Wichita Employees' Retirement System

Actuarial Valuation Report as of December 31, 2006

A MILLIMAN GLOBAL FIRM

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April 4, 2007

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

Dear Members of the Board:

At your request, we have performed an annual actuarial valuation of the Wichita Employees' Retirement System as of December 31, 2006 for determining contributions for 2008. The major findings of the valuation are contained in this report. This report reflects the benefit provisions in effect as of December 31, 2006. There was no change in plan provisions or actuarial methods from the prior valuation. This valuation reflects the change in the assumptions regarding DROP and retirement, as approved by the Board in 2006.

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

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

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

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

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

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.

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.

Patrice Beckham

Brent A Banister

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

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

SECTION 1

BOARD SUMMARY

OVERVIEW

This report presents the results of the December 31, 2006 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 methods from the last valuation. This report first reflects the new assumptions for retirement and DROP as approved by the Board in 2006.

The valuation results provide a "snapshot" view of the System's financial condition on December 31, 2006. The surplus of the actuarial value of assets over actuarial liability increased by less than $1 million, due to the assumption change and experience during the year. A detailed analysis of the change in the unfunded actuarial liability from December 31, 2005 to December 31, 2006 is shown on page 3.

ASSETS

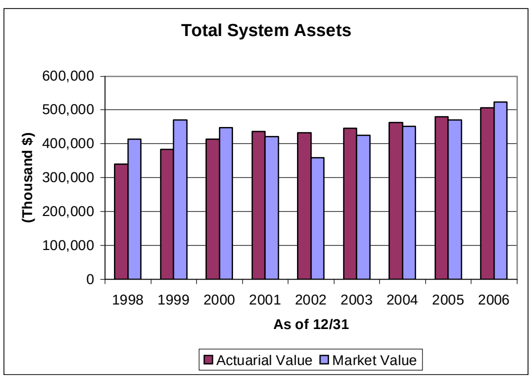
As of December 31, 2006, the System had total funds, when measured on a market value basis, of $523.6 million, excluding Plan 3 assets for those members who have elected to stay in Plan 3. There was an increase of $52.3 million from the December 31, 2005 figure of $471.3 million. The components of the change in the market value of assets for the Retirement System (in millions) are set forth below:

	Market Value ($M)
Assets, December 31, 2005	$471.3
• City and Member Contributions	7.3
• Benefit Payments, Refunds and Transfers	(23.2)
• Investment Income (net of expenses)	68.2
Assets, December 31, 2006	$523.6

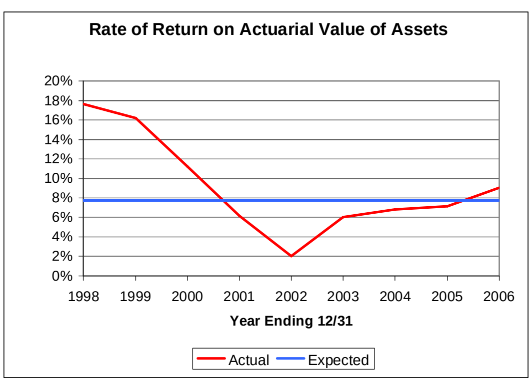
The market value of assets is not used directly in the calculation of the City's contribution rate. An asset valuation method is used to smooth the effect of market fluctuations. The actuarial value of assets is equal to the Expected Value (calculated using the actuarial assumed rate of 7.75%) plus 25% 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, 2005 to December 31, 2006 is shown below:

	Actuarial Value ($M)
Assets, December 31, 2005	$479.3
• City and Member Contributions	7.3
• Benefit Payments, Refunds and Transfers	(23.2)
• Investment Income (net of expenses)	42.4
Assets, December 31, 2006	$505.8

The annualized dollar-weighted rate of return, measured on the actuarial value of assets, was 9.0% and, measured on the market value of assets, was approximately 14.8%. The actuarial value of assets as of December 31, 2006 was $505.8 million, which represents an actuarial gain of about $6 million.



The actuarial value of assets exceeded the market value from 2001 through 2005. However, due to strong investment returns during the past few years, the market value now exceeds the actuarial value.



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 has now been fully recognized.

Due to the asset smoothing method, there is about $18 million of deferred investment gain that has not been recognized. Absent investment returns below the 7.75% assumed rate of return in the next few years to offset this unrecognized investment gain, it will gradually be reflected in the actuarial value of assets. As the deferred gain flows through the asset smoothing method, the valuation will show an actuarial gain. This will increase the "surplus" assets, absent unfavorable 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 are:

Actuarial Liability	$459,062,142
Actuarial Value of Assets	505,755,995
Unfunded Actuarial Liability/(Surplus)	(46,693,853)

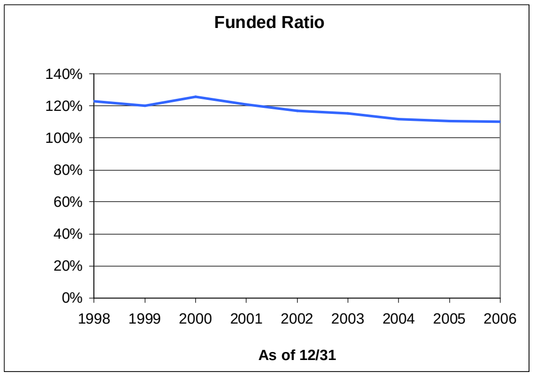
Between December 31, 2005 and December 31, 2006 the change in the unfunded actuarial liability for the System was as follows (in millions):

	$(M)
UAL, December 31, 2005	(46.0)
+ Normal cost for year	8.8
+ Assumed investment return for year	(2.9)
- Actual contributions (member + City)	7.3
- Assumed investment return on contributions	0.3
= Expected Unfunded Actuarial Liability, December 31, 2006	(47.7)
+ Change from amendments	0.0
+ Change from assumption changes (DROP)	4.9
= Expected UAL after changes	(42.8)
Actual UAL, December 31, 2006	(46.7)
Experience gain/(loss) (Expected UAL – Actual UAL)	3.9

The experience gain for the 2006 plan year of $3.9 million reflects the combined impact of an actuarial gain of about $6.0 million on System assets (actuarial value), and an actuarial loss of about $2.1 million on System liabilities. The loss is primarily attributable to more retirements than expected for Plan 1 members.

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.

	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
Actuarial Liability ($M)	$370.4	$387.0	$413.2	$433.3	$459.1
Actuarial Value of Assets ($M)	433.4	446.8	463.0	479.3	505.8
Funded Ratio (Assets/Liability)	117.0%	115.4%	112.1%	110.6%	110.2%



Although the funded ratio has decreased during this time period, the System continues to maintain a funded ratio above 100%.

As mentioned earlier in this report, due to the asset smoothing method there is currently about $18 million difference between the market value and the actuarial value of assets. This deferred investment gain will help improve the System's funding or help offset unfavorable investment experience in future years. Surplus is also impacted by actuarial experience (actual versus expected) and contributions that are less than the normal cost. The System's funded status and the size of the surplus will be heavily dependent on investment returns in future years.

CONTRIBUTION RATES

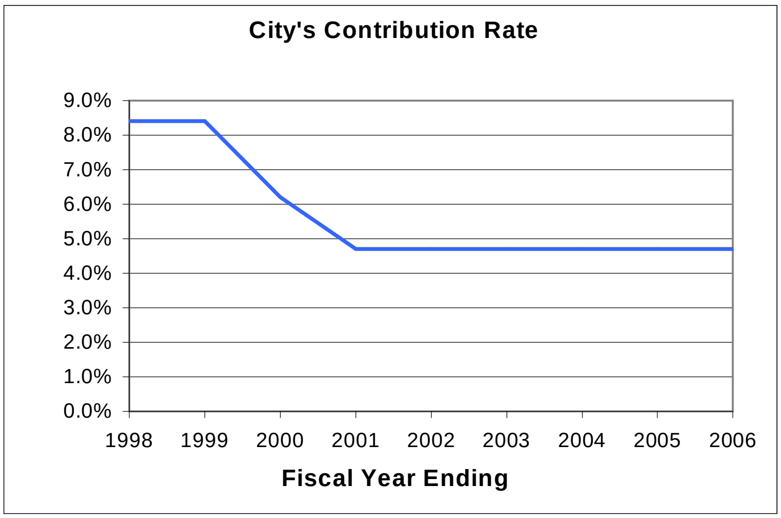
Generally, contributions to the System consist of:

- 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 2008 is computed based on the December 31, 2006 actuarial valuation.

As of December 31, 2006, 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 4.2% to 8.3%.

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 nearly 15% for calendar year 2006, well above the assumed rate of 7.75%. As a result, the market value of assets is now about 3% higher than the actuarial value. 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 $18 million between the market and actuarial value of assets. This deferred investment gain will help maintain the System's funded status or help offset unfavorable experience in future years.

The City has been contributing 4.7% of payroll to the Retirement System for the past six years. This level of contribution, which is below the employer normal cost rate of 8.3%, reduces the surplus by 3.6% of pay, about $2.7 million for 2006. In addition, surplus is impacted by the System's actual experience versus that assumed. As we have seen in the past, extremely unfavorable experience can have a significant impact on surplus. Given the expected variability in investment return associated with the stock market, we believe it would be prudent for the City to gradually increase their contribution or reserve additional monies outside the System to assist in meeting the actuarial contribution rate if negative experience occurs.

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	12/31/2006 Valuation	12/31/2005 Valuation	% Change
Number of:			
Active Members			
Plan 1	79	104	(24.0) %
Plan 2	905	883	2.5 %
Plan 3 (excluding Plan 3b)	837	822	1.8 %
Total	1,821	1,809	0.7 %
DROP Members			
Plan 1	55	47	17.0 %
Plan 2	17	17	0.0 %
Total	72	64	12.5 %
Retired Members and Beneficiaries	1,102	1,080	2.0 %
Inactive Vested Members	131	127	3.1 %
Total Members	3,126	3,080	1.5 %
Annual Valuation Salaries of Active Members (Including DROP)			
Plan 1	$ 6,977,493	$ 7,926,969	(12.0) %
Plan 2	41,310,171	38,223,009	8.1 %
Plan 3	28,439,010	26,011,891	9.3 %
Total	$ 76,726,674	$ 72,161,869	6.3 %
Annual Retirement Payments for Retired Members and Beneficiaries	$ 24,146,982	$ 22,803,853	5.9 %
2. ASSETS AND LIABILITIES			
Total Actuarial Liability	$ 459,062,142	$ 433,296,876	5.9 %
Market Value of Assets	523,626,051	471,285,677	11.1 %
Assets for Valuation Purposes	505,755,995	479,274,507	5.5 %
Unfunded Actuarial Liability/(Surplus)	$ (46,693,853)	$ (45,977,631)	1.6 %
3. EMPLOYER CONTRIBUTION RATES AS A PERCENT OF PAYROLL			
Normal Cost	13.2 %	13.1 %	0.8 %
Member Financed	4.9 %	4.9 %	0.0 %
Employer Normal Cost	8.3 %	8.2 %	1.2 %
Amortization of Unfunded Actuarial Liability/(Surplus)	(4.1) %	(4.3) %	(4.7) %
Range of Employer Contribution Rates			
Full Normal Cost Rate	8.3 %	8.2 %	1.2 %
With Amortization Credit	4.2 %	3.9 %	7.7 %

SECTION 2

SCOPE OF THE REPORT

This report presents the actuarial valuation of the Wichita Employees' System (WER) as of December 31, 2006. This valuation was prepared at the request of the System's Board of Trustees.

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, 2006. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System. 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, 2006 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 $524 million. Table 1 is a comparison, at market values, of System assets as of December 31, 2005, and December 31, 2006, in total and by investment category. Table 2 summarizes the change in the market value of assets from December 31, 2005 to December 31, 2006.

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 December 31, 2002 valuation, smoothes market experience by recognizing 25% of the difference between expected value (based on the actuarial assumption) and market value. Table 3 shows the development of the actuarial value of assets (AVA) as of December 31, 2006.

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 was greater than the market value for several years. The market value now exceeds the actuarial value by about $18 million. Absent rates of return below the assumed rate of 7.75% in the short term, the unrecognized gains (difference between the market and actuarial value) will flow into the actuarial value of assets and create actuarial gains in future valuations.

TABLE 1

WICHITA EMPLOYEES' RETIREMENT SYSTEM

ANALYSIS OF NET ASSETS AT MARKET VALUE

	As of December 31, 2006		As of December 31, 2005	
	Amount ($ Millions)	% of Total	Amount ($ Millions)	% of Total
Cash & Equivalents	$ 0.2	0.0 %	$ 0.2	0.0 %
Government Securities	14.2	2.8	14.6	3.2
Corporate Debt	32.3	6.3	34.8	7.6
Mortgage Backed Securities	28.8	5.6	24.8	5.4
Pooled Funds	109.6	21.4	140.2	30.5
Domestic Equity	182.2	35.7	166.3	36.2
International Equity	116.2	22.8	56.4	12.3
Real Estate	26.8	5.3	23.2	5.0
Securities Lending Collateral Pool	52.9	10.4	39.8	8.7
Other	0.3	0.1	0.2	0.0
Receivables	6.0	1.2	6.0	1.3
Liabilities	(59.1)	(11.6)	(46.9)	(10.2)
Total Plans 1 and 2	$ 510.4	100.0 %	$ 459.6	100.0 %
Plan 3 Assets				
Members Electing to Stay in Plan 3	$ 1.5		$ 1.2	
Other Plan 3 Members	13.2		11.7	
Total Plan 3 and 3b	14.7		12.9	
Net Assets (Plans 1, 2, and 3)	$ 525.1		$ 472.5	

TABLE 2

WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF CHANGES IN NET ASSETS DURING YEAR ENDED DECEMBER 31, 2006

(Market Value)

	Plans 1 & 2	Plan 3*	Total
1. Market Value of Assets as of December 31, 2005	$ 459,562,082	$ 11,723,595	$ 471,285,677
2. Contributions:			
a. Members	$ 2,445,103	$ 1,302,090	$ 3,747,193
b. City	2,264,339	1,302,090	3,566,429
c. Other	0	0	0
d. Transfers	1,983,067	(2,143,349)	(160,282)
e. Total [2(a) + 2(b) + 2(c) + 2(d)]	$ 6,692,509	$ 460,831	$ 7,153,340
3. Investment Income			
a. Interest and Dividends	$ 13,499,581	$ 345,050	$ 13,844,631
b. Net Appreciation in Fair Value	55,538,108	1,414,708	56,952,816
c. Commission Recapture	30,840	786	31,626
d. Securities Lending Income	151,418	3,853	155,271
e. Total [3(a) + 3(b) + 3(c) + 3(d)]	$ 69,219,947	$ 1,764,397	$ 70,984,344
4. Expenditures			
a. Refunds of Member Contributions	$ 287,379	$ 674,259	$ 961,638
b. Benefits Paid:			
(1) Pension and death benefits	21,254,013	0	21,254,013
(2) DROP payments	947,843	0	947,843
c. Administrative Expenses	355,954	29,649	385,603
d. Investment Expenses	2,191,060	57,153	2,248,213
e. Total [4(a) + 4(b) + 4(c) + 4(d)]	$ 25,036,249	$ 761,061	$ 25,797,310
5. Net Change [2(e) + 3(e) - 4(e)]	$ 50,876,207	$ 1,464,167	$ 52,340,374
6. Market Value of Assets as of December 31, 2006 (1) + (5)	$ 510,438,289	$ 13,187,762	$ 523,626,051

* Excludes assets for Plan 3b members. The December 31, 2006 value of the assets for this group was $1,534,042.

TABLE 3

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

AS OF DECEMBER 31, 2006

		Plans 1 & 2		Plan 3*		Total
1. Actuarial Value of Assets as of December 31, 2005	$	467,457,146	$	11,817,361	$	479,274,507
2. Actual Contributions/Disbursements						
a. Contributions	$	4,709,442	$	2,604,180	$	7,313,622
b. Transfers		1,983,067		(2,143,349)		(160,282)
c. Benefit Payments and Refunds		(22,489,235)		(674,259)		(23,163,494)
d. Net (a + b + c)	$	(15,796,726)	$	(213,428)	$	(16,010,154)
3. Expected Value of Assets as of December 31, 2006 [(1) x 1.0775] + [(2d) x $(1.0775)^{.5}$]	$	487,287,647	$	12,511,662	$	499,799,310
4. Market Value of Assets as of December 31, 2006	$	510,438,289	$	13,187,762	$	523,626,051
5. Difference Between Market and Expected Values (4) - (3)	$	23,150,642	$	676,100	$	23,826,741
6. Actuarial Value of Assets as of December 31, 2006 (3) + [(5) x 25%]	$	493,075,308	$	12,680,687	$	505,755,995

* Excludes Plan 3b.

Actuarial Value of Assets/Market Value of Assets (6) / (4)		96.60%		96.15%		96.59%
Market Value less Actuarial Value of Assets	$	17,362,981	$	507,075	$	17,870,056

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, 2006. 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, 2006.

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, 2006

	Plan 1	Plan 2	Plan 3	Total
1. Active employees				
a. Retirement Benefit	$ 33,345,414	$ 150,112,702	$ 45,028,706	$ 228,486,822
b. Pre-Retirement Death Benefit	76,227	1,934,334	636,419	2,646,980
c. Withdrawal Benefit	1,123,200	12,745,037	7,505,924	21,374,161
d. Disability Benefit	212,741	5,651,265	2,297,287	8,161,293
e. Total	$ 34,757,582	$ 170,443,338	$ 55,468,336	$ 260,669,256
2. DROP Members				
a. DROP Account Balance	$ 5,085,036	$ 593,209	$ 0	$ 5,678,245
b. Monthly Retirement Benefit	34,926,008	3,722,314	0	38,648,322
c. Total	$ 40,011,044	$ 4,315,523	$ 0	$ 44,326,567
3. Inactive Vested Members	$ 2,219,780	$ 16,225,378	$ 0	$ 18,445,158
4. Inactive Nonvested Members	$ 0	$ 0	$ 0	$ 0
5. In Pay Members				
a. Disabled Members	$ 2,165,542	$ 890,205	$ 0	$ 3,055,747
b. Retirees	172,206,632	25,194,519	0	197,401,151
c. Beneficiaries	16,145,533	2,813,259	0	18,958,792
d. Total	$ 190,517,707	$ 28,897,983	$ 0	$ 219,415,690
6. Total PVFB				
(1e) + (2c) + (3) + (4) + (5d)	$ 267,506,113	$ 219,882,222	$ 55,468,336	$ 542,856,671

TABLE 5

WICHITA EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL LIABILITY
AS OF DECEMBER 31, 2006

	Plan 1	Plan 2	Plan 3	Total
1. Active employees				
a. Present Value of Future Benefits	$ 34,757,582	$ 170,443,338	$ 55,468,336	$ 260,669,256
b. Present Value of Future Normal Costs	3,279,153	42,555,335	37,960,042	83,794,529
c. Actuarial Liability (1a) - (1b)	$ 31,478,429	$ 127,888,003	$ 17,508,294	$ 176,874,727
2. DROP Members	$ 40,011,044	$ 4,315,523	$ 0	$ 44,326,567
3. Inactive Vested Members	$ 2,219,780	$ 16,225,378	$ 0	$ 18,445,158
4. Inactive Nonvested Members	$ 0	$ 0	$ 0	$ 0
5. In Pay Members				
a. Disabled Members	$ 2,165,542	$ 890,205	$ 0	$ 3,055,747
b. Retirees	172,206,632	25,194,519	0	197,401,151
c. Beneficiaries	16,145,533	2,813,259	0	18,958,792
d. Total	$ 190,517,707	$ 28,897,983	$ 0	$ 219,415,690
6. Reserve for Plan 3 Members	$ 0	$ 0	$ 0	$ 0
7. Total Actuarial Liability (1c) + (2) + (3) + (4) + (5d) + (6)	$ 264,226,960	$ 177,326,887	$ 17,508,294	$ 459,062,142

TABLE 6

WICHITA EMPLOYEES' RETIREMENT SYSTEM

PRESENT VALUE OF ACCRUED BENEFITS
AS OF DECEMBER 31, 2006

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	$ 12,569,120	$ 65,355,083	$ 13,187,762	$ 91,111,965
2. DROP Members	$ 40,011,044	$ 4,315,523	$ 0	$ 44,326,567
3. Inactive Vested Members	$ 2,219,780	$ 16,225,378	$ 0	$ 18,445,158
4. In Pay Members				
a. Disabled Members	$ 2,165,542	$ 890,205	$ 0	$ 3,055,747
b. Retirees	172,206,632	25,194,519	0	197,401,151
c. Beneficiaries	16,145,533	2,813,259	0	18,958,792
d. Total	$ 190,517,707	$ 28,897,983	$ 0	$ 219,415,690
5. Total	$ 245,317,651	$ 114,793,967	$ 13,187,762	$ 373,299,380
6. Market Value of Assets*	$ 347,724,194	$ 162,714,095	$ 13,187,762	$ 523,626,051
7. Funded Ratio (6)/(5)	142%	142%	100%	140%

* Split of assets between Plan 1 and Plan 2 is in proportion to the liabilities for illustrative 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 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, 2006 actuarial valuation will be used to determine employer contribution rates to the Wichita Employees’ Retirement System for fiscal year 2008. 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, 2006, 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, 2006, 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, 2006.

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

TABLE 7

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DECEMBER 31, 2006 VALUATION

DERIVATION OF UNFUNDED ACTUARIAL LIABILITY CONTRIBUTION RATE

1. Actuarial Accrued Liability	$	459,062,142	
2. Actuarial Value of Assets	$	505,755,995	
3. Unfunded Actuarial Liability/(Surplus)	$	(46,693,853)	
4. Payment (Adjusted to Mid-Year) to Amortize Unfunded Actuarial Liability/(Surplus) Over 20 Years *	$	(3,191,879)	
5. Total Projected Payroll for the Year	$	78,434,028	
6. Amortization Payment as a Percent of Payroll		(4.1)	%

* 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

DECEMBER 31, 2006 VALUATION

DERIVATION OF NORMAL COST RATE

Normal Cost at December 31, 2006		
Service pensions	$	7,252,491
Disability pensions		368,313
Survivor pensions		117,413
Termination benefits		
- Deferred service pensions		963,588
- Return of member contributions		737,356
Total Normal Cost	$	9,439,161
Normal Cost Adjusted to Mid-Year	$	9,798,104
Projected Payroll for Members Under Certain Retirement Age	$	74,095,858
Total Normal Cost Rate for Year		13.2%

TABLE 9

WICHITA EMPLOYEES' RETIREMENT SYSTEM
EMPLOYER CONTRIBUTION RATES
FOR FISCAL YEAR
COMMENCING IN 2008

	Range of Contribution Requirements as % of Payroll	
Normal Cost		
Service pensions	10.2 %	10.2 %
Disability pensions	0.5 %	0.5 %
Survivor pensions	0.2 %	0.2 %
Termination benefits		
- Deferred service pensions	1.3 %	1.3 %
- Return of member contributions	1.0 %	1.0 %
Total Normal Cost	13.2 %	13.2 %
Unfunded Actuarial Liability		
Retired members and beneficiaries (1)	0.0 %	0.0 %
Active and former members (2)	0.0 %	(4.1) %
Total UAL Contribution	0.0 %	(4.1) %
Total Contribution Requirement		
Member Financed Portion (3)	4.9 %	4.9 %
City Financed Portion	8.3 %	4.2 %
Total	13.2 %	9.1 %

(1) Actuarial value of assets exceeds the actuarial liability as of December 31, 2006.

(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.

(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, 2006, 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)
12/31/06	2008	4.2 – 8.3	(4.1)

TABLE 11

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DERIVATION OF SYSTEM EXPERIENCE GAIN/(LOSS)

		($M) Year Ended 12/31/06
(1)	UAL* at start of year	(46.0)
(2) +	Normal cost for year	8.8
(3) +	Assumed investment return on (1) & (2)	(2.9)
(4) -	Actual contributions (member + City)	7.3
(5) -	Assumed investment return on (4)	0.3
(6) =	Expected UAL at end of year	(47.7)
(7) +	Increase (decr.) from amendments	0
(8) +	Increase (decr.) from assumption change (DROP)	4.9
(9) =	Expected UAL after changes	(42.8)
(10) =	Actual UAL at year end	(46.7)
(11) =	Experience gain (loss) (9) – (10)	3.9**
(12) =	Percent of beginning of year AL	0.9%

* *Unfunded Actuarial Liability/(Surplus)*

** *Of this amount, $6.0 million of the experience gain is due to experience on the actuarial value of assets and $2.1 million represents an experience loss on liabilities.*

SECTION 6

ACCOUNTING INFORMATION

The actuarial 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 Entry Age Normal 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 Normal actuarial liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the 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	$176,874,727
DROP members	44,326,567
Retired members and beneficiaries currently receiving benefits	219,415,690
Vested terminated members not yet receiving benefits	18,445,158
Total Actuarial Liability	$459,062,142
Actuarial Value of Assets (market value was $523,626,051)	$505,755,995
Assets in Excess of Actuarial Liability	$(46,693,853)

During the year ended December 31, 2006, the Plan experienced a net increase of $25.8 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 Liability (AL) (b)	Unfunded AL (b)–(a)	Funded Ratio (a)/(b)	Active Member Covered Payroll (c)	UAL 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)
12/31/06*	505,756**	459,062	(46,694)	110.2	75,881	(61.5)

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 liability, or unfunded actuarial liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial 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 liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial 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
2006	12/31/04	3,566,429*	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, 2006
Actuarial Cost Method	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

Valuation Date	Aggregate Actuarial Liability For: (1) Active Member Contributions	(2) Retirants and Beneficiaries*	(3) Active Members (Employer Financed Portion)	Reported Valuation Assets	Portion of Actuarial Liabilities Covered by Reported 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
12/31/06	45,475,389	237,860,848	175,725,905	505,755,995	100.0	100.0	126.6

During the twelve months ended December 31, 2006, the Wichita Employees' Retirement System generated a net experience gain of $3.9 million dollars. The amount is 0.9% 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, 2005 to December 31, 2006

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 12/31/05	104	883	822	47	17	868	212	15	112	3,080
New Members	0	+2	+212	0	0	+16*	+5	0	0	+235
Transfers	0	+69	-77	0	0	0	0	0	0	-8
Terminations				0	0					
Refunded	0	-12	-118	0	0	0	0	0	-3	-133
Deferred Vested	0	-14	-1	0	0	0	0	0	+15	0
Retirements										
Service	-9	-15	0	-6	-2	+19	+21	-4	-4	0
Disability	-1	-1	0	0	0	+1	+1	0	0	0
DROP	-14	-2	0	+14	+2	0	0	0	0	0
Deaths				0	0					
Cashed Out	-1	-2	-1	0	0	0	0	0	0	-4
With Beneficiary	0	-3	0	0	0	-15	-2	0	0	-20
Without Beneficiary	0	0	0	0	0	-22	-2	0	0	-24
Data Adjustments	0	0	0	0	0	0	0	0	0	0
Members as of 12/31/06	**79**	**905**	**837**	**55**	**17**	**867**	**235**	**11**	**120**	**3,126**

* Includes an alternate payee.

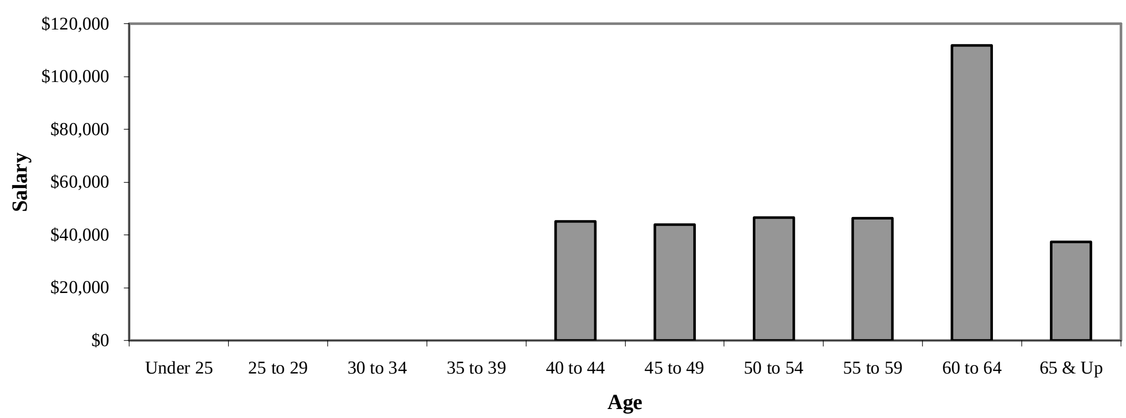
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

Plan 1

	Number			Valuation Salaries		
Age	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	1	0	1	45,067	-	45,067
45 to 49	21	7	28	949,087	282,415	1,231,502
50 to 54	24	10	34	1,166,716	418,368	1,585,084
55 to 59	8	5	13	357,450	244,984	602,434
60 to 64	2	0	2	223,625	-	223,625
65 & Up	0	1	1	-	37,374	37,374
Total	56	23	79	$ 2,741,945	$ 983,141	$ 3,725,086

Average Salary by Age



APPENDIX A (continued)

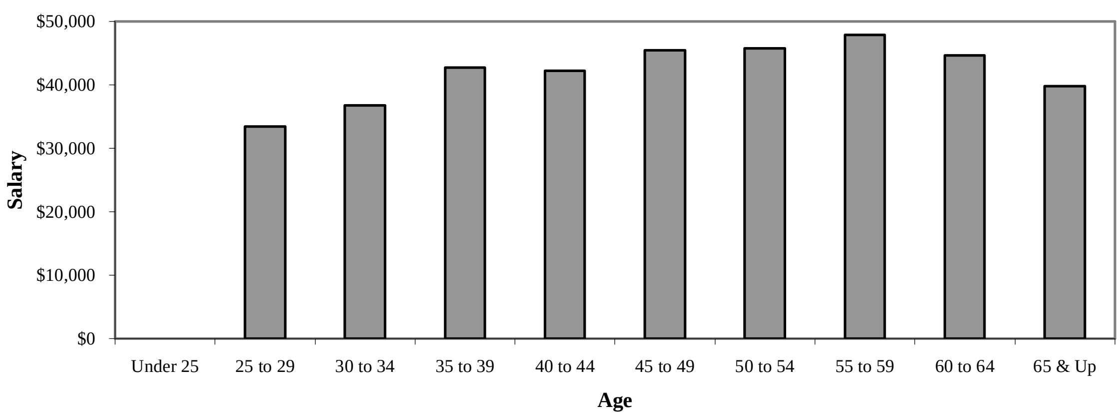
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

Plan 2

	Number			Valuation Salaries		
Age	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	1	1	2	36,310	30,675	66,985
30 to 34	16	11	27	618,478	374,077	992,555
35 to 39	37	26	63	1,560,969	1,134,559	2,695,528
40 to 44	84	54	138	3,566,789	2,266,755	5,833,544
45 to 49	113	80	193	5,186,011	3,586,970	8,772,981
50 to 54	138	86	224	6,316,686	3,941,093	10,257,779
55 to 59	108	58	166	5,300,659	2,654,244	7,954,903
60 to 64	37	37	74	1,771,243	1,535,677	3,306,920
65 & Up	9	9	18	332,496	383,468	715,964
Total	543	362	905	$ 24,689,641	$ 15,907,518	$ 40,597,159

Average Salary by Age



APPENDIX A (continued)

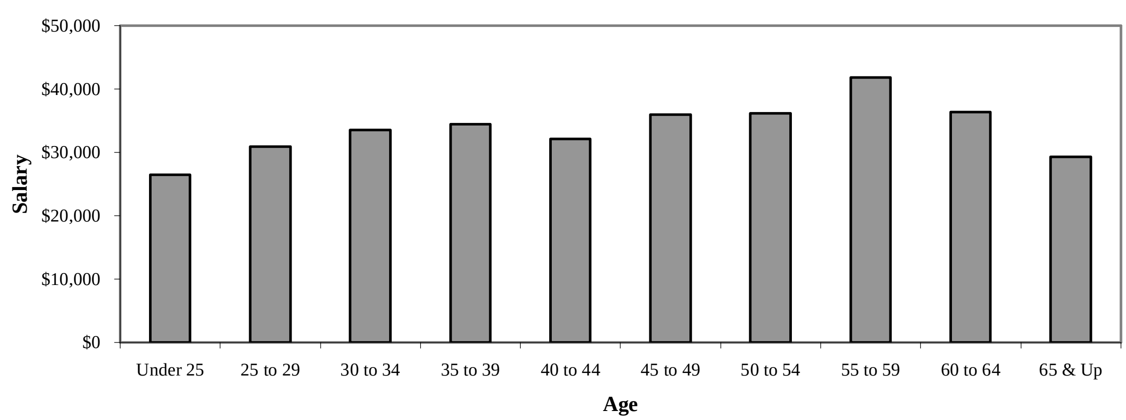
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

Plan 3

	Number			Valuation Salaries		
Age	Male	Female	Total	Male	Female	Total
Under 25	49	14	63	$ 1,280,794	$ 388,264	$ 1,669,058
25 to 29	72	38	110	2,269,070	1,128,012	3,397,082
30 to 34	64	54	118	1,998,789	1,955,423	3,954,212
35 to 39	73	36	109	2,526,996	1,226,729	3,753,725
40 to 44	69	45	114	2,161,427	1,502,464	3,663,891
45 to 49	90	41	131	3,181,273	1,530,298	4,711,571
50 to 54	51	42	93	1,785,989	1,578,056	3,364,045
55 to 59	43	28	71	1,922,556	1,047,942	2,970,498
60 to 64	16	3	19	593,501	97,235	690,736
65 & Up	7	2	9	200,369	63,823	264,192
Total	534	303	837	$ 17,920,764	$ 10,518,246	$ 28,439,010

Average Salary by Age



APPENDIX A (continued)

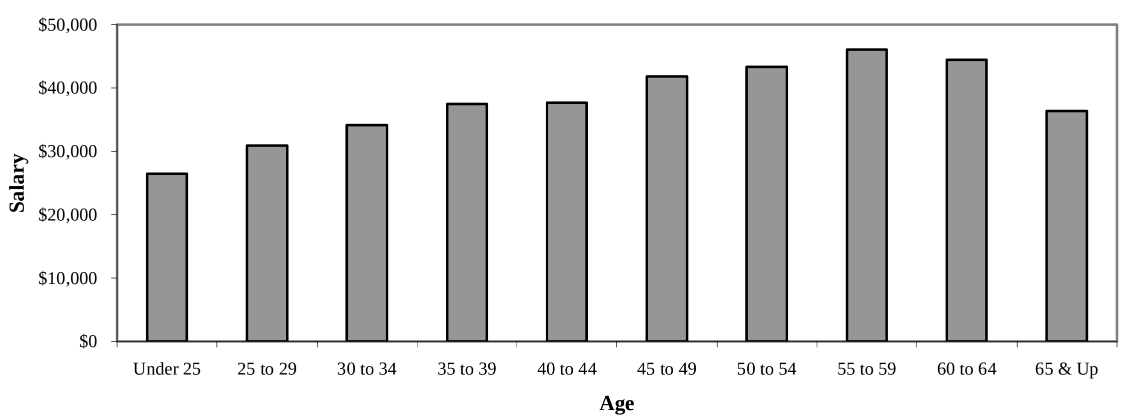
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

All Plans

	Number			Valuation Salaries		
Age	Male	Female	Total	Male	Female	Total
Under 25	49	14	63	$ 1,280,794	$ 388,264	$ 1,669,058
25 to 29	73	39	112	2,305,380	1,158,687	3,464,067
30 to 34	80	65	145	2,617,267	2,329,500	4,946,767
35 to 39	110	62	172	4,087,965	2,361,288	6,449,253
40 to 44	154	99	253	5,773,283	3,769,219	9,542,502
45 to 49	224	128	352	9,316,371	5,399,683	14,716,054
50 to 54	213	138	351	9,269,391	5,937,517	15,206,908
55 to 59	159	91	250	7,580,665	3,947,170	11,527,835
60 to 64	55	40	95	2,588,369	1,632,912	4,221,281
65 & Up	16	12	28	532,865	484,665	1,017,530
Total	1,133	688	1,821	$ 45,352,350	$ 27,408,905	$ 72,761,255

Average Salary by Age



APPENDIX A (continued)

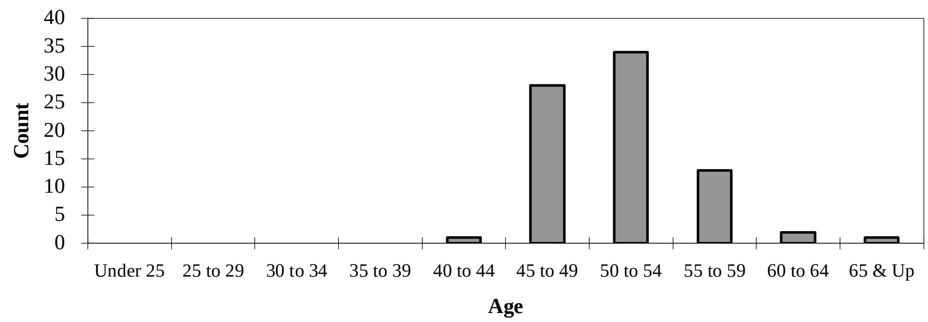
WICHITA EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

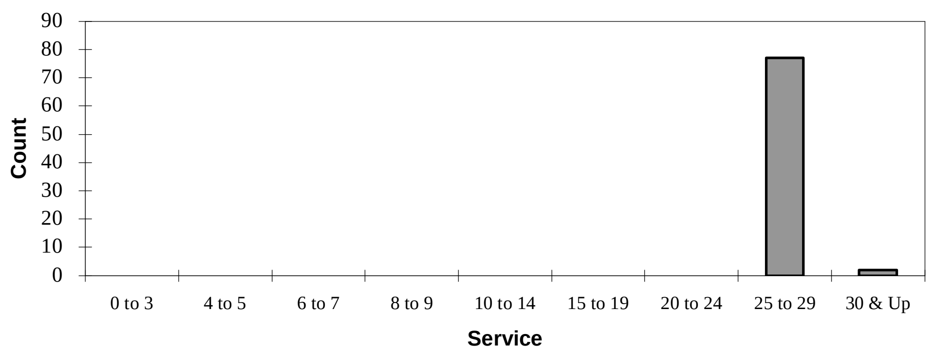
Plan 1

	Years of 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	0	1	0	1
45 to 49	0	0	0	0	0	0	0	28	0	28
50 to 54	0	0	0	0	0	0	0	33	1	34
55 to 59	0	0	0	0	0	0	0	12	1	13
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	0	77	2	79

Age Distribution



Service Distribution



APPENDIX A (continued)

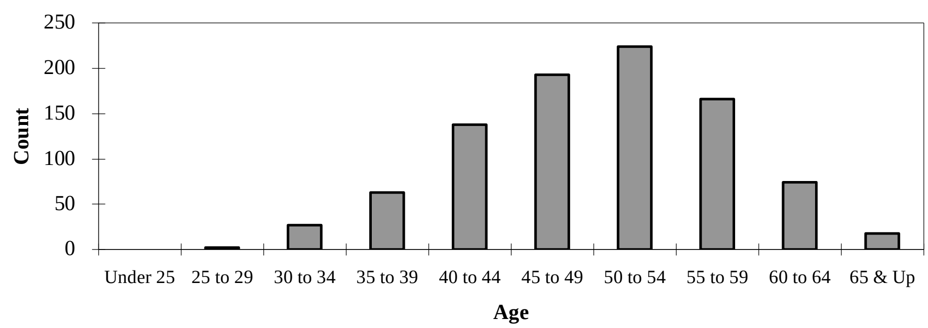
WICHITA EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

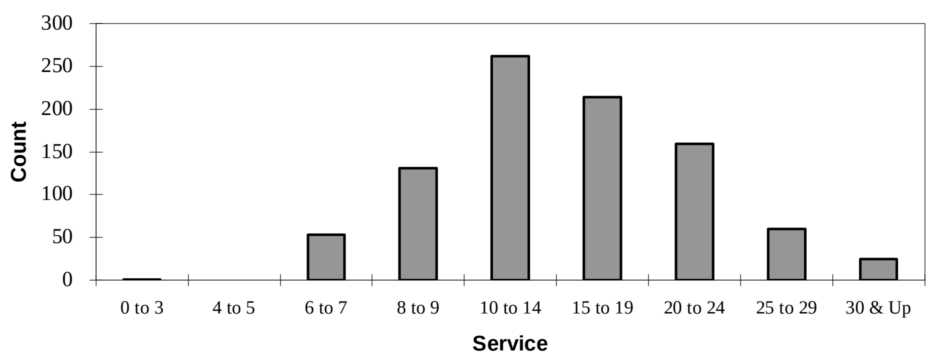
Plan 2

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
	Years of Service									
Under 25	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	1	1	0	0	0	0	2
30 to 34	0	0	6	7	14	0	0	0	0	27
35 to 39	0	0	9	14	30	9	1	0	0	63
40 to 44	0	0	9	26	37	39	23	4	0	138
45 to 49	1	0	6	22	55	58	38	12	1	193
50 to 54	0	0	10	27	56	50	46	24	11	224
55 to 59	0	0	5	25	38	41	35	12	10	166
60 to 64	0	0	6	9	23	12	14	7	3	74
65 & Up	0	0	2	0	8	5	2	1	0	18
Total	1	0	53	131	262	214	159	60	25	905

Age Distribution



Service Distribution



APPENDIX A (continued)

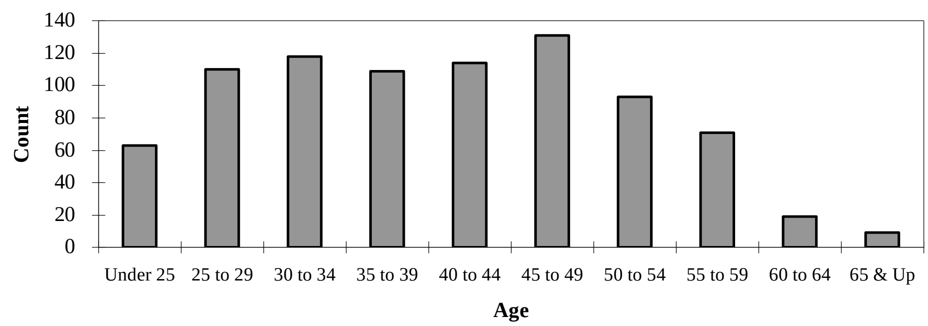
WICHITA EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

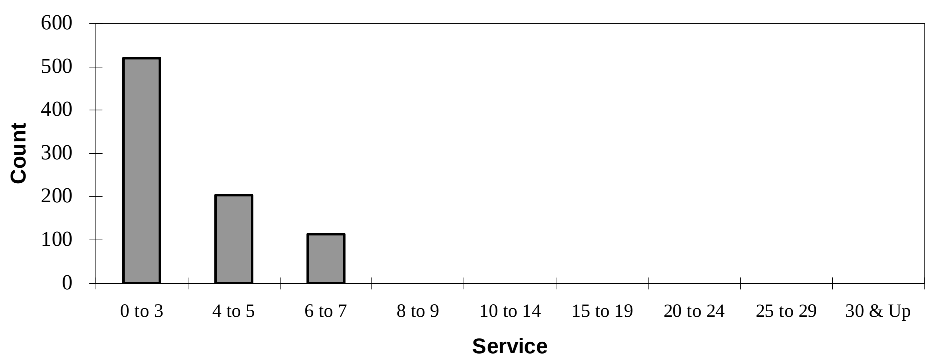
Plan 3

	Years of 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	57	6	0	0	0	0	0	0	0	63
25 to 29	80	21	9	0	0	0	0	0	0	110
30 to 34	73	24	21	0	0	0	0	0	0	118
35 to 39	64	28	17	0	0	0	0	0	0	109
40 to 44	69	29	16	0	0	0	0	0	0	114
45 to 49	81	33	17	0	0	0	0	0	0	131
50 to 54	46	31	16	0	0	0	0	0	0	93
55 to 59	39	21	11	0	0	0	0	0	0	71
60 to 64	9	7	3	0	0	0	0	0	0	19
65 & Up	3	3	3	0	0	0	0	0	0	9
Total	521	203	113	0	0	0	0	0	0	837

Age Distribution



Service Distribution



APPENDIX A (continued)

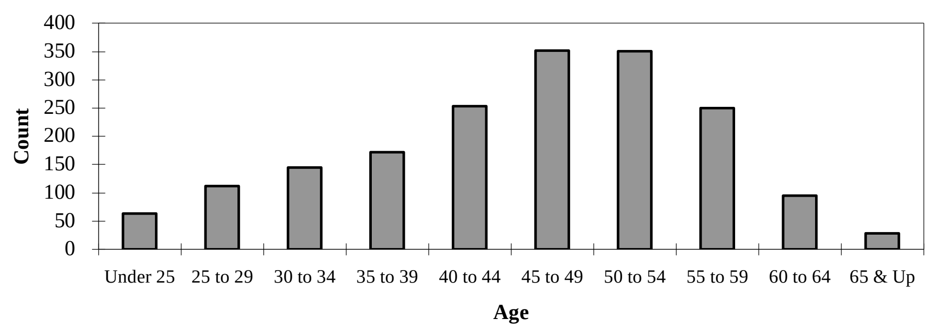
WICHITA EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF ACTIVE MEMBERS
(Excluding DROP Members)
as of December 31, 2006

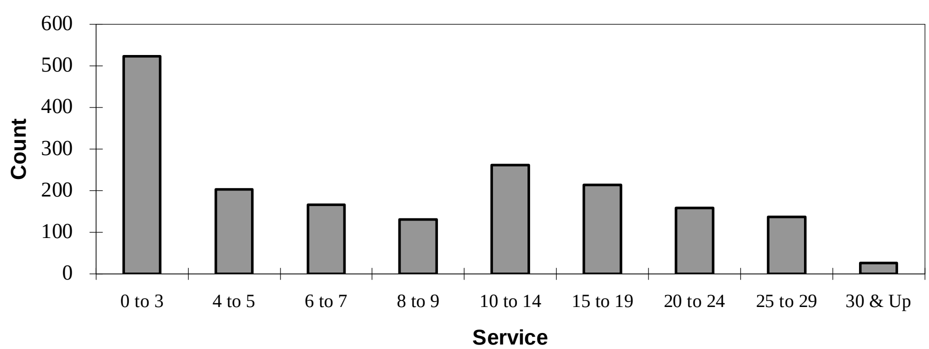
All Plans

	Years of 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	57	6	0	0	0	0	0	0	0	63
25 to 29	80	21	9	1	1	0	0	0	0	112
30 to 34	73	24	27	7	14	0	0	0	0	145
35 to 39	64	28	26	14	30	9	1	0	0	172
40 to 44	69	29	25	26	37	39	23	5	0	253
45 to 49	82	33	23	22	55	58	38	40	1	352
50 to 54	46	31	26	27	56	50	46	57	12	351
55 to 59	39	21	16	25	38	41	35	24	11	250
60 to 64	9	7	9	9	23	12	14	9	3	95
65 & Up	3	3	5	0	8	5	2	2	0	28
Total	522	203	166	131	262	214	159	137	27	1,821

Age Distribution



Service Distribution



WICHITA EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF DROP MEMBERS
as of December 31, 2006

Plan 1

	Service					
Age	Under 20	20 to 24	25 to 29	30 to 34	35 & Up	Total
Under 50	0	0	5	0	0	5
50-54	0	0	20	0	0	20
55-59	0	0	18	1	0	19
60-64	0	0	8	1	0	9
65 & Up	0	0	1	1	0	2
Total	0	0	52	3	0	55

	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	5	5
50-54	0	1	0	0	19	20
55-59	0	1	0	3	15	19
60-64	0	1	1	1	6	9
65 & Up	0	0	1	0	1	2
Total	0	3	2	4	46	55

Age	Monthly Benefits	Estimated Balance
Under 50	$ 13,258	$ 170,738
50-54	68,101	1,424,613
55-59	75,274	2,608,694
60-64	29,465	774,278
65 & Up	5,520	106,714
Total	$ 191,618	$ 5,085,037

WICHITA EMPLOYEES' RETIREMENT SYSTEM

DISTRIBUTION OF DROP MEMBERS
as of December 31, 2006

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	0	0	0	0	0	0	0
60-64	0	1	4	6	1	1	0	13
65 & Up	1	0	1	2	0	0	0	4
Total	1	1	5	8	1	1	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	0	0
60-64	0	0	9	1	3	13
65 & Up	0	1	1	0	2	4
Total	0	1	10	1	5	17

Age	Monthly Benefits	Estimated Balance
Under 50	$ 0	$ 0
50-54	0	0
55-59	0	0
60-64	21,298	433,767
65 & Up	4,437	159,442
Total	$ 25,735	$ 593,209

APPENDIX A (continued)

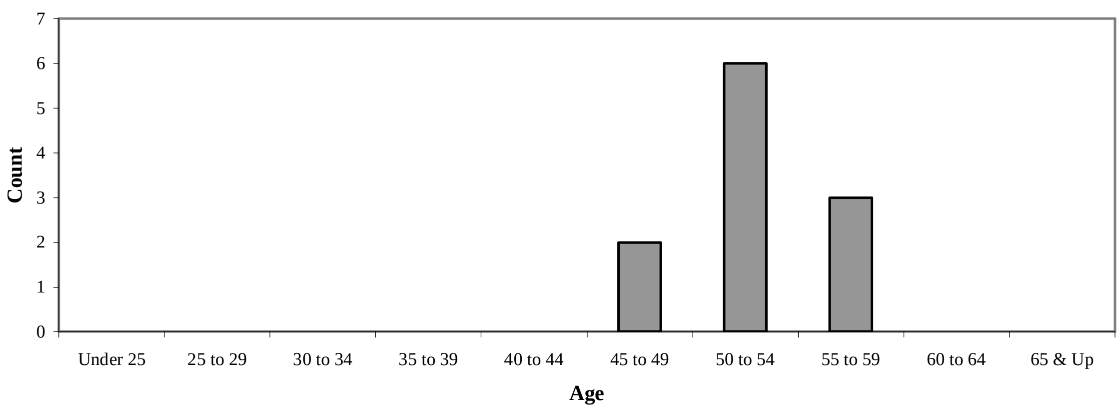
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF DEFERRED VESTED MEMBERS
as of December 31, 2006

Plan 1

	Number			Current Monthly Benefit at Retirement		
Age	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	0	0	0	-	-	-
45 to 49	0	2	2	-	2,394	2,394
50 to 54	3	3	6	6,008	5,569	11,577
55 to 59	3	0	3	4,345	-	4,345
60 to 64	0	0	0	-	-	-
65 & Up	0	0	0	-	-	-
Total	6	5	11	$ 10,352	$ 7,962	$ 18,315

Age Distribution



APPENDIX A (continued)

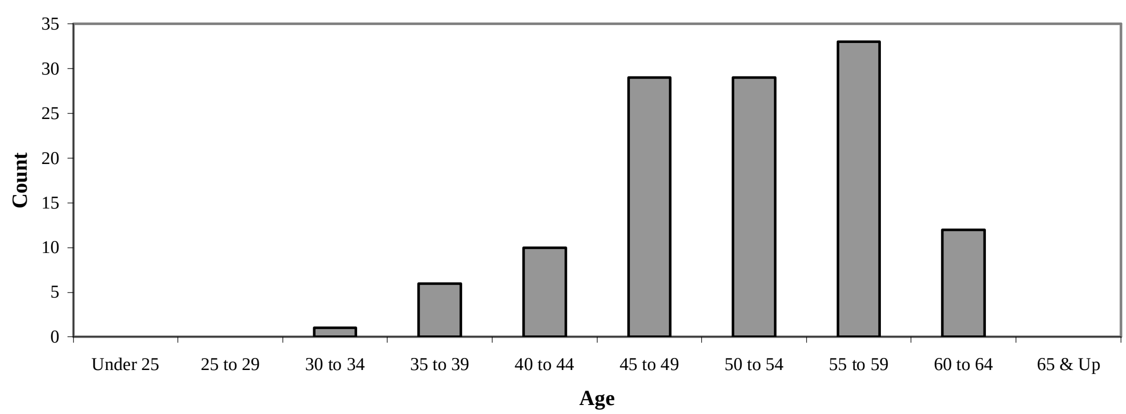
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF DEFERRED VESTED MEMBERS
as of December 31, 2006

Plan 2

	Number			Current Monthly Benefit at Retirement		
Age	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	0	0	0	-	-	-
30 to 34	0	1	1	-	861	861
35 to 39	3	3	6	1,817	3,702	5,519
40 to 44	5	5	10	5,501	5,976	11,477
45 to 49	13	16	29	16,782	18,005	34,787
50 to 54	15	14	29	19,907	16,703	36,610
55 to 59	15	18	33	19,000	23,103	42,103
60 to 64	7	5	12	12,642	8,071	20,713
65 & Up	0	0	0	-	-	-
Total	58	62	120	$ 75,649	$ 76,420	$ 152,069

Age Distribution



APPENDIX A (continued)

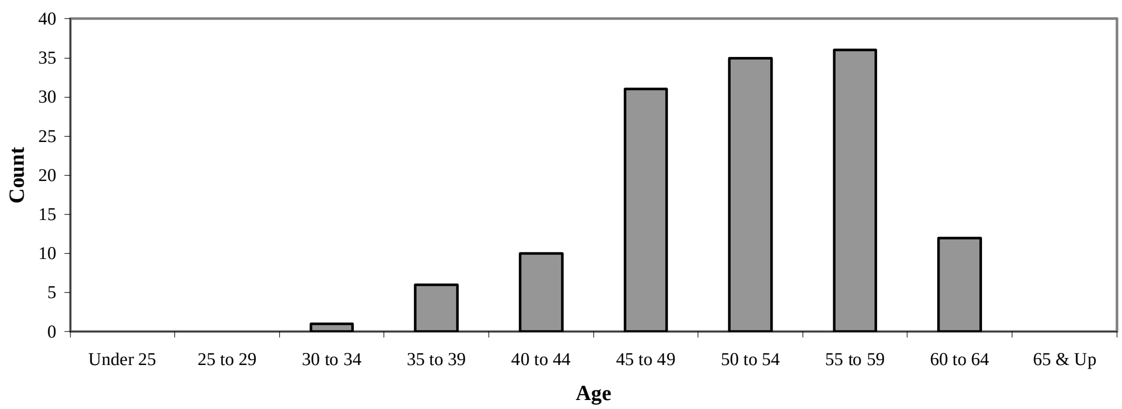
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF DEFERRED VESTED MEMBERS
as of December 31, 2006

All Plans

	Number			Current Monthly Benefit at Retirement		
Age	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	0	0	0	-	-	-
30 to 34	0	1	1	-	861	861
35 to 39	3	3	6	1,817	3,702	5,519
40 to 44	5	5	10	5,501	5,976	11,477
45 to 49	13	18	31	16,782	20,398	37,180
50 to 54	18	17	35	25,915	22,272	48,187
55 to 59	18	18	36	23,344	23,103	46,447
60 to 64	7	5	12	12,642	8,071	20,713
65 & Up	0	0	0	-	-	-
Total	64	67	131	$ 86,001	$ 84,383	$ 170,384

Age Distribution



APPENDIX A (continued)

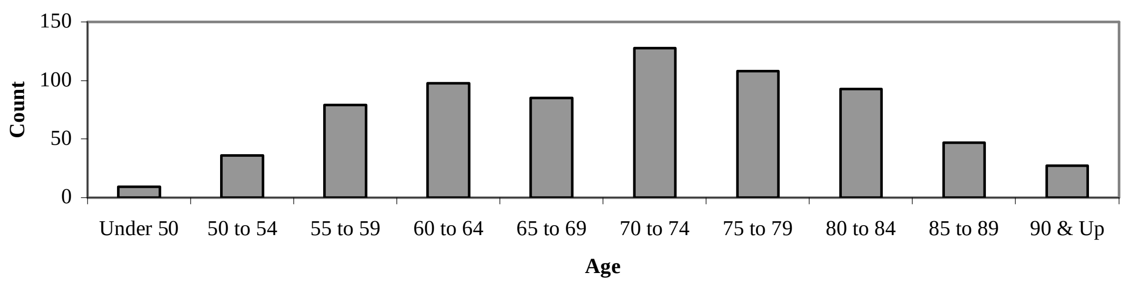
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF RETIRED MEMBERS*
as of December 31, 2006

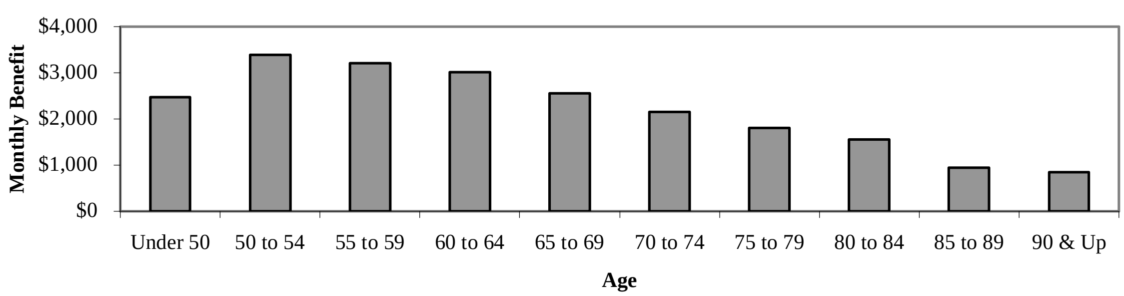
Plan 1

	Number			Monthly Benefit		
Age	Male	Female	Total	Male	Female	Total
Under 50	5	4	9	$ 13,599	$ 8,672	$ 22,271
50 to 54	23	13	36	79,565	42,548	122,112
55 to 59	56	23	79	196,036	57,283	253,319
60 to 64	69	29	98	226,030	68,801	294,831
65 to 69	60	25	85	169,871	46,976	216,848
70 to 74	77	51	128	176,915	98,223	275,138
75 to 79	68	40	108	145,527	49,180	194,708
80 to 84	42	51	93	92,986	51,527	144,513
85 to 89	23	24	47	24,209	19,970	44,180
90 & Up	10	17	27	11,986	10,772	22,758
Total	433	277	710	$ 1,136,724	$ 453,952	$ 1,590,676

Age Distribution



Average Benefit



* Includes DROP members.

APPENDIX A (continued)

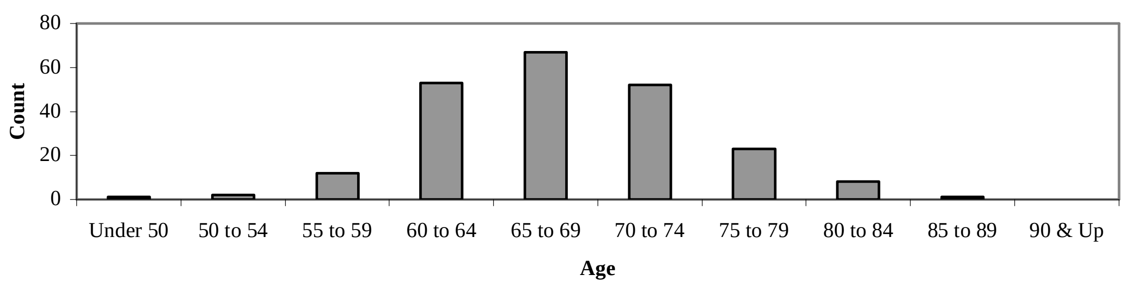
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF RETIRED MEMBERS*
as of December 31, 2006

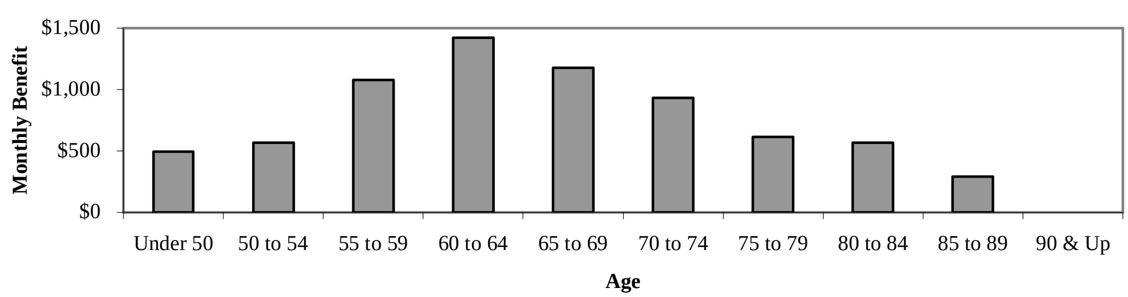
Plan 2

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	1	0	1	$ 494	$ -	$ 494
50 to 54	1	1	2	575	557	1,133
55 to 59	8	4	12	8,588	4,376	12,964
60 to 64	29	24	53	45,419	29,936	75,355
65 to 69	36	31	67	49,022	29,810	78,832
70 to 74	31	21	52	29,021	19,506	48,528
75 to 79	10	13	23	5,181	8,885	14,066
80 to 84	3	5	8	2,234	2,301	4,535
85 to 89	0	1	1	-	292	292
90 & Up	0	0	0	-	-	-
Total	119	100	219	$ 140,536	$ 95,663	$ 236,199

Age Distribution



Average Benefit



* Includes DROP members.

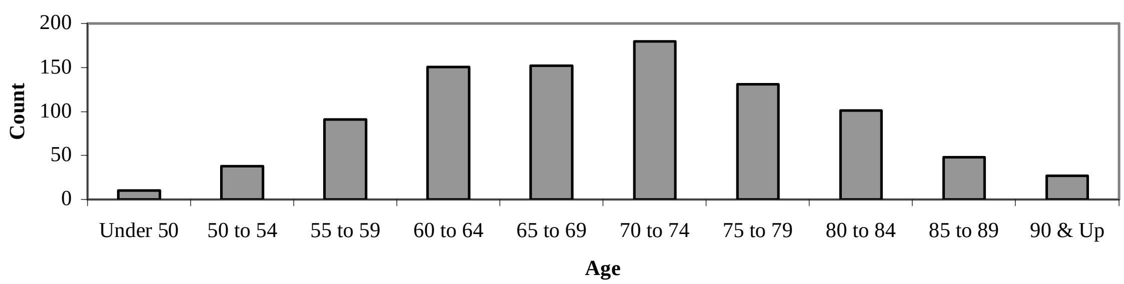
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF RETIRED MEMBERS*
as of December 31, 2006

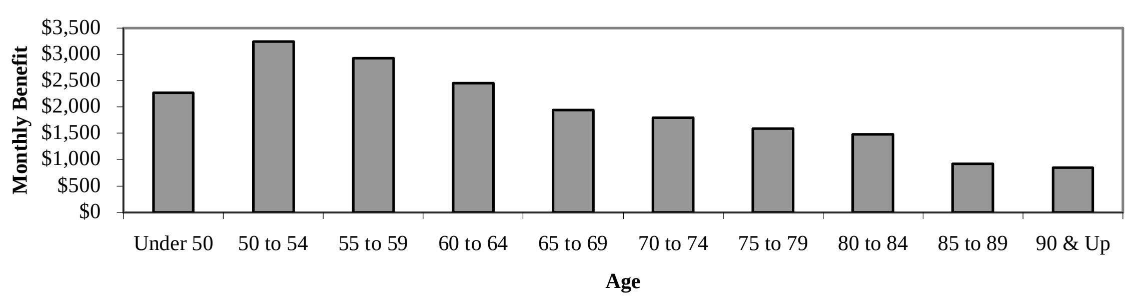
All Plans

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	6	4	10	$ 14,093	$ 8,672	$ 22,765
50 to 54	24	14	38	80,140	43,105	123,245
55 to 59	64	27	91	204,624	61,658	266,283
60 to 64	98	53	151	271,449	98,737	370,187
65 to 69	96	56	152	218,893	76,786	295,680
70 to 74	108	72	180	205,936	117,729	323,665
75 to 79	78	53	131	150,708	58,065	208,774
80 to 84	45	56	101	95,220	53,828	149,048
85 to 89	23	25	48	24,209	20,262	44,471
90 & Up	10	17	27	11,986	10,772	22,758
Total	552	377	929	$ 1,277,260	$ 549,616	$ 1,826,876

Age Distribution



Average Benefit



* Includes DROP members.

APPENDIX A (continued)

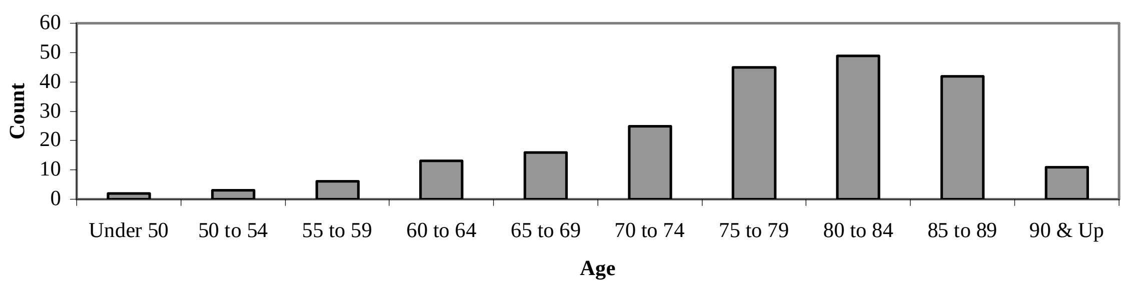
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF BENEFICIARIES
as of December 31, 2006

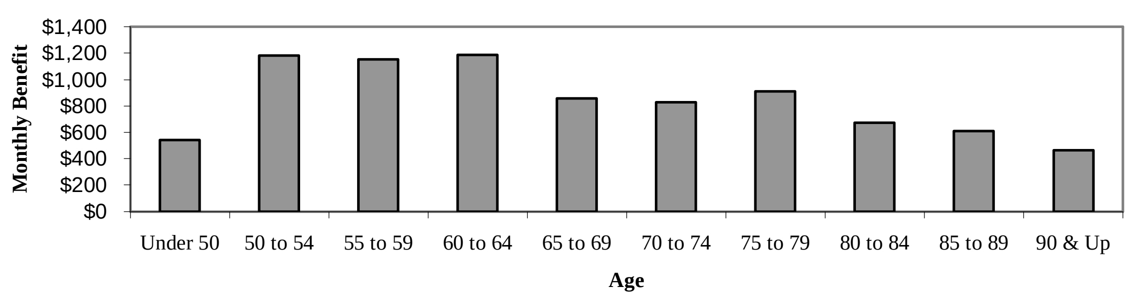
Plan 1

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	1	1	2	$ 860	$ 220	$ 1,079
50 to 54	0	3	3	-	3,551	3,551
55 to 59	0	6	6	-	6,925	6,925
60 to 64	2	11	13	1,285	14,137	15,422
65 to 69	3	13	16	2,161	11,560	13,721
70 to 74	5	20	25	3,867	16,812	20,678
75 to 79	6	39	45	2,224	38,724	40,947
80 to 84	5	44	49	2,579	30,454	33,033
85 to 89	2	40	42	440	25,208	25,648
90 & Up	0	11	11	-	5,097	5,097
Total	24	188	212	$ 13,416	$ 152,686	$ 166,102

Age Distribution



Average Benefit



APPENDIX A (continued)

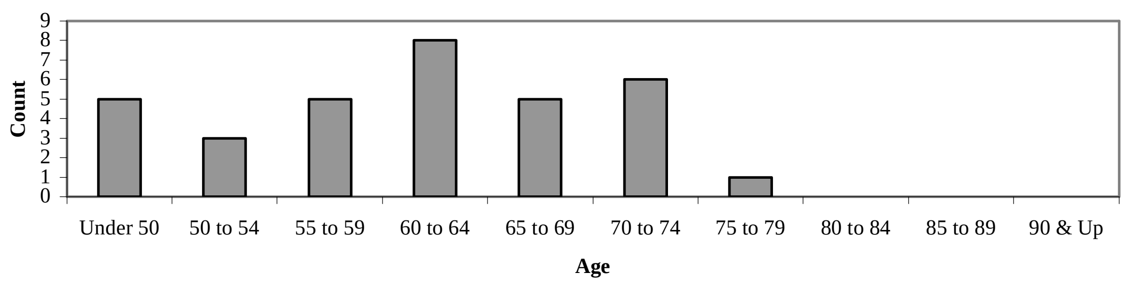
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF BENEFICIARIES
as of December 31, 2006

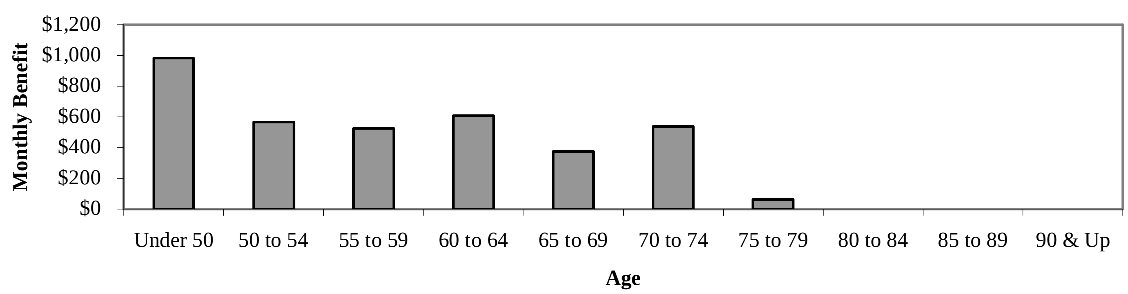
Plan 2

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	1	4	5	$ 1,038	$ 3,875	$ 4,913
50 to 54	0	3	3	-	1,699	1,699
55 to 59	0	5	5	-	2,632	2,632
60 to 64	1	7	8	560	4,296	4,856
65 to 69	1	4	5	151	1,731	1,882
70 to 74	0	6	6	-	3,226	3,226
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	3	30	33	$ 1,749	$ 17,522	$ 19,271

Age Distribution



Average Benefit



APPENDIX A (continued)

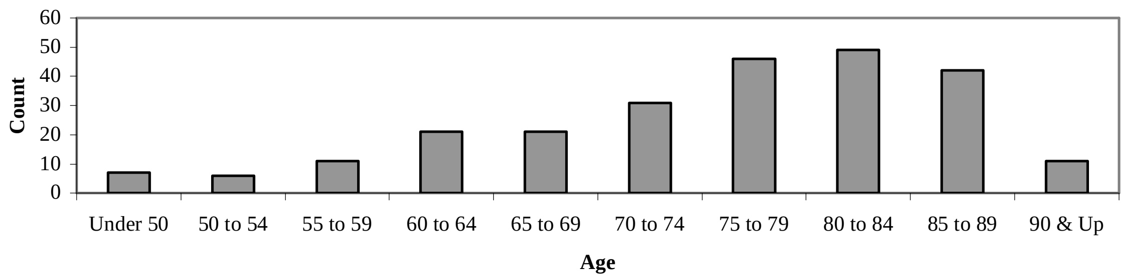
WICHITA EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF BENEFICIARIES
as of December 31, 2006

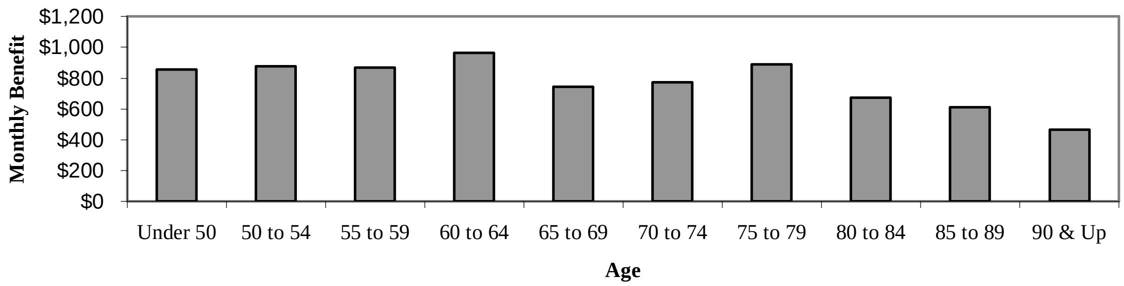
All Plans

Age	Number			Monthly Benefit		
	Male	Female	Total	Male	Female	Total
Under 50	2	5	7	$ 1,898	$ 4,094	$ 5,992
50 to 54	0	6	6	-	5,250	5,250
55 to 59	0	11	11	-	9,557	9,557
60 to 64	3	18	21	1,846	18,433	20,278
65 to 69	4	17	21	2,312	13,290	15,602
70 to 74	5	26	31	3,867	20,038	23,905
75 to 79	6	40	46	2,224	38,787	41,011
80 to 84	5	44	49	2,579	30,454	33,033
85 to 89	2	40	42	440	25,208	25,648
90 & Up	0	11	11	-	5,097	5,097
Total	27	218	245	$ 15,165	$ 170,207	$ 185,373

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.

<u>Normal Retirement (no reduction factor)</u>

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 Final Average Salary to a maximum of 75% of Final Average Salary.
Plan 2: Service times 2.25% of Final Average Salary, to a maximum of 75% of Final Average Salary (effective January 1, 2000).

Final Average Salary – all plans: Average for the 3 consecutive years of service which produce the highest average and which are within the last 10 years of service.

<u>Early Retirement (with reduction factor)</u>

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, up to maximum of 50.4% at age 55.

Deferred Retirement (Vested Termination)

***Eligibility* –** 7 or more years of service. A 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. A terminated employee may elect a refund of employee contributions, plus applicable interest, 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 Final Average Salary plus 1% of Final Average Salary for each year of service in excess of 7 years. Maximum is 50% of Final Average Salary.
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 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 contributions, plus applicable interest, 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 months of retirement and annually thereafter.
Plan 2: If retired on or after January 1, 2000: Completion of 12 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.

SUMMARY OF BENEFIT PROVISIONS
DEFINED CONTRIBUTION 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 Entry Age Normal 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 Normal actuarial cost method allocates the actuarial present value of each member's projected benefits on a level basis over the member's assumed pensionable compensation rates between the entry age of the member and the assumed exit ages.

The portion of the actuarial 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 liability. Deducting actuarial assets from the actuarial liability determines the unfunded actuarial liability or (surplus). The unfunded actuarial liability/(surplus) is financed as a level percent of member payroll over an open 20 year period.

Actuarial Assumptions

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.

APPENDIX C (continued)

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, 1981 valuation, although the allocation between inflation and real return has changed periodically, most recently 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

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
	12-31-06	12-31-05	12-31-04	12-31-03	12-31-02	
Average pay	5.2%	1.0%	4.1%	2.3%	2.3%	3.0%
Total payroll	6.3%	2.4%	4.3%	0.1%	4.2%	3.4%

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 and Beneficiaries: RP-2000 Healthy Annuitant Tables
(ages set forward 2 years for males, 0 for females)
Disabled Retirees: RP-2000 Disabled Table
Active Members: RP-2000 Employee Table (ages set forward 2 years for males, 0 for females)

The RP-2000 Tables are used with generational mortality.

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 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.

	Percent Retiring During Year	
Retirement Age	**Plan 1**	**Plan 2**
< 55	0%	0%
55	20	5
56	15	5
57	15	5
58	15	5
59	15	5
60	15	5
61	15	5
62	50	40
63	40	40
64	20	25
65	100	50
66	N/A	15
67	N/A	15
68	N/A	15
69	N/A	15
70	N/A	100

In addition, the following assumptions would apply to members in this category:

Plan 1: 70% of members with 30 or more years of service will elect the DROP with an average DROP period of 48 months. The remaining 30% are assumed to retire immediately.

Plan 2: 70% of members with 33.33 or more years of service and are at least age 62 will elect the DROP with an average DROP period of 36 months.

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

This assumption was first used in the December 31, 2006 actuarial valuation.

APPENDIX C (continued)

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.

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

This assumption was first used for the December 31, 2004 valuation.

Administrative Expenses: 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.

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

This table was first used for the December 31, 2004 actuarial valuation.

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

Sample Ages	% of Active Members Becoming Disabled During Next Year
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 whole year at the start of the year in which the decrement is assumed to occur.

Benefit Service: Service calculated to the nearest month 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.

APPENDIX C (continued)

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 Service Credit. This assumption was changed with the December 31, 2004 valuation.
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", or "actuarial 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.