CITY OF OMAHA
POLICE AND FIREFIGHTERS
RETIREMENT SYSTEM

Actuarial Valuation Report
as of January 1, 2008

--Revised--

CITY OF OMAHA POLICE & FIREFIGHTERS RETIREMENT SYSTEM
ACTUARIAL VALUATION REPORT

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August 19, 2008

Board of Trustees
City of Omaha
Police & Firefighters Retirement System
Omaha/Douglas Civic Center
1819 Farnam Street
Omaha, NE 68183

Re: January 1, 2008 Actuarial Report

Dear Members of the Board:

At your request, we have performed an annual actuarial valuation of the City of Omaha Police and Firefighters Retirement System as of January 1, 2008 for determining contributions for the year ended December 31, 2008. The major findings of the valuation are contained in this report. This report reflects the benefit provisions included in the Police and Fire Union contracts that expired December 31, 2007.

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 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 indicated in Appendix B.

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 the City of Omaha Police and Firefighters Retirement System for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the Police and Firefighters Retirement System operations, and used data from the Police and Firefighters Retirement System, which Milliman has not audited. It is not for the use or benefit of any third party for any 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 professionals for advice appropriate to its own specific needs.

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

Respectfully Submitted,

MILLIMAN, Inc.

I, Gregg Rueschhoff, A.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.

Gregg Rueschhoff, A.S.A.
Principal & Consulting Actuary

This report presents the results of the January 1, 2008 actuarial valuation of the City of Omaha Police & Firefighters Retirement System (the "System"). The primary purposes of performing the valuation are to:

- Determine the employer contribution rates required to fund the System on an actuarially sound basis,
- Disclose asset and liability measures as of January 1, 2008,
- Analyze and report on trends in System contributions, assets, and liabilities over the latest period.

The valuation results provide a "snapshot" view of the System's financial condition on January 1, 2008 using System asset values at December 31, 2007. The valuation results reflect an increase in the Unfunded Actuarial Liability and related Actuarial Contribution Rate. (Throughout this report we refer to the actuarially determined contribution rate as the Actuarial Contribution Rate). The main reasons for the increase include a net actuarial loss reflected for the 2007 calendar year and the fact that actual contributions in the prior year were less than the actuarially recommended rate. Each component of change in the Actuarial Contribution Rate is identified later in this Board Summary (see page 3).

Several factors contributed to the change in the System's assets, liabilities and recommended contribution rate between January 1, 2007 and December 31, 2007.

Assets

The market value of assets is not used directly in the actuarial calculation of the Plan's funded status and the recommended contribution. An asset valuation method is used to smooth the effects of market fluctuations. The actuarial value of assets is equal to 2/3 of the expected asset value (based on last year's actuarial value of assets, net cash flows and a rate of return equal to the actuarial assumed rate of 8.0%) plus 1/3 of the market value of assets. See page 7 for the detailed development of the actuarial value of assets as of January 1, 2008.

As of January 1, 2008, the System had total funds, when measured on an actuarial value basis, of $530.5 million. This was an increase of $35.7 million from the January 1, 2007 figure of $494.8 million. Based on the actuarial assumption, an increase of $36.0 million was expected over that time period.

The components of the change in the actuarial value of assets (in millions) are set forth below:

	Actuarial Value	*Market Value*
Assets, January 1, 2007	$ 494.8	$ 507.6
• employer and member contributions	+ 37.0	+ 37.0
• benefit payments	- 40.4	- 40.4
• net investment income (expected)	+ 39.4	+ 40.4
• net investment actuarial gain/(loss)	- 0.3	- 14.7
Assets, December 31, 2007	$ 530.5	$ 529.9

Liabilities

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

The calculation of the Unfunded Actuarial Liability as of January 1, 2008 is shown below:

Actuarial Liability	$ 898,199,279
Actuarial Value of Assets	$(530,496,413)
Unfunded Actuarial Liability (UAL)	$ 367,702,866
Present Value of Prior Service Payments[1]	$ (13,522,254)
UAL for Funding Purposes	$ 354,180,612

[1]The City is obligated to pay $1,327,600 per year to the System to fund a "prior service" obligation. These payments will be paid through 2028.

Between January 1, 2007 and January 1, 2008 the change in the unfunded actuarial liabilities for the System as a whole was as follows (in millions):

	$millions
Unfunded Actuarial Liability, January 1, 2007	$ 320.6
• effect of contribution shortfall in 2007	12.8
• expected increase due to amortization method	5.1
• loss from investment return	0.3
• demographic experience-salary increases	7.0
• demographic experience-retirements	10.0
• all other experience	(1.6)
• change in actuarial assumptions	0
• change in benefit provisions	0
Unfunded Actuarial Liability, January 1, 2008	$354.2

As detailed above, the UAL increased $33.6 million from the prior year. A significant portion of this increase is due to a $17.2 million actuarial loss due to unfavorable demographic experience during 2007.

Approximately $7 million of the $17.2 million loss is attributed to a larger than expected increase in pensionable earnings from 2006 to 2007 for continuing active members. Pensionable earnings for 2007 were approximately 3.5% higher than expected.

About $10 million of the $17.2 million loss is attributable to retirements that occurred in 2007. For the 2007 retirements, the highest pensionable wage used to determine the pension amount was on average 12.1% higher than the previous highest calendar year pensionable wage and 33.9% higher than the second prior calendar year pensionable wages. The number of retirements was significantly higher than expected. This factor together with the excess adjustment over the 10% assumed final wage adjustment resulted in the $10 million loss.

An evaluation of the unfunded actuarial liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both very large numbers) is reflected. 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. The change to the Entry Age Normal actuarial cost method in the 2003 valuation and the change in actuarial assumptions in the 2006 valuation both resulted in an increase in the UAL and a decrease in the funded status. The funded status information is shown below (in millions).

	1/1/03	1/1/05	1/1/06	1/1/07	1/1/08
Funded Ratio	66.1%	65.7%	61.9%	60.7%	60.0%
Unfunded Actuarial Liability (UAL)	$192.3	$220.5	$279.3	$320.6	$354.2

Contributions

Under the Entry Age Normal Actuarial Cost method, contributions to the System consist of:

- a "normal cost" for the portion of projected liabilities attributable to service of members during the year following the valuation date, and
- an "unfunded actuarial liability" contribution for the excess of the portion of projected liabilities allocated to service to date over actuarial assets.

The System's total Actuarial Contribution Rate (payable as a percent of member payroll) increased by **3.27%** of pay, to **53.20%** on January 1, 2008, from **49.93**% on January 1, 2007. The primary components of this change are as follows:

	Rate
Total Actuarial Contribution Rate, January 1, 2007	49.93%
• Actuarial (Gain)/Loss – Investment Experience	0.00
• Actuarial (Gain)/Loss – Demographic Experience	2.44
• Assumption Changes	0.00
• Contributing less than Actuarial Contribution Rate	0.83
Total Actuarial Contribution Rate, January 1, 2008	53.20%

See page 9 for a detailed calculation of the Actuarial Contribution Rate as of January 1, 2008.

Observations

The actual contributions made to the System continue to be significantly less than the Actuarial Contribution Rate. The City's contribution rate is 20.47% of pensionable payroll plus a past service payment of approximately 1.40% of payroll. The member contribution rate is 14.88% of payroll. Even with a total contribution rate of 36.75%, the actual contribution to the System will be 16.45% less than the Actuarial Contribution Rate developed in this valuation. Over the last several years, we discussed the importance of closing this contribution shortfall. If all actuarial assumptions are met and the current benefit structure and contribution rates remain unchanged, we expect the System's funded status in future years will decline significantly and the Actuarial Contribution Rate will systematically increase. The table on the bottom of page 5 illustrates the growth in the contribution shortfall over the last three years.

The shortfall between the actual contribution rate (city and member) and the Actuarial Contribution Rate results in an increase in the Unfunded Actuarial Liability and a corresponding increase in the Actuarial Contribution Rate. Under the current schedule of contribution rates, the shortfall is expected to increase in future years. The table on page 3 provides a reconciliation of the change in the Actuarial Contribution Rate from the prior valuation. As that table illustrates, the Actuarial Contribution Rate in the current valuation is 0.83% higher due to actual contributions less than the Actuarial Contribution Rate. If all actuarial assumptions are met in the future, the contribution shortfall will increase and its impact on the Actuarial Contribution Rate will also increase, possibly significantly. We strongly recommend that the contribution shortfall between the actual contribution rate and the Actuarial Contribution Rate be addressed and measures be taken to eliminate it. The longer action is delayed to address this funding shortfall, the higher the ultimate contribution rate will be.

The contribution shortfall also has an impact on the Net Pension Obligation (NPO) as determined under Governmental Accounting Standard Number 27 (GASB27). On page 12 of our report we show the development of the NPO. As of December 31, 2007 the NPO was $45.5 million, compared to $31.6 million as of December 31, 2006. The NPO will increase from year to year by interest on the NPO and by the shortfall between the actual contribution rate and the Actuarial Contribution Rate. If the currently scheduled contribution rates remain unchanged and all actuarial assumptions are met in the future, the NPO is projected to exceed $100 million by 2011.

Bargaining agreements with the Police and Fire unions expired at the end of 2007. New agreements are not yet in place, so this valuation assumes continuation of the existing previous contract provisions. The Fire Union's Executive Board accepted an offer from the City on July 31, 2008, which will now be submitted to the union members and City Council for approval. The proposed contract would increase pension contributions over the next several years and would change the pension benefit formula; these adjustments would have a positive effect on the funded status of the pension system.

Summary of Principal Results

	2006 Valuation	2007 Valuation	2008 Valuation
1. Participant Data			
Number of:			
Active Members	1,412	1,423	1,335
Service Retirements	639	684	847
Surviving Spouses and Children	276	272	279
Disabled	257	252	249
Deferred Vested	8	9	13
Annual Salaries of Active Members	$86,312,287	$93,882,241	$91,778,346
Average Salary	61,128	65,975	68,748
Average Age of Active Members	39.7	39.8	38.6
2. Assets and Liabilities			
Total Actuarial Liability	$746,490,736	$829,097,202	$898,199,279
Assets for Valuation Purposes	453,172,392	494,753,150	530,496,413
Unfunded Actuarial Liability (UAL)	293,318,344	334,344,052	367,702,866
Present Value of Prior Service Payments	(14,000,484)	(13,770,566)	(13,522,254)
UAL for Funding Purposes	279,317,860	320,573,486	354,180,612
3. Contribution Rates			
Actuarial Contribution Rate	48.86%	49.93%	53.20%
Member Contribution Rate	14.94%[1]	14.95%[1]	14.88%[1]
Employer Contribution Rate	20.55%[1]	20.57%[1]	20.47%[1]
Employer "Past Service" payment	1.45%	1.34%	1.40%
4. Shortfall/(Excess) Contributions			
Actuarial Contribution Rate	48.86%	49.93%	53.20%
Statutory Contribution Rate	36.94%	36.86%	36.75%
Shortfall/(Excess)	11.92%	13.07%	16.45%
Expected Payroll for Year	$91,319,898	$99,029,486	$95,109,680
Dollar Amount of Shortfall	$10,885,332	$12,943,154	$15,645,542

[1] Blended Police and Fire rates effective in 2007.

Change in Net Plan Assets at Market Value
Increases since January 1, 2007

Assets at January 1, 2007	$507,608,781
Receipts:	
City Contributions – Current	20,699,211
City Contributions – Past Service	1,327,600
Employee Contributions	14,996,443
Investment Income	29,037,672
Total Receipts	$66,060,926
Disbursements:	
Pensions Paid to Retirees	$39,653,439
Death Benefits	57,549
Termination Withdrawals	235,811
Medical Fees	471,131
Investment Fees	3,306,559
Travel, Subsistence & Registration	21,772
Other	56
Total Disbursements	$43,746,317
Assets at December 31, 2007 (Market Value)	$529,923,390
Annualized Yield	
- Gross	5.8%
- Net of Expenses	5.1%

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of Plan 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. The specific technique follows:

Step 1: Determine the expected value of plan assets at the current valuation date using the actuarial assumption for investment return and the actual receipts and disbursements of the fund since the previous actuarial valuation.

Step 2: Subtract the expected value determined in Step 1 from the total market value of the Fund at the current valuation date.

Step 3: Multiply the difference between market and expected values determined in Step 2 by 33%.

Step 4: Add the expected value of Step 1 and the product of Step 3 to determine the actuarial value of assets.

1.	Actuarial Value of Assets as of January 1, 2007	$	494,753,150
2.	Actual Receipts/Disbursements		
	a. Total Contributions		37,023,254
	b. Benefit Payments		(40,439,702)
	c. Net Change		(3,416,448)
3.	Expected Investment Earnings		39,446,223
4.	Expected Actuarial Value of Assets as of December 31, 2007		530,782,925
5.	Market Value as of December 31, 2007		529,923,390
6.	Difference Between Market and Expected Values		(859,535)
7.	Actuarial Value of Assets as of December 31, 2007 (4) + 1/3 * (6)	$	530,496,413

Annualized Yield on Actuarial Value of Assets for 2007 **7.9%**

UNFUNDED ACTUARIAL LIABILITY

The actuarial liability is the portion of the present value of future benefits which will not be paid by future normal costs. The actuarial value of assets is subtracted from the actuarial liability to determine the unfunded actuarial liability.

1. Entry Age Normal Actuarial Liability	$	898,199,279
2. Present Value of Prior Service Payments		13,522,254
3. Actuarial Value of Assets		530,496,413
4. Unfunded Actuarial Liability (1) – (2) – (3)	$	354,180,612

ACTUARIAL BALANCE SHEET

Assets		
Actuarial Value of Assets	$	530,496,413
Present Value of Future Normal Costs		296,780,981
Present Value of Future Contributions to Amortize Unfunded Actuarial Liability		354,180,612
Total Net Assets	**$**	**1,181,458,006**
Liabilities		
Present Value of Future Benefits:		
Retired Members and Beneficiaries	$	497,226,834
Disabled Members		74,388,884
Active Members		605,811,021
Vested Terminated Members		4,031,267
Total Liabilities	**$**	**1,181,458,006**

DEVELOPMENT OF ACTUARIAL CONTRIBUTION RATE

The actuarial cost method used to determine the required level of annual contributions to support the expected benefits is the Entry Age Normal Cost Method. Under this method, the total cost is comprised of the normal cost rate and the unfunded actuarial liability payment. The Plan is financed by contributions from members and the City.

1. (a) Normal Cost	$ 26,549,916
(b) Expected Covered Payroll for Members Under Assumed Retirement Age	$ 93,683,543
(c) Normal Cost Rate (a) / (b)	28.34%
2. Unfunded Actuarial Liability/(Surplus) at Valuation Date	$ 354,180,612
3. Amortization Factor to Pay UAL as a Level Percent of Payroll over 25 Years	16.48998
4. Unfunded Actuarial Liability/(Surplus) Payment (Adjusted to Mid-Year) [(2) / (3)] x $1.08^{1/2}$	$ 22,321,148
5. Prior Service Payment	$ 1,327,600
6. Total Projected Payroll for the Year	$ 95,109,680
7. Unfunded Actuarial Liability and Prior Service Payments as a Percent of Payroll [(4) + (5)] / (6)	24.86%
8. Total Contribution as a Percent of Pay (1c) + (7)	53.20%

Governmental Accounting Standards Board Disclosure
SCHEDULE OF FUNDING PROGRESS

In accordance with Statement No. 25 of the Governmental Accounting Standards Board
(All Dollar Amounts in Millions)

Actuarial Valuation Date	Market Value of Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (P/R) (c)	UAAL as a Percentage of Covered P/R [(b-a)/c]
12/31/02	314.1	481.6	167.5	65.2	79.7	210
12/31/03	383.7	511.9	128.2	75.0	85.1	151
12/31/04	420.3	543.9	123.6	77.3	82.1	151
12/31/05	453.3	703.8	250.5	64.4	86.8	289
12/31/06	507.6	801.1	293.5	63.4	91.7	320
12/31/07	530.8	882.7	351.9	60.1	99.6	353

*Prior to 2005, this amount was based on the Projected Unit Credit method. Starting in 2005 the Entry Age Normal method is used.
AAL amounts shown here are estimated amounts based on the most recent actuarial valuation report available as of the financial reporting date.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(All Dollar Amounts in Millions)

Fiscal Year Ending	Covered Employee Payroll (1)	Actual Employer Contributions	Actual Employer Contribution %(2)	Annual Required Contribution (ARC) %(3)	Annual Pension Cost (APC)	Percentage of APC Contributed
12/31/05	86.8	17.76	20.46	30.29	26.15	78
12/31/06	91.7	20.17	22.00	33.92	31.10	65
12/31/07	99.6	20.70	20.78	34.98	34.56	60

(1) Computed as the dollar amount of the actual employer contribution made as a percentage of payroll divided by the contribution rate, expressed as a percentage of payroll. Payroll is estimated for years where no valuation was done.

(2) The actual and required employer contributions are expressed as a percentage of payroll.

(3) The ARC (as a percentage of payroll) is assumed to remain the same as the prior year when no valuation was performed.

City of Omaha Police & Firefighters' Retirement System
Development of the Net Pension Obligation in Accordance with Statement No. 27 of the Governmental Accounting Standards Board

Fiscal Year End :	06/30/98	12/31/98	12/31/99	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
Assumptions and Methods											
Interest Rate	8.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Amortization Period (years)	15	15	15	15	15	15	30	30	30	30	30
Cost Method	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Aggregate	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Annual Pension Cost :											
Annual Required Contribution (ARC)	12,130,894	9,545,452	10,943,105	11,439,320	11,738,696	15,392,189	23,329,940	22,487,399	26,255,804	31,102,053	34,842,280
Interest on NPO	744,035	741,784	622,503	434,172	244,243	56,158	59,689	543,111	1,000,069	1,670,728	2,530,416
Adjustment to ARC	(1,054,082)	(1,083,279)	(909,084)	(634,052)	(356,684)	(82,012)	(66,275)	(603,040)	(1,110,419)	(1,855,081)	(2,809,629)
Annual Pension Cost	11,820,847	9,203,957	10,656,524	11,239,440	11,626,255	15,366,335	23,323,354	22,427,470	26,145,454	30,917,700	34,563,067
Employer Contribution for the Year	11,301,890	6,099,534	13,010,651	13,613,563	13,977,312	15,322,201	17,280,573	16,715,500	17,762,209	20,171,610	20,699,211
Net Pension Obligation (NPO):											
NPO at beginning of year	8,753,349	9,272,306	7,781,283	5,427,156	3,013,032	701,976	746,110	6,788,891	12,500,861	20,884,105	31,630,195
Annual Pension Cost for year	11,820,847	4,608,511	10,656,524	11,239,440	11,626,255	15,366,335	23,323,354	22,427,470	26,145,454	30,917,700	34,563,067
Contributions for year	(11,301,890)	(6,099,534)	(13,010,651)	(13,613,563)	(13,977,312)	(15,322,201)	(17,280,573)	(16,715,500)	(17,762,209)	(20,171,610)	(20,699,211)
NPO at end of year	9,272,306	7,781,283	5,427,156	3,053,032	701,976	746,110	6,788,891	12,500,861	20,884,105	31,630,195	45,494,051

POLICE

	January 1 2007	January 1 2008
ACTIVE PARTICIPANTS	772	710
NON-ACTIVE PARTICIPANTS		
Service Retirements	336	430
Surviving Spouses	132*	137*
Surviving Children	12	15
Vested Terminated	5	6
Disabled		
- In Line of Duty	137	139
- Not in Line of Duty	14	13
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$49,861,783	$47,710,209
Average Per Member	64,588	67,197
ANNUAL PENSION BENEFIT**		
Service Retirements	$12,974,272	$20,067,482
Surviving Spouses	1,576,256	2,712,548
Disabled		
- In Line of Duty	3,543,790	4,333,925
- Not in Line of Duty	313,250	349,342

* Includes ex-spouses

** Pension benefits paid from Pension Fund only. COLA benefits paid from General Funds are not reflected.

FIREFIGHTERS

	January 1 2007	January 1 2008
ACTIVE PARTICIPANTS	651	625
NON-ACTIVE PARTICIPANTS		
Service Retirements	348	416
Surviving Spouses	120*	121*
Surviving Children	9	7
Vested Terminated	4	7
Disabled		
- In Line of Duty	93	89
- Not in Line of Duty	8	8
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$44,020,458	$42,278,873
Average Per Member	67,620	67,646
ANNUAL PENSION BENEFIT**		
Service Retirements	$13,863,944	$19,581,873
Surviving Spouses	1,360,850	2,329,127
Disabled		
- In Line of Duty	2,476,230	2,964,343
- Not in Line of Duty	148,115	212,253

* Includes ex-spouses
** Pension benefits paid from Pension Fund only. COLA benefits paid from General Funds are not reflected.

POLICE AND FIREFIGHTERS

	January 1 2007	2008
ACTIVE PARTICIPANTS	1,423	1,335
NON-ACTIVE PARTICIPANTS		
Service Retirements	684	846
Surviving Spouses	252*	258*
Surviving Children	21	22
Vested Terminated	9	13
Disabled		
- In Line of Duty	230	228
- Not in Line of Duty	22	21
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$93,882,241	$89,989,082
Average Per Member	65,975	67,407
ANNUAL PENSION BENEFIT**		
Service Retirements	$26,838,216	$39,649,355
Surviving Spouses	2,937,106	5,041,675
Disabled		
- In Line of Duty	6,020,020	7,298,268
- Not in Line of Duty	461,365	561,595

* Includes ex-spouses

** Pension benefits paid from Pension Fund only. COLA benefits paid from General Funds are not reflected.

	January 1 2007	January 1 2008
ACTIVE MEMBERS		
Average Attained Age	39.8	38.6
Average Hire Age	28.1	28.5
Average Past Service	11.6	10.1
Average Annual Compensation	$65,975	$67,407
NON-ACTIVE MEMBERS		
Average Attained Age		
Service Retirees	63.3	61.8
Disability Retirees		
- In Line of Duty	64.0	64.4
- Not in Line of Duty	64.4	64.7
Surviving Spouses	73.5	73.1
Average Monthly Benefit		
Service Retirees	$3,270	$3,906
Disability Retirees		
- In Line of Duty	2,181	2,667
- Not in Line of Duty	1,748	2,229
Surviving Spouses	971	1,628
VALUE OF PLAN ASSETS MARKET VALUE	$507,608,781	$529,923,390
VALUE OF PLAN ASSETS ACTUARIAL VALUE	$494,753,150	$530,496,413

ACTUARIAL METHOD

Valuation of the plan use the *"entry age-normal"* cost method. Under this actuarial method, the value of future costs attributable to future employment of participants is determined. This is called present value of future normal costs. The following steps indicate how this is determined for benefits expected to be paid upon normal retirement.

1. The expected pension benefit at normal retirement is determined for each participant.

2. A normal cost, as a level percent of pay, is determined for each participant assuming that such level percent is paid from the employee's entry age into employment to his normal retirement. This normal cost is determined so that its accumulated value at normal retirement is sufficient to provide the expected pension benefits.

3. The sum of the normal costs for all participants for one year determines the total normal cost of the plan for one year.

4. The value of future payments of normal cost in future years is determined for each participant based on his years of service to normal retirement age.

5. The sum of the value of future payments of normal cost for all participants determines the present value of future costs.

The value of future costs attributable to past employment of participants, which is called the accrued liability is equal to the present value of benefits less the present value of future normal costs. The unfunded accrued liability is equal to the excess of the accrued liability over assets. The unfunded accrued liability is amortized as a level percent of pay over 30 years beginning January 1, 2003.

As experience develops with the plan, actuarial gains and actuarial losses result. These actuarial gains and losses indicate the extent to which actual experience is deviating from that expected on the basis of the actuarial assumptions. In each year, as they occur, actuarial gains and losses are recognized in the unfunded accrued liability as of the valuation date.

Interest:	8.0% (net of investment expenses)
Salary Increases:	Merit increases based on service plus a general wage increase.
Service Retirement Age:	Graduated rates based on service.
Mortality:	
Active Members	RP-2000 Healthy Annuitant Table with generational improvements, set forward one year.
Service Pensioners and Beneficiaries	RP-2000 Healthy Annuitant Table with generational improvements, set forward one year.
Disabled	RP-2000 Disability Table with generational improvements.
Disability:	Graduated rates by age. See table on next page.
Percent of Disabilities in Line of Duty:	85%
Medical Expenses for Disabilities in Line of Duty:	5% load on liability for current and future disabled members.
Percent Married at Death or Retirement:	75%
Percent with Dependents at Death:	77%
Average Number of Children per Married Member:	1
Turnover:	Graduated rates by age. See table on next page.
Assets:	Actuarial value of assets equal to 1/3 of market value, plus 2/3 of expected value.
Load on Active member liability to reflect final wage adjustments	10%
Increase in total annual payroll	4.0%
Assumed annual rate of inflation	3.5%

SAMPLE RATES

Age on 1/1/2006	Annual Rate: Mortality Males	Mortality Females	Disability	Turnover
20	.03%	.02%	.26%	1.41%
30	.05	.03	.30	1.69
40	.11	.07	.52	.63
50	.20	.16	.95	.00
60	.49	.42	1.45	.00

Salary Progression

Years of Service	Inflation	Productivity	Merit & Longevity	Total Increase
1	3.5%	0.5%	2.5%	6.5%
5	3.5%	0.5%	2.5	6.5
10	3.5%	0.5%	2.0	6.0
15	3.5%	0.5%	1.0	5.0
20	3.5%	0.5%	0.5	4.5
25	3.5%	0.5%	0.0	4.0
30	3.5%	0.5%	0.0	4.0

Service Retirements

Assumed retirement rates are based on the number of years of credited service as follows:

Years of Service	Distribution	Annual Rate
Less than 25	0.0%	0.0%
25	60.0	60.0
26	25.0	62.5
27	15.0	100.0

If a member was hired after age 37, then it is assumed that member would retire at the later of age 62 or 10 years of service.

Average Final Monthly Compensation:
Section 22-63

Highest average monthly compensation during any consecutive twenty-six (26) pay periods out of the last five years of service as a member of the system for which service credit had been earned.

Member Contributions:
Section 22-73(a)
Section 22-68

Ultimate rates effective July 1, 2007:
14.55% of total monthly salary for police.
15.40% of total monthly salary for fire.

City of Omaha Contributions:
Section 22-73(b)

Ultimate rates effective July 1, 2007:
20.17% of each members total monthly salary for police.
21.015% of each members total monthly salary for fire.

In addition, the City shall make contributions of $1,327,600 annually through the year 2028.

Service Retirement Eligibility:
Section 22-75

Available after age 55 and 10 years of service or age 45 and 20 years of service.

Service Retirement Pension:

Section 22-76

Beginning July 1, 2007, lifetime monthly annuity as follows:

Years of Service	Minimum Age	Percentage of Average Final Monthly Compensation
10 but less than 15	55	20%
15 but less than 20	55	30%
20 but less than 25	45**	55%*
25 years	45	75%

*55% at 20 years of service, plus 2% for each additional six months of service after 20 years and before 25 years.

**The minimum retirement age with less than 25 years is 55 for Fire.

Cost of Living Adjustment (COLA):

The monthly pension shall be increased by the lesser of 3% or $50 ($65 for Fire retirements after June 30, 2007). The increase will be made annually, beginning in the 13th month of retirement.

Disability Retirement:

1. **In Line of Duty:**
Section 22-78

A member shall become entitled to the following benefits while permanently disabled.

Years of Service	Percentage of Average Final Monthly Compensation
Less than 25	50%*
25	Same as Service Retirement Pension

* 55% for Fire after June 30, 2007

2. **Not in Line of Duty:**
Section 22-79

A member shall become entitled to the following benefits while permanently disabled.

Years of Service	Percentage of Average Final Monthly Compensation
Up to 10 years	10%
10 but less than 15	20%
15 but less than 20	30%
20 or more	Same as Service Retirement Pension

Not payable while full salary continues.

Spouse's Pension:

1. **Death of Active Member in Line of Duty:**

A monthly pension equal to 49% (52% Fire) of the member's average final monthly compensation is paid to the surviving spouse if death occurs while the active member has less than 25 years of service. A monthly pension equal to 69% (72% Fire) of the member's average final monthly compensation is paid to the surviving spouse if death occurs after the active member has 25 years or more of service.

2. Death of Active Member Not in Line of Duty:

The following monthly pension is paid to the surviving spouse.

Years of Service at Death	Percentage of Average Final Monthly Compensation*
0-3	0%
3-10	35%
11	36.4%
12	37.8%
13	39.2%
14	40.6%
15	42.0%
16	43.4%
17	44.8%
18	46.2%
19	47.6%
20-25	49.0%
25+	69%

* add 3% to each number for Fire effective July 1, 2007

Benefit terminates upon remarriage of spouse.

3. Death of Member Eligible for Retirement or Death of Retired Member:
Section 22-82

75% (90% for Fire retirements after June 30, 2007) of the pension the member was receiving or was eligible to receive at the time of death. Upon spouse's remarriage, all benefits cease.

Children's Pension:
Section 22-83

Upon the death of an active or retired member, the following benefit will be paid to the surviving children until age 18.

Number of Dependent Children	Percentage of Average Final Monthly Compensation
1	15%
2	30%
3	45%
4 or more	50%

Lump Sum Death Benefits:

1. Active Member without Eligible Dependents:
Section 22-84(a)

Accumulated member's contributions, or $500 if greater.

2. **Retired Member without Eligible Dependents:** Section 22-84(b)

Accumulated member's contribution less previous pension payments made, or $500 if greater.

3. **Active Member with Eligible Dependents:** Section 22-84(c)

An amount payable immediately, equal to one year's salary computed on the basis of the maximum monthly rate for patrolmen and firefighters, plus the deceased member's accumulated contributions less pension payments to his dependents, payable to the dependent who last ceases to receive pension benefits.

4. **Retired Member with Eligible Dependents:** Section 22-84(c)

$1,000 ($5,000 Fire) payable immediately, plus the excess over $1,000 ($5,000 Fire) if any, of the deceased member's accumulated **contributions less pension payments to the member** and his dependents, payable to the dependent who last ceases to receive pension benefits.

Vesting:

Section 22-86

Upon severance of employment by a member with less than 10 years of service and prior to obtaining eligibility under Section 22-75, a refund of such member's accumulated contributions.

Section 22-90

Upon severance of employment by a member before age 45 with more than 10 years of service and prior to obtaining eligibility under Section 22-75, the member may elect, in lieu of receiving a refund of contributions, to receive a monthly pension, according to the table below, commencing at age 55. Such deferred pension shall be based on service credited to the date of severance.

Years of Service	Minimum Age	Percentage of Average Final Monthly Compensation
10 but less than 15	55	20%
15 but less than 20	55	30%
20 but less than 25	45	55%
25 or more	45	75%