicable to members employed after January 1, 1994 who have not become covered by Plan 2. Plan 3 members are automatically transferred to Plan 2 at the time they acquire 7 years of service unless they file an irrevocable election to remain in Plan 3.

Employee Contributions

4.7% of compensation (effective 2/19/2000).

City Contributions

4.7% of compensation, less forfeitures from non-vested terminations (effective 2/19/2000).

Vesting of Contributions

Member contributions and investment earnings thereon are 100% vested.

City contributions and investment earnings thereon are 25% vested after 3 years of service, 50% vested after 5 years of service, and 100% vested after 7 years of service.

Distribution of Vested Accounts

Vested accounts are payable upon termination of City employment or death. Available forms of payment are prescribed by the Board.

Disability Retirement

Service and non-service connected disability benefits are the same as those of Plan 2.

Plan 3 members may alternatively elect to receive a refund of their Plan 3 account balance.

APPENDIX C

ACTUARIAL COST METHOD AND ASSUMPTIONS

Actuarial Cost Method

The actuarial cost method is a procedure for allocating the actuarial present value of pension benefits and expenses to time periods. The method used for the valuation is known as the individual entry-age actuarial cost method, and has the following characteristics.

(i) The annual normal costs for each individual active member are sufficient to accumulate the value of the member's pension at time of retirement.

(ii) Each annual normal cost is a constant percentage of the member's year-by-year projected covered compensation.

The entry-age actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry-age of the member and the assumed exit ages.

The portion of the actual present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called actuarial accrued liability. Deducting accrued assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is financed as a level percent of member payroll over an open 20-year period and used to reduce the City's contribution rate.

Actuarial Assumptions Used for the Valuation

Retirement System contribution requirements and actuarial present values are calculated by applying experience assumptions to the benefit provisions and people information of the Retirement System, using the actuarial cost method.

The principal areas of risk which require experience assumptions about future activities of the Retirement System are:

(i) long-term rates of investment return to be generated by the assets of the System

(ii) patterns of pay increases to members

(iii) rates of mortality among members, retirants and beneficiaries

(iv) rates of withdrawal of active members

(v) rates of disability among active members

(vi) the age patterns of actual retirements.

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

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

From time-to-time one or more of the assumptions are modified to reflect experience trends (but not random or temporary year-to-year fluctuations). A complete review of the actuarial assumptions was completed in 2004. The use of updated assumptions was effective with the 2004 valuation.

The investment return rate (net of administrative expenses) used for actuarial valuation calculations was 7.75% a year, compounded annually. This rate consists of 4.00% in recognition of long term price inflation and a 3.75% a year real rate of return over price inflation. This assumption, used to equate the value of payments due at different points in time, was adopted by the Board and was first used for the December 31, 1999 valuation, although the allocation between inflation and real return was changed in 2004.

Salary increase rates used to project current pays to those upon which a benefit will be based are represented by the following table and were first used for the December 31, 2004 valuation.

	Annual Rate of Salary Increase for Sample Ages			
Years Of Service	Inflation Component	Productivity Component	Merit and Longevity	Total
1	4.00%	0.50%	5.50%	10.00%
2	4.00	0.50	4.50	9.00
3	4.00	0.50	3.50	8.00
4	4.00	0.50	3.50	8.00
5	4.00	0.50	3.00	7.50
6	4.00	0.50	2.64	7.14
7	4.00	0.50	2.28	6.78
8	4.00	0.50	1.92	6.42
9	4.00	0.50	1.56	6.06
10	4.00	0.50	1.20	5.70
11	4.00	0.50	1.10	5.60
12	4.00	0.50	1.00	5.50
13	4.00	0.50	0.90	5.40
14	4.00	0.50	0.80	5.30
15	4.00	0.50	0.70	5.20
16	4.00	0.50	0.56	5.06
17	4.00	0.50	0.42	4.92
18	4.00	0.50	0.28	4.78
19	4.00	0.50	0.14	4.64
20+	4.00	0.50	0.00	4.50

APPENDIX C (continued)

The salary increase assumptions will produce 4.50% annual increases in active member payroll (the inflation and productivity base rate) given a constant active member group size. This is the same payroll growth assumption used to amortize unfunded actuarial liability. The real rate of return over assumed wage growth is 3.25% per year.

Changes actually experienced in average pay and total payroll have been as follows:

	Year Ended					5 Year (Average) Compounded Annual Increase
	12-31-05	12-31-04	12-31-03	12-31-02	12-31-01	
Average pay	0.4%	4.1%	2.3%	2.3%	8.5%	3.5%
Total payroll	2.4%	4.3%	0.1%	4.2%	6.9%	3.6%

Mortality Table: This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement.

Healthy Retirees: RP-2000 Healthy Annuitant Tables
Disabled Retirees: RP-2000 Disabled Table
Actives: RP-2000 Employee Table

Sample Ages(1)	Present Value of $1 Monthly for Life		Future Life Expectancy (Years)	
	Men	Women	Men	Women
50	$136.27	$141.98	30.4	34.6
55	128.67	135.41	25.7	29.7
60	118.41	127.04	21.2	25.1
65	150.86	116.91	16.9	20.7
70	91.20	104.80	13.0	16.7
75	75.12	90.90	9.7	13.0
80	58.98	75.76	6.9	9.8
85	44.42	60.2	4.8	7.1

(1) Ages in 2000

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each pension payment being made after retirement. This table was first used for the December 31, 2004 actuarial valuation.

Rates of Retirement and Deferred Retirement Option Plan (DROP) Elections. These rates are used to measure the probability of eligible members retiring under either the regular retirement provisions or from the Deferred Retirement Option Plan. This table was first used in the December 31, 2004 actuarial valuation.

Retirement Age	Percent Retiring During Year: Plan 1	Percent Retiring During Year: Plan 2
< 55	15%	0%
55	25	5
56	10	5
57	10	5
58	10	5
59	10	5
60	20	5
61	20	5
62	35	45
63	30	25
64	40	20
65	70	45
66	55	45
67	80	55
68	90	55
69	95	55
70	100	100

Plan 1 members acquiring 30 years of service were assumed to elect the most advantageous plan provisions, (i.e., DROP or regular retirement).

Plan 2 members acquiring 33.33 years of service were assumed to elect the most advantageous plan provisions, (i.e. DROP or regular retirement).

All members of the retirement system were assumed to retire on or before age 70.

Rates of Separation from Active Membership. This assumption measures the probabilities of a member terminating employment. The rates do not apply to members who are eligible to retire. This assumption was last revised for the December 31, 2004 valuation.

Sample Ages	Years of Service	Probability of Terminating During Year
Any	0	25.00%
	1	19.00
	2	14.00
	3	11.00
	4	9.00
25	Over 4	7.50
30		6.50
35		5.25
40		4.00
45		3.50
50		2.50
55		1.50
60		1.50

Administrative expenses were assumed to be paid from investment earnings.

Forfeiture of Vested Benefits. The assumption is that a percentage of the actuarial present value of vested termination benefits will be forfeited by a withdrawal of accumulated contributions. This table was first used for the December 31, 2004 actuarial valuation.

Years of Service	Percent Forfeiting
Under 15	60%
15 – 19	40%
20 – 24	20%
25 or more	0%

APPENDIX C (continued)

Rates of Disability. This assumptions measures the probabilities of a member becoming disabled.

Sample Ages	% of Active Members Becoming Disabled During Next Year Becoming Disabled
25	0.03%
30	0.04
35	0.05
40	0.09
45	0.14
50	0.24
55	0.43
60	0.71

The current rates were first used for the December 31, 1999 valuation.

Disabilities are assumed to be non-duty related.

Active Member Group Size. The number of active members was assumed to remain constant.

Vested Deferred Pensions: Amounts are assumed to increase during the deferral period at 4.5% per year. This assumption was changed with the December 31, 2004 valuation.

Miscellaneous and Technical Assumptions

Marriage Assumption: 70% of participants are assumed to be married for purposes of death benefits. In each case the male was assumed to be 3 years older than the female.

Pay Increase Timing: Assumed to occur mid-year.

Decrement Timing: Decrements of all types are assumed to occur mid-year.

Eligibility Testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest half year on the date the decrement is assumed to occur.

Benefit Service: Service rounded to 0.50 as of the decrement date is used to determine the amount of benefit payable.

Other: Disability and turnover decrements do not operate during retirement eligibility.

Miscellaneous Loading Factors: The calculated normal retirement benefits were increased by 4% to account for the inclusion of unused sick leave in the calculation of Average Compensation.

APPENDIX C (continued)

Plan 3 Transfer Assumption: For purposes of the valuation, Plan 3 members are assumed to transfer to Plan 2 if they acquire 7 years of service. An additional reserve is held for the difference between the market and actuarial value of assets. This assumption was changed with the December 31, 2004 valuation.

APPENDIX D

GLOSSARY OF TERMS

Actuarial Liability	The difference between the actuarial present value of system benefits and the actuarial value of future normal costs. Also referred to as "accrued liability."
Actuarial Assumptions	Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement system benefit between future normal cost and actuarial liability. Sometimes referred to as the "actuarial funding method."
Experience Gain (Loss)	The difference between actual experience and actuarial assumptions anticipated experience during the period between two actuarial valuation dates.
Actuarial Present Value	The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
Amortization	Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with lump sum payment.
Normal Cost	The actuarial present value of retirement system benefits allocated to the current year by the actuarial cost method.

Unfunded Actuarial Liability

The difference between actuarial liability and the valuation assets.

Most retirement systems have unfunded actuarial liability. They arise each time new benefits are added and each time an actuarial loss is realized.

The existence of unfunded actuarial liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial liability and the trend in its amount.