LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT
Lexington, Kentucky

Policemen's & Firefighters' Retirement Fund

Report on the Valuation of the Lexington-Fayette Urban County Government Policemen's and Firefighters' Retirement Fund

Prepared as of July 1, 2008

Cavanaugh Macdonald
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October 3, 2008

Board of Trustees
Lexington Fayette Urban County Government Policemen's and Firefighters' Pension Plan
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Dear Members of the Board:

We are pleased to submit herewith the results of the biennial actuarial valuation of the Lexington Fayette Urban County Government Policemen's and Firefighters' Pension Plan prepared as of July 1, 2008. The purpose of this report is to provide a summary of the funded status of the Plan as of July 1, 2008, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability.

The promised benefits of the Plan are included in the actuarially calculated contribution rates which are developed using the entry age cost method. Actuarial value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions that are equal to regular interest on the unfunded accrued liability in perpetuity. The annual required employer contribution rate is 46.63% of payroll for the plan years ending June 30, 2010 and June 30, 2011. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. The annual required contribution (ARC) of the Government under GASB for the fiscal year ending June 30, 2010 is 46.63% of payroll, which will liquidate the unfunded accrued liability over a 23 year period on the assumption that payroll will increase 3% annually.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

We trust that the report will meet the approval of the Board and will furnish the desired information concerning the financial condition of the Plan. The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Thomas J Cavanaugh

Thomas J. Cavanaugh, FSA, FCA, MAAA, EA
Chief Executive Officer

TJC:bdm

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ON THE VALUATION
PREPARED AS OF JULY 1, 2008

SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the current and preceding valuations are summarized below.

Valuation Date	**July 1, 2008**	**7/01/2006**
Active members:		
Number	1,052	1,065
Annualized compensation	$ 61,368,960	$ 57,192,876
Retired members and beneficiaries:		
Number	848	825
Annual benefits	$ 31,250,416	$ 27,469,773
Assets:		
Market Value	$ 398,527,961	$ 370,945,480
Actuarial Value	418,311,038	373,314,278
Unfunded actuarial accrued liability	$ 246,624,318	$ 221,490,170
Amortization Period	23	23
Fiscal Year Ending	**June 30, 2010**	**June 30, 2008**
Government annual required contribution rate (ARC):		
Normal	16.86%	18.06%
Accrued liability	29.77	28.69
Total	46.63%	46.75%
Member contribution rate	11.00%	11.00%

2. The major benefit and contribution provisions of the Plan as reflected in the valuation are summarized in Schedule G. The actual cost-of-living allowances granted under Section 67A.690 through July 1, 2008 were reflected in the valuation.

3. The development of the actuarial value of assets is shown in Schedule C. Schedule E of this report outlines the full set of actuarial assumptions and methods used in the valuation.

4. The entry age actuarial cost method was used to prepare the valuation. Schedule F contains a brief description of the actuarial cost method.

5. Comments on the valuation results as of July 1, 2008 are given in Section IV and further discussion of the contributions is set out in Section V. The valuation has been prepared with a future cost-of-living assumption of 3% per year, since historical cost-of-living increases have averaged 3% per year.

SECTION II – MEMBERSHIP DATA

1. Data regarding the membership of the Plan for use as a basis of the valuation were furnished by the Government. The valuation included 1,052 active members with annualized compensation totaling $61,368,960.

2. The following table shows the number of retired members and beneficiaries as of July 1, 2008 together with the amount of their annual retirement benefits payable under the Plan as of that date.

THE NUMBER AND ANNUAL BENEFITS OF RETIRED MEMBERS AND BENEFICIARIES AS OF JULY 1, 2008

GROUP	NUMBER*	ANNUAL RETIREMENT BENEFITS*
Service Retirements	440	$ 17,961,929
Disability Retirements	312	11,155,884
Beneficiaries of Deceased Members	96	2,132,603
Total	848	$ 31,250,416

*Does not reflect 2% COLA granted effective July 1, 2008. The results of the valuation have been adjusted to include this COLA.

3. Table 1 of Schedule H shows the distribution by age and years of membership service of the number of active members included in the valuation, while Table 2 shows the number and annual benefits of retired members and beneficiaries included in the valuation, distributed by age.

SECTION III – ASSETS

As of July 1, 2008, the total market value of assets amounted to $398,663,459, including a contribution receivable for member service purchases of $135,498. The actuarial value of assets used for the current valuation was $418,311,038. Schedule C shows the development of the actuarial value of assets as of July 1, 2008. Schedule D shows the Summary of Receipts and Disbursements.

SECTION IV – COMMENTS ON VALUATION

1. Schedule B of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the Plan as of July 1, 2008. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule E and the actuarial cost method which is described in Schedule F.

2. The valuation balance sheet shows that the Plan has total prospective liabilities of $790,621,483 of which $429,868,911 is for the prospective benefits payable on account of present retired members and beneficiaries of deceased members, and $360,752,572 is for the prospective benefits payable on account of present active members. Against these liabilities, the Plan has a total present actuarial value of assets of $418,311,038 as of July 1, 2008. The difference of $372,310,445 between the total liabilities and the total present assets represents the present value of future contributions.

3. The contributions to the Plan consist of normal contributions and accrued liability contributions. The valuation indicates that normal contributions at the rate of 27.86% of payroll are required under the entry age method. Of this amount, 11.00% is paid by the members and the remaining 16.86% is required by the Government.

4. Prospective normal contributions at the rate of 27.86% have a present value of $125,686,127. When this amount is subtracted from $372,310,445, which is the present value of the total future contributions to be made, there remains $246,624,318 as the amount of unfunded accrued liability contributions. The development of the unfunded accrued liability is shown in Schedule A.

SECTION V – CONTRIBUTIONS PAYABLE

1. Under Section 67A.520 of the law governing the Fund, the Government shall make current contributions to the Fund on an actuarially funded basis. The contributions shall be equal to an amount resulting from the application of a rate percent of salaries of active members determined by the entry age normal cost funding method (normal contribution). In addition, the Government shall contribute an amount resulting from the application of a rate percent of the salaries of active members which will provide each year regular interest on the remaining liability for prior service (accrued liability contribution). In any event the total contribution of the Government shall be at least seventeen percent of salaries of the active members participating in the fund.
2. The normal contribution rate is calculated as the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. On the basis of the valuation, the normal contribution rate was determined to be 27.86%.
3. Each member shall contribute an amount equal to 11.00% of current salary each year.
4. The Government's normal contribution rate is equal to the difference between the normal contribution rate of 27.86% and the member contribution rate of 11.00%, or 16.86% of payroll.
5. The annual accrued liability contribution rate is determined to be 29.77% of payroll. This amount is equal to the regular interest on the prior service liability in perpetuity. Contributions at this level would be sufficient to amortize the unfunded accrued liability over a 23 year period on the assumption that payroll will increase 3% annually.
6. The required employer contribution rate for the plan years ending June 30, 2010 and June 30, 2011 is, therefore, 46.63% of payroll.
7. The following table summarizes the employer contributions which were determined by the July 1, 2008 valuation and are recommended for use.

ANNUAL REQUIRED CONTRIBUTION RATE
FOR PLAN YEAR ENDING JUNE 30, 2010

CONTRIBUTION	PERCENTAGE OF ACTIVE MEMBERS' COMPENSATION
Normal	16.86%
Accrued Liability	29.77
Total	46.63%

SECTION VI – ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statements of the Plan and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF JULY 1, 2008

GROUP	NUMBER
Retired participants and beneficiaries currently receiving benefits	848
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	0
Active Participants	1,052
Total	1,900

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
7/01/2003	$288,541,052	$436,508,177	$147,967,125	66.1%	$40,622,159	364.3%
7/01/2004	329,683,295	467,385,573	137,702,278	70.5	40,316,319	341.6
7/01/2005	355,459,416	520,683,849	165,224,433	68.3	51,726,085	319.4
7/01/2006	373,314,278	594,804,448	221,490,170	62.8	57,192,876	387.3
7/01/2007	397,712,302	627,939,926	230,227,624	63.3	57,717,156	398.9
7/01/2008	418,311,038	664,935,356	246,624,318	62.9	61,368,960	401.9

3. Following is the calculation of the annual pension cost and net pension obligation for the fiscal year ending June 30, 2008.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending June 30, 2008

(a)	Employer annual required contribution	$ 26,980,795
(b)	Interest on net pension obligation	1,340,138
(c)	Adjustment to annual required contribution	1,239,986
(d)	Annual pension cost (a) + (b) – (c)	$ 27,080,947
(e)	Employer contributions made for fiscal year ending June 30, 2008	18,791,796
(f)	Increase (decrease) in net pension obligation (d) – (e)	$ 8,289,151
(g)	Net pension obligation beginning of fiscal year	16,751,720
(h)	Net pension obligation end of fiscal year (f) + (g)	$ 25,040,871

TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
June 30, 2004*	$10,619,518	96.5%	$16,172,843
June 30, 2005*	12,629,414	82.6%	17,113,189
June 30, 2006	12,625,784	111.8%	15,624,795
June 30, 2007	17,633,647	93.6%	16,751,720
June 30, 2008	27,080,947	69.4%	25,040,871

*Reported by a prior actuarial firm.

4. The annual required contribution (ARC) as a percentage of payroll, determined in accordance with the parameters of GASB 25/27, is shown below.

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)	FISCAL YEAR ENDING JUNE 30, 2010
Normal (including expenses)	16.86%
Accrued liability	29.77
Total	46.63%

5. Additional information as of July 1, 2008 follows:

Valuation date	7/01/2008
Actuarial cost method	Entry age
Amortization period	Level percent of payroll open
Remaining amortization period	23 years
Asset valuation method	Market Related Value
Actuarial assumptions:	
Investment rate of return (includes inflation)	8.00%
Projected salary increases (includes inflation)	5.00%
Inflation	3.00%
Cost-of-living adjustments	3.00%

SECTION VII – EXPERIENCE

1.. The following table shows the estimated change in the unfunded accrued liability from various factors that resulted in an increase of $25,134,148 in the unfunded accrued liability from $221,490,170 as of July 1, 2006 to $246,624,318 as of July 1, 2008.

ANALYSIS OF FINANCIAL EXPERIENCE
CHANGE IN UNFUNDED ACCRUED LIABILITY

ITEM	AMOUNT OF INCREASE/(DECREASE)
Interest (8.00%) added to previous unfunded accrued liability	$ 36,855,964
Accrued Liability Contributions	(10,006,996)
Recognized Asset Gains	(1,265,119)
COLA Loss	(4,141,337)
Liability (Gain)/Loss	3,691,636
Increase in Unfunded Accrued Liability	$25,134,148

SCHEDULE A

DEVELOPMENT OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

(1)	Present value of prospective benefits:		
	(a)	Present active members	$ 360,752,572
	(b)	Present retired members, beneficiaries and former members entitled to deferred vested benefits	429,868,911
	(c)	Total	$ 790,621,483
(2)	Present value of future Government and member normal contributions before expenses		125,686,127
(3)	Actuarial accrued liabilities 1(c) – (2)		$ 664,935,356
(4)	Actuarial value of assets		418,311,038
(5)	Unfunded actuarial accrued liability (3) – (4)		$ 246,624,318

SCHEDULE B

VALUATION BALANCE SHEET

ACTUARIAL LIABILITIES		
Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits		$ 429,868,911
Present value of prospective benefits payable on account of present active members		$ 360,752,572
Total liabilities		$ 790,621,483
PRESENT AND PROSPECTIVE ASSETS		
Actuarial value of assets		$ 418,311,038
Present value of future contributions		
Government and member normal contributions	125,686,127	
Unfunded accrued liability contributions	246,624,318	
Total prospective contributions		$ 372,310,445
Total assets		$ 790,621,483

SCHEDULE C
Development of Actuarial Value of Assets
($ thousands)

	Valuation Date June 30:	2007	2008	2009	2010	2011	2012
A.	Actuarial Value Beginning of Year	$373,314	$397,712				
B.	Market Value End of Year	409,718	398,528				
C.	Market Value Beginning of Year	370,945	409,718				
D.	Cash Flow						
	D1. Contributions	23,259	25,759				
	D2. Other Revenue	0	0				
	D3. Benefit Payments	(31,153)	(33,316)				
	D4. Administrative Expenses	(107)	(104)				
	D5. Investment Expenses	(1,545)	(1,567)				
	D6. Net	(9,546)	(9,228)				
E.	Investment Income						
	E1. Market Total: B.-C.-D6.	48,318	(1,962)				
	E2. Assumed Rate	8.00%	8.00%				
	E3. Amount for Immediate Recognition	31,090	34,038				
	E4. Amount for Phased-In Recognition	17,227	(35,999)				
F.	Phased-In Recognition of Investment Income						
	F1. Current Year: 0.20*E4.	3,445	(7,200)				
	F2. First Prior Year	(592)	3,445	(7,200)			
	F3. Second Prior Year	0	(592)	3,445	(7,200)		
	F4. Third Prior Year	0	0	(592)	3,445	(7,200)	
	F5. Fourth Prior Year	0	0	0	(592)	3,445	(7,200)
	F6. Total Recognized Investment Gain	2,853	(4,347)	(4,347)	(4,347)	(3,755)	(7,200)
	Receivable		135				
G.	Actuarial Value End of Year:						
	A.+D6.+E3.+F6.	397,712	418,311				
H.	Difference Between Market & Actuarial Values	12,005	(19,783)				

The Actuarial Valuation of Assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than market value. If assumed rates are exactly realized for 4 consecutive years, actuarial value will become equal to market value.

* Actuarial value of assets was set equal to market value on July 1, 2005. Smoothing commenced in 2006 with an additional constraint that actuarial value of assets cannot be less than 80% nor more than 120% of market value.

SCHEDULE D

SUMMARY OF RECIEPTS AND DISBURSEMENTS

Receipts for the Period		
Contributions:		
Members	$	6,862,663
Employer		18,896,184
Total		25,758,847
Investment Income		(3,450,957)
TOTAL	$	22,307,890
Disbursements for the Period		
Benefit Payments		33,170,539
Refunds to Members		145,795
Administrative Expense		103,601
TOTAL	$	33,419,935
Excess of Receipts over Disbursements	$	(11,189,547)
Reconciliation of Asset Balances		
Market Value of Assets as of July 1, 2007	$	409,717,508
Excess of Receipts over Disbursements		(11,189,547)
Market Value of Assets as of July 1, 2008	$	398,527,961
Contribution Receivable		135,498
Market Value of Assets as of July 1, 2008 including Receivable		398,663,459
Rate of Return on Market Value of Assets		(0.87)%

SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

INVESTMENT RATE OF RETURN: 8.00% per year, compounded annually.

SALARY INCREASES: Representative values of the assumed annual rates of salary increases are as follows:

Age	Rate
20	5.00%
25	5.00
30	5.00
35	5.00
40	5.00
45	5.00
50	5.00
55	5.00

SEPARATIONS FROM ACTIVE SERVICE: For death rates, the UP 1994 Mortality Table projected to 2002 set forward three years was used. Representative values of the assumed annual rates of separation from active service are as follows:

	Annual Rate of			
	Withdrawal	Disability	Death	
Age			Male	Female
20	6.58%	1.00%	0.05%	0.03%
25	5.27	1.00	0.07	0.03
30	4.83	1.40	0.09	0.04
35	4.47	1.40	0.10	0.06
40	3.84	2.00	0.14	0.08
45	3.21	2.50	0.20	0.11
50	1.52	3.00	0.33	0.18
55	0.33	3.00	0.58	0.34

SERVICE RETIREMENT: Representative annual rates of assumed service retirement are as follows:

Service	Rate
20	25.0%
21	10.0
22	11.1
23	12.5
24	14.3
25	16.7
26	20.0
27	25.0
28	33.3
29	50.0
30	100.0

DEATHS AFTER RETIREMENT: The UP 1994 Mortality Table projected to 2002 is used for the period following service retirement and for beneficiaries of deceased members. For disabled lives, mortality was assumed to be consistent with rates issued by the IRS in Revenue Ruling 96-7 for use in determining current liability for disabled lives prior to January 1, 1995.

OCCUPATIONAL VS. NON OCCUPATIONAL DEATH: 20% of all deaths are assumed to be due to occupational causes.

OCCUPATIONAL VS. NON OCCUPATIONAL DISABILITY: 75% of disabilities are assumed to be due to occupational causes. For occupational disabilities the average benefit percentage is assumed to be 67.5%.

PERCENT MARRIED: 75% of employees who die before retirement are assumed to be married with the husband 3 years older than the wife. 85% of employees who die after retirement are assumed to be married with the husband 3 years older than the wife.

ASSETS: Actuarial value, as developed in Schedule C. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value.

VALUATION METHOD: Entry age actuarial cost method. See Schedule F for a brief description of this method.

SCHEDULE F

ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 8.00%), of each member's expected benefits at retirement or death is determined, based on age, service and sex. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the entry age actuarial cost method. Under this method, a calculation is made to determine the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability is determined by subtracting the present value of prospective employer normal contributions and member contributions, together with the current actuarial value of assets held, from the present value of expected benefits to be paid from the Plan.

SCHEDULE G

SUMMARY OF MAIN PLAN PROVISIONS
AS INTERPRETED FOR VALUATION PURPOSES

Member	Any member of the police and fire department who is included in the membership of the fund.
Membership Service	Service rendered on or after the date of establishment of the fund or the fund of a city existing within the boundaries of the government immediately prior to the establishment of the urban-county government.
Total Service	Prior service, membership service, and service credit purchased by a member as provided in KRS 67A.402.
Average Salary	The highest average salary of the member for any three consecutive years of service.
Retirement Annuity	
Eligibility	Anytime after completion of 20 years of Total Service (including service purchased up to 4 years).
Benefit	Annuity is 2½% of Average Salary multiplied by years of Total Service. The minimum monthly benefit is $1,250. Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.
Occupational Disability Benefit	
Eligibility	No requirements.
Benefit	Annuity equal to a minimum of 60% of member's last rate of salary, increased above the 60% minimum by ½ the amount by which the member's percentage of disability exceeds 20%, but not greater than 75%. The member's percentage of disability shall be the average of the impairment rating determined by two physicians selected by the Board using the American Medical Association "Guide to the Evaluation of Permanent Impairment". If a member is eligible for a service retirement annuity and the amount of the service retirement annuity exceeds the amount of the disability benefit, then the member may elect to receive an additional service retirement annuity equal to this difference.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

In addition, any minor children will receive benefits as provided under the occupational death benefit provisions.

Non-Occupational Disability Benefit

Eligibility	5 years of Total Service.
Benefit	2½% of Average Salary times years of Total Service subject to a minimum payment of 25% of Average Salary and a maximum payment of 75% of Average Salary. Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form. In addition, any minor children will receive benefits provided under the non-occupational death benefit provisions.

Termination Benefit

If a member is terminated with less than 20 years of total service credit, he is entitled to a return of his accumulated contributions, without interest.

Occupational Death Benefit

Eligibility	No requirements.
Benefit	Surviving Spouse receives immediate annuity equal to 60% of the member's last rate of salary until death or remarriage. In addition, 10% of the member's last rate of salary is payable for each minor child until each child attains age 18 (age 23 if involved in educational activities). Maximum total income is 75% of final rate of salary.

If no surviving spouse or upon remarriage, then minor children will receive a benefit based on the following schedule:

One minor child	50% of Salary
Two minor children	65% of Salary
Three of more minor children	75% of Salary

Non-Occupational Death Benefit

Eligibility

5 Years of Total Service, married 6 months prior to death.

Benefit

Surviving spouse received immediate annuity equal to 1½% of the Average Salary multiplied by years of Total Service, until death or remarriage. The minimum benefit is 15% of Average Salary. In addition, this annuity is increased by ½ for the first minor child and by ¼ for each additional child. Maximum total income is 75% of Average Salary.

If no surviving spouse or upon remarriage, then minor children will receive a benefit based on the following schedule:

One minor child	50% of Salary
Two minor children	65% of Salary
Three of more minor children	75% of Salary

Member Contributions

Each active member contributes 11% of current salary.

Employer Contributions

The government shall make current contributions to the fund on an actuarially funded basis. Such contributions shall be equal to the sum of:

(1) An amount resulting from the application of a rate percent of salaries of active members determined under the entry age normal cost funding method (fixed by the board every two years), and

(2) An amount resulting from the application of a rate percent of salaries of active members which will provide each year regular interest on any remaining liability for prior service.

In any event, the total contribution of the government shall be at least 17% of salaries of active members participating in the fund.

Post Retirement Cost-Of-Living Increases

Each retired member will have his pension increased each year by an amount, to be determined by the board, of not less than 2.00% nor more than 5.00%, compounded annually. This increase shall also apply to beneficiaries of deceased members.

SCHEDULE H

TABLE 1

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE GROUPS AS OF JULY 1, 2008

Attained Age	Completed Years of Service									
	Under 1	1to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	≥ 40	Total
Under 25	1	2									3
Avg. Pay	36,480	40,548									39,192
25 to 29	10	116	16								142
Avg. Pay	37,229	43,337	49,637								43,616
30 to 34	2	84	109	21	1						217
Avg. Pay	37,104	44,115	51,204	58,823	81,780						49,208
35 to 39	2	37	104	93	39	1					276
Avg. Pay	37,482	43,980	51,473	61,417	63,833	89,112					55,601
40 to 44		20	30	45	77	26					198
Avg. Pay		43,037	50,271	60,923	70,033	77,177					63,179
45 to 49		2	9	22	40	46	7				126
Avg. Pay		44,526	50,315	63,610	69,836	80,451	91,118				72,010
50 to 54			1	3	13	26	21	2			66
Avg. Pay			146,772	56,596	73,986	84,415	89,650	120,810			84,810
55 to 59		2	1	2		3	7	2	1		18
Avg. Pay		44,412	51,204	55,542		86,452	97,620	65,928	83,292		78,275
60 to 64				1			1	2	2		6
Avg. Pay				54,972			77,028	68,232	88,110		74,114
65 to 69											
Avg. Pay											
70 & up											
Avg. Pay											
Total	15	263	270	187	170	102	36	6	3		1,052
Avg. Pay	37,196	43,649	51,435	61,090	68,935	80,888	91,135	84,990	86,504		58,336

TABLE 2

NUMBER OF RETIRED MEMBERS AND BENEFICIARIES AND THEIR BENEFITS BY AGE

Attained Age	Number of Members	Total Annual Benefits	Average Annual Benefit
50 & Under	121	$ 3,893,419	$ 32,177
51 – 55	76	2,824,370	37,163
56 – 60	178	7,339,882	41,235
61 – 65	159	6,018,728	37,854
66 – 70	136	5,307,474	39,026
71 – 75	91	3,272,822	35,965
76 – 80	45	1,503,020	33,400
Over 80	42	1,090,701	25,969
Total	848	$ 31,250,416	$ 36,852