CITY OF OMAHA
POLICE AND FIREFIGHTERS
RETIREMENT SYSTEM

Actuarial Valuation Report
as of January 1, 2010

CITY OF OMAHA POLICE & FIREFIGHTERS RETIREMENT SYSTEM
ACTUARIAL VALUATION REPORT

Table of Contents

Milliman

1120 S. 101st Street, Suite 400
Omaha, NE, 68124
USA

Tel +1 402 393.9400
Fax +1 402 393.1037

milliman.com

October 13, 2010

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

Re: January 1, 2010 Actuarial Valuation 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, 2010 for determining contributions for the year ended December 31, 2010. 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.

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.

Future actuarial measurements may differ significantly from the current measurements 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. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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 is prepared solely for the internal business use of the System and its Trustees and employees (for their use in administering the Fund). To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The System may provide a copy of Milliman's work, in its entirety to the Fund's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Fund.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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 actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

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

Board Summary

This report presents the results of the January 1, 2010 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, 2010,
- 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, 2010 using System asset values at December 31, 2009. 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). Each component of change in the Actuarial Contribution Rate is identified later in this Board Summary (see page 4).

Assets

The market value of assets is not used directly in the actuarial calculation of the Plan's funded status and the Actuarial Contribution Rate. 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 6 for the detailed development of the actuarial value of assets as of January 1, 2010.

As of January 1, 2010, the System had total funds, when measured on an actuarial value basis, of $440.5 million. This was an increase of $1.4 million from the January 1, 2009 figure of $439.1 million. Based on the actuarial assumption, an increase of $18.9 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, 2009	$ 439.1	$ 365.9
• employer and member contributions	+ 38.3	+ 38.3
• benefit payments	- 53.9	- 53.9
• net investment income (expected)	+ 34.5	+ 28.7
• net investment actuarial gain/(loss)	-17.5	+ 26.4
Assets, December 31, 2009	$ 440.5	$ 405.4

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, 2010 is shown below:

Actuarial Liability	$1,034,716,125
Actuarial Value of Assets	$(440,478,409)
Unfunded Actuarial Liability (UAL)	$ 594,237,716
Present Value of Prior Service Payments[1]	$ (12,964,446)
UAL for Funding Purposes	$ 581,273,270

[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, 2009 and January 1, 2010 the change in the unfunded actuarial liabilities for the System as a whole was as follows (in millions):

	$millions
Unfunded Actuarial Liability, January 1, 2009	$ 519.6
• effect of contribution shortfall in 2009	29.1
• expected increase due to amortization method	6.4
• loss from investment return	17.5
• other actuarial (gains)/losses	8.6
Unfunded Actuarial Liability, January 1, 2010	$581.2

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 annual funded status information is shown below for years 2003 through 2010 (in $ millions).

	1/1/03	1/1/05	1/1/06	1/1/07	1/1/08	1/1/09	1/1/10
Funded Ratio	66.1%	65.7%	61.9%	60.7%	60.0%	45.8%	43.1%
Unfunded Actuarial Liability (UAL)	$192.3	$220.5	$279.3	$320.6	$354.2	$519.6	$581.2

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 **1.25%** of pay, to **64.86%** on January 1, 2010, from **63.61**% on January 1, 2009. The primary components of this change are as follows:

	Rate
Total Actuarial Contribution Rate, January 1, 2007	63.61%
• Actuarial (Gain)/Loss – Investment Experience	+1.01%
• Actuarial (Gain)/Loss – Demographic Experience	-1.37%
• Contributing less than Actuarial Contribution Rate	+1.61%
Total Actuarial Contribution Rate, January 1, 2008	64.86%

See page 11 for a detailed calculation of the Actuarial Contribution Rate as of January 1, 2010.

As mentioned earlier, the System utilizes an asset smoothing method in the valuation process. While this is a common procedure for public retirement systems, it is important to identify the potential impact of the deferred (unrecognized) investment experience. The key valuation results from the January 1, 2010 actuarial valuation are shown below using both the actuarial value of assets and the pure market value.

$ Millions

	Using Actuarial Value of Assets	Using Market Value of Assets
Actuarial Liability	$1,021.8	$1,021.8
Asset Value	440.5	405.4
Unfunded Actuarial Liability	$581.3	$616.4
Funded Ratio	43.1%	39.7%
Normal Cost Rate	28.9%	28.9%
UAL Contribution Rate	34.8%	36.8%
Prior Service Contribution Rate	1.2%	1.2%
Actuarial Contribution Rate	64.9%	66.9%

The asset smoothing method impacts only the timing of recognizing the actual market experience on the assets. Due to the significant negative return in 2008, the actuarial value of assets exceeds the pure market value. If there are not significantly higher returns consistently over the next few years, the $35 million of deferred investment experience will be recognized and the ultimate impact on the employer contribution rate can be expected to be similar to the column shown above using market value of assets.

Observations

The actual contributions made to the System continue to be significantly less than the Actuarial Contribution Rate. The City's contribution rate is 20.56% of pensionable payroll plus a past service payment of approximately 1.20% of payroll. The member contribution rate is 14.94% of payroll. Even with a total contribution rate of 36.70%, the actual contribution to the System will be 28.16% 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 continue to increase significantly.

The contribution shortfall also has an impact on the Net Pension Obligation (NPO) as determined under Governmental Accounting Standard Number 27 (GASB27). As of December 31, 2009 the NPO was $88.7 million, compared to $61.5 million as of December 31, 2008. 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 and benefit provisions remain unchanged and all actuarial assumptions are met in the future, the NPO is projected to exceed $100 million by 2011, increasing thereafter at a significant pace.

Because the UAL and the contribution shortfall have increased so dramatically over the past several years, we are very concerned about the resulting funding imbalance. If significant changes are not made, we expect the trust fund will run out of money in the relatively short term.

Subsequent Events

The bargaining agreements with the Police and Fire unions expired at the end of 2007, and as of January 1, 2010, new agreements were not in place. This valuation assumes continuation of the previous contract agreements. However, during September, 2010, a new bargaining agreement with the Police union was executed. The new Police agreement provided for significant increases to the future contributions to the plan and as well as significant reductions to future benefit accruals for Police members. These changes will have a significant positive affect on the sustainability of the pension plan's ability to pay benefits over the very long term. However, at the time of this report, the Fire union had not yet reached an agreement with the City. The January 1, 2011 valuation will reflect the changes enacted by the new Police agreement.

Summary of Principal Results

	2008 Valuation	*2009 Valuation*	*2010 Valuation*
1. Participant Data			
Number of:			
Active Members	1,335	1,407	1,431
Service Retirements	847	896	917
Surviving Spouses and Children	279	269	267
Disabled	249	252	248
Deferred Vested	13	11	7
Annual Salaries of Active Members	$91,778,346	$93,793,214	$104,187,454
Average Salary	68,748	66,662	72,807
Average Age of Active Members	38.6	38.0	38.2
2. Assets and Liabilities			
Total Actuarial Liability	$898,199,279	$971,989,970	$1,034,716,125
Assets for Valuation Purposes	530,496,413	439,108,652	440,478,409
Unfunded Actuarial Liability (UAL)	367,702,866	532,881,318	594,237,716
Present Value of Prior Service Payments	(13,522,254)	(13,254,077)	(12,964,446)
UAL for Funding Purposes	354,180,612	519,627,241	581,273,270
3. Contribution Rates			
Actuarial Contribution Rate	53.20%	63.61%	64.86%
Member Contribution Rate	14.88%	14.96%	14.94%
Employer Contribution Rate	20.47%	20.57%	20.56%
Employer "Past Service" payment	1.40%	1.32%	1.20%
4. Shortfall/(Excess) Contributions			
Actuarial Contribution Rate	53.20%	63.61%	64.86%
Statutory Contribution Rate	36.75%	36.85%	36.70%
Shortfall/(Excess)	16.45%	26.76%	28.16%
Expected Payroll for Year	$95,109,680	$100,808,720	$110,963,955
Dollar Amount of Shortfall	$15,645,542	$26,976,413	$31,247,450

Change in Net Plan Assets at Market Value

Assets at January 1, 2009	$365,923,877
Receipts:	
City Contributions – Current	21,374,008
City Contributions – Past Service	1,327,600
Employee Contributions	15,630,476
Investment Income	57,212,891
Total Receipts	$95,544,975
Disbursements:	
Pensions Paid to Retirees	$52,783,686
Death Benefits	77,360
Termination Withdrawals	296,230
Medical Fees	764,690
Investment Fees	2,144,079
Travel, Subsistence & Registration	12,705
Other	64
Total Disbursements	$56,078,814
Assets at December 31, 2009 (Market Value)	$405,390,038
Annualized Yield	
- Gross	16.0%
- Net of Expenses	15.4%

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, 2009	$	439,108,652
2.	Actual Receipts/Disbursements		
	a. Total Contributions		38,332,084
	b. Benefit Payments		(53,934,735)
	c. Net Change		(15,602,651)
3.	Expected Investment Earnings		34,516,593
4.	Expected Actuarial Value of Assets as of December 31, 2009		458,022,594
5.	Market Value as of December 31, 2009		405,390,038
6.	Difference Between Market and Expected Values		(52,632,556)
7.	Actuarial Value of Assets as of December 31, 2009 (4) + 1/3 * (6)	$	440,478,409

Annualized Yield on Actuarial Value of Assets for 2009 **3.9%**

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	$	1,034,716,125
2. Present Value of Prior Service Payments		12,964,446
3. Actuarial Value of Assets		440,478,409
4. Unfunded Actuarial Liability (1) – (2) – (3)	$	581,273,270

ACTUARIAL BALANCE SHEET

Assets		
Actuarial Value of Assets	$	440,478,409
Present Value of Future Normal Costs		346,216,271
Present Value of Future Contributions to Amortize Unfunded Actuarial Liability		581,273,270
Total Net Assets	**$**	**1,367,967,950**
Liabilities		
Present Value of Future Benefits:		
Retired Members and Beneficiaries	$	577,069,521
Disabled Members		76,594,310
Active Members		712,662,498
Vested Terminated Members		1,641,621
Total Liabilities	**$**	**1,367,967,950**

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	$ 31,574,892
(b) Expected Covered Payroll for Members Under Assumed Retirement Age	$ 109,217,889
(c) Normal Cost Rate (a) / (b)	28.91%
2. Unfunded Actuarial Liability/(Surplus) at Valuation Date	$ 581,273,270
3. Amortization Factor to Pay UAL as a Level Percent of Payroll over 23 Years	15.66597
4. Unfunded Actuarial Liability/(Surplus) Payment (Adjusted to Mid-Year) [(2) / (3)] x $1.08^{1/2}$	$ 38,559,815
5. Prior Service Payment	$ 1,327,600
6. Total Projected Payroll for the Year	$ 110,963,955
7. Unfunded Actuarial Liability and Prior Service Payments as a Percent of Payroll [(4) + (5)] / (6)	35.95%
8. Total Contribution as a Percent of Pay (1c) + (7)	64.86%

POLICE

	January 1 2009	January 1 2010
ACTIVE PARTICIPANTS	745	765
NON-ACTIVE PARTICIPANTS		
Service Retirements	463	474
Surviving Spouses	128*	122*
Surviving Children	16	14
Vested Terminated	3	2
Disabled		
- In Line of Duty	143	139
- Not in Line of Duty	13	14
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$48,851,390	$55,902,529
Average Per Member	65,572	73,075
ANNUAL PENSION BENEFIT**		
Service Retirements	$22,218,828	$23,296,047
Surviving Spouses	2,689,746	2,643,449
Disabled		
- In Line of Duty	4,596,104	4,571,125
- Not in Line of Duty	356,425	370,440

* Includes ex-spouses

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

FIREFIGHTERS

	January 1 2009	January 1 2010
ACTIVE PARTICIPANTS	662	666
NON-ACTIVE PARTICIPANTS		
Service Retirements	433	442
Surviving Spouses	121*	119*
Surviving Children	4	4
Vested Terminated	8	5
Disabled		
- In Line of Duty	88	87
- Not in Line of Duty	8	8
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$44,764,801	$48,284,925
Average Per Member	67,620	72,500
ANNUAL PENSION BENEFIT**		
Service Retirements	$21,050,325	$22,194,916
Surviving Spouses	2,450,095	2,498,255
Disabled		
- In Line of Duty	2,989,584	2,710,817
- Not in Line of Duty	217,016	221,797

* Includes ex-spouses

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

POLICE AND FIREFIGHTERS

	January 1 2009	January 1 2010
ACTIVE PARTICIPANTS	1,407	1,431
NON-ACTIVE PARTICIPANTS		
Service Retirements	896	916
Surviving Spouses	249*	241*
Surviving Children	20	18
Vested Terminated	11	7
Disabled		
- In Line of Duty	231	226
- Not in Line of Duty	21	22
ANNUAL COMPENSATION FOR ACTIVE PARTICIPANTS		
Total Annual Compensation	$93,616,191	$104,187,454
Average Per Member	66,536	72,807
ANNUAL PENSION BENEFIT**		
Service Retirements	$43,269,153	$45,490,963
Surviving Spouses	5,139,841	5,141,704
Disabled		
- In Line of Duty	7,585,688	7,281,942
- Not in Line of Duty	573,441	592,237

* Includes ex-spouses

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

Appendix A Participant Data

	January 1 2009	January 1 2010
ACTIVE MEMBERS		
Average Attained Age	38.0	38.2
Average Hire Age	28.4	28.4
Average Past Service	9.5	9.8
Average Annual Compensation	$66,536	$72,807
NON-ACTIVE MEMBERS		
Average Attained Age		
Service Retirees	61.9	62.2
Disability Retirees		
- In Line of Duty	64.3	65.5
- Not in Line of Duty	65.7	65.6
Surviving Spouses	72.4	72.3
Average Monthly Benefit		
Service Retirees	$4,024	$4,139
Disability Retirees		
- In Line of Duty	2,736	2,685
- Not in Line of Duty	2,276	2,243
Surviving Spouses	1,720	1,777
VALUE OF PLAN ASSETS MARKET VALUE	$365,923,877	$405,390,038
VALUE OF PLAN ASSETS ACTUARIAL VALUE	$439,108,652	$440,478,409

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.

Appendix B Actuarial Method and Assumptions

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 Employee Mortality Table with generational improvements, set forward one year.
Service Pensioners and Beneficiaries	RP-2000 Healthy Annuitant Mortality Table with generational improvements, set forward one year.
Disabled	RP-2000 Disabled Retiree Mortality 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. Actuarial value of assets cannot exceed 120% of Market value of assets.
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 1/1/2010	Annual Rate			
	Mortality		Disability	Turnover
	Males	Females		
20	.03%	.02%	.26%	1.41%
30	.05	.03	.30	1.69
40	.10	.07	.52	.63
50	.19	.15	.95	.00
60	.46	.41	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	100.0	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

Rates effective January 1, 2010:
14.55% of total monthly salary for police.
15.40% of total monthly salary for fire.

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

Rates effective January 1, 2010:
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 50 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%