
The Report of the
Forty-Ninth Annual Actuarial Valuation
of the
City of Sioux Falls Firefighters' Pension Fund
December 31, 2004

GABRIEL, ROEDER, SMITH & COMPANY

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GABRIEL, ROEDER, SMITH & COMPANY

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May 11, 2005

The Retirement Board
City of Sioux Falls Firefighters' Pension Fund
Sioux Falls, South Dakota

Ladies and Gentlemen:

Presented in this report are the results of the **Forty-Ninth Annual Actuarial Valuation** of the assets, actuarial values and contribution requirements associated with pension and post-retirement health insurance benefits provided by the City of Sioux Falls Firefighters' Pension Fund. The purpose of the valuation was to measure the System's funding progress and to determine a contribution rate for the second following calendar year.

The date of the valuation was December 31, 2004.

The valuation was based upon information, furnished by your Secretary, concerning Pension Fund benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. Data was checked for year-to-year consistency but was not otherwise audited.

Section A of this report includes retiree health valuation results based on the current assumptions and methods. This contribution rate may be used for budget purposes, but does not comply with Governmental Accounting Standards Board (GASB) statement number 43 or with current actuarial standards of practice. Specifically, these contribution rates do not reflect the development of "premiums" based on claims analysis and age grading. Contribution rates that comply with GASB statement number 43 and actuarial standards of practice are shown in the Appendix of this report.

To the best of our knowledge this report is complete, accurate and except as noted above was made in accordance with standards of practice prescribed by the Actuarial Standards Board and in compliance with the statutes governing the Pension Fund. The actuarial assumptions used for the valuation produce results which we believe are reasonable.

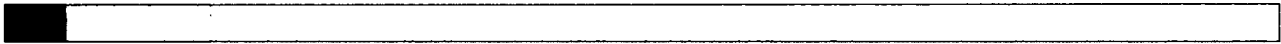
Respectfully submitted,


Louise M. Gates, ASA, MAAA


W. James Koss, ASA, EA, MAAA

LMG/WJK:dm

Section A



Valuation Results

FINANCIAL OBJECTIVE

The financial objective of the Pension Fund is to establish and receive contributions, expressed as percents of active member payroll, which will remain approximately level from year-to-year and will accumulate reserves during members' working lifetimes which will be sufficient to pay promised benefits throughout retirement.

CONTRIBUTION RATES

The Pension Fund is supported by member contributions, City contributions, State contributions (insurance premium taxes) and investment income from Pension Fund assets.

Contributions which satisfy the financial objective are determined by an annual actuarial valuation and are sufficient to:

- (1) cover the actuarial present value of benefits assigned to the current year by the actuarial cost methods described in Section C (the normal cost); and
- (2) amortize over a period of future years the actuarial present value of benefits not covered by valuation assets and anticipated future normal costs (unfunded actuarial accrued liability).

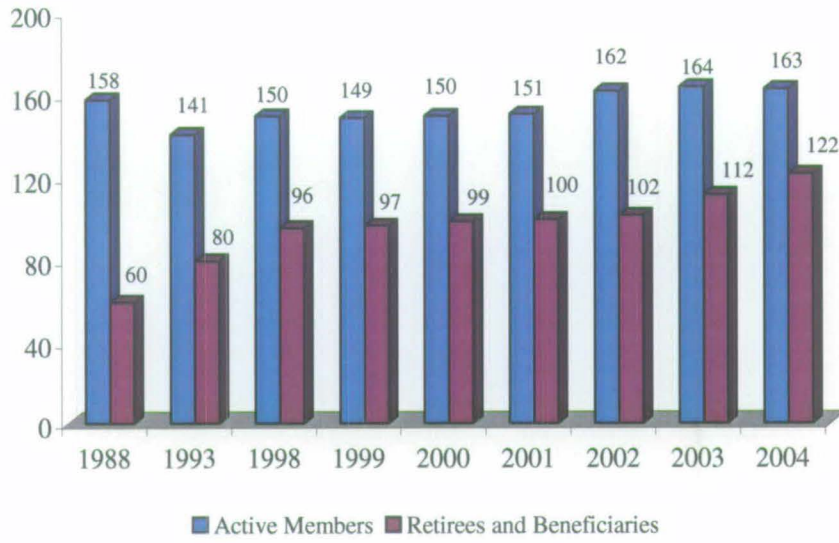
Pension contribution requirements for the year beginning January 1, 2006 are shown on page A-2.

**CONTRIBUTIONS COMPUTED TO MEET THE
FINANCIAL OBJECTIVE OF THE PENSION FUND
FOR THE YEAR BEGINNING JANUARY 1, 2006
(INCLUDING STATE CONTRIBUTIONS)**

Contributions for	Contribution Requirements Expressed as Percents of Payroll
Normal Cost	
Age & service benefits	17.73 %
Death-in-service benefits	0.83
Disability benefits	0.69
Termination benefits	
Deferred age & service benefits	0.20
Refunds of member contributions	0.60
Total Normal Cost	20.05 %
Unfunded Actuarial Accrued Liabilities	
Total UAAL Contribution	4.16 %
Total Computed Contribution Rate	
Member portion	8.00
City-State portion	16.21 %

Unfunded actuarial accrued liabilities (UAAL) were amortized as a level percent of active member payroll over a period of 19 years.

ACTIVE AND RETIRED MEMBERS



BENEFITS AS A PERCENT OF PAYROLL



**COMPUTED AND ACTUAL CITY-STATE PENSION CONTRIBUTIONS
COMPARATIVE STATEMENT**

Fiscal Year	Valuation Date December 31	% of Payroll Contributions
1992	1990 #@	15.16 %
1993	1991 #	19.35
1994	1992 @	21.19
1995	1993	20.48
1996	1994	20.46
1997	1995	20.07
1998	1996	19.80
1999	1997 *@	16.77
2000	1998 @	14.43
2001	1999 **	10.48
2002	2000 **	7.86
2003	2001 **	7.23
2004	2002 **	9.31
2005	2003	11.12
2006	2004 @	16.21

After changes in benefit provision.

@ *After changes in actuarial assumptions or methods*

** *Reflects amortization credit*

ACTUARIAL PENSION BALANCE SHEET - DECEMBER 31, 2004

Present Pension Resources and Expected Future Resources

A.	Valuation assets	\$72,736,709
B.	Actuarial present value of expected future employer contributions	
	1. For normal costs	10,576,705
	2. For unfunded actuarial accrued liabilities	5,410,284
	3. Total	<u>15,986,989</u>
C.	Actuarial present value of expected future member contributions	<u>7,051,434</u>
D.	Total Actuarial Present Value of Present and Expected Future Resources	<u><u>\$95,775,132</u></u>

Actuarial Present Value of Expected Future Pension Benefit Payments and Reserves

A.	To retirees and beneficiaries	\$42,695,611
B.	To vested terminated members	1,298,028
C.	To present active members	
	1. Allocated to service rendered prior to valuation date	34,153,354
	2. Allocated to service likely to be rendered after valuation date	17,628,139
	3. Total	<u>51,781,493</u>
D.	Reserves	
	1. Allocated to retirants and beneficiaries	0
	2. Unallocated investment income	0
	3. Total	0
E.	Total Actuarial Present Value of Expected Future Benefit Payments and Reserves	<u><u>\$95,775,132</u></u>

**DERIVATION OF ACTUARIAL GAIN (LOSS)
YEAR ENDED DECEMBER 31, 2004**

The actuarial gains or losses realized in the operation of the Pension Fund provide an experience test. Gains and losses are expected to cancel each other over a period of years (in the absence of double-digit inflation) and sizable year to year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year by year comparative schedule.

(1) UAAL* at start of year	\$1,125,209
(2) Normal cost	1,573,156
(3) Actual contributions	1,620,659
(4) Interest accrual $[1 + (.5) * (2-3)] * 0.08$	88,117
(5) Expected UAAL before changes	1,165,823
(6) Change from benefit increases	
(7) Change from revised actuarial methods	1,161,713
(8) Expected UAAL after changes	2,327,536
(9) Actual UAAL at end of year	5,410,284
(10) Gain (loss) (8) - (9)	(3,082,748)
(11) Gain (loss) as percent of actuarial accrued liabilities at start of year	(4.3)%

* *Unfunded actuarial accrued liability*

<u>Valuation Date December 31</u>	<u>Actuarial Gain (Loss) As % of Beginning Accrued Liabilities</u>
1995	0.7 %
1996	1.4
1997	6.4
1998	5.8
1999	7.9
2000	6.3
2001	0.9
2002	(3.6)
2003	(2.9)
2004	(4.3)

**POST-RETIREMENT HEALTH INSURANCE
CITY'S COMPUTED CONTRIBUTIONS FOR THE
FISCAL YEAR BEGINNING JANUARY 1, 2006**

Contributions for	Computed Employer Contributions Expressed as %'s of Payroll
Normal Cost	1.69 %
UAAL Contribution	<u>2.66</u>
TOTAL COMPUTED CITY RATE	4.35 %
DOLLAR CONTRIBUTION BASED ON VALUATION PAYROLL*	\$409,703

** Projected to the indicated fiscal year*

Unfunded actuarial accrued liabilities (UAAL) were amortized as a level percent of active member payroll over a period of 19 years.

The contribution rates shown above (and in this section of the report) were developed based on current assumptions and methods adopted by the Board for use in the December 31, 2004 actuarial valuation of the retiree health program. These contributions may be used for budgeting purposes and were based on assumptions/methods that do not comply with new actuarial or governmental accounting standards.

**POST-RETIREMENT HEALTH INSURANCE
COMPARATIVE STATEMENT**

Fiscal Year	Valuation Date December 31	% of Payroll Contributions
1992	1990 @	1.49 %
1993	1991	1.59
1994	1992	1.66
1995	1993 @	1.86
1996	1994	2.06
1997	1995	2.02
1998	1996	1.82
1999	1997 @	2.03
2000	1998	1.96
2001	1999	2.00
2002	2000 @	3.01
2003	2001 @	3.72
2004	2002	4.39
2005	2003	4.43
2006	2004 @	4.35

@ After changes in actuarial assumptions or methods

COMMENTS

Comment A: System experience was overall unfavorable during the year ended December 31, 2004. Although the rate of return on trust assets exceeded the long term assumed rate, investment income on a funding value basis was lower than expected due to delayed recognition of prior year's investment losses. This was the primary source of unfavorable experience. In addition, there were more retirees from active service than expected which contributed to the unfavorable experience. The net funding value yield on System assets for the period ending December 31, 2004 was 5.5%.

Comment B: This valuation reflects the demographic assumption changes adopted by the Board as recommended in the recent study of System experience. There were no changes in economic assumptions or the amortization period. The Appendix of this report includes a summary of assumption and method changes proposed in connection with GASB OPEB.

Comment C: The results of an actuarial valuation will be only as meaningful as the information it is based on. Section A of this report shows retiree health contribution rates based on the conventional premiums provided in connection with the valuation as the measure of the cost of providing retiree health benefits currently. For future valuations of the retiree health program, we will need additional information related to retiree health program claims to develop "premium" rates. This additional information will be needed to comply with new actuarial and governmental accounting standards of practice applicable to retiree health programs.

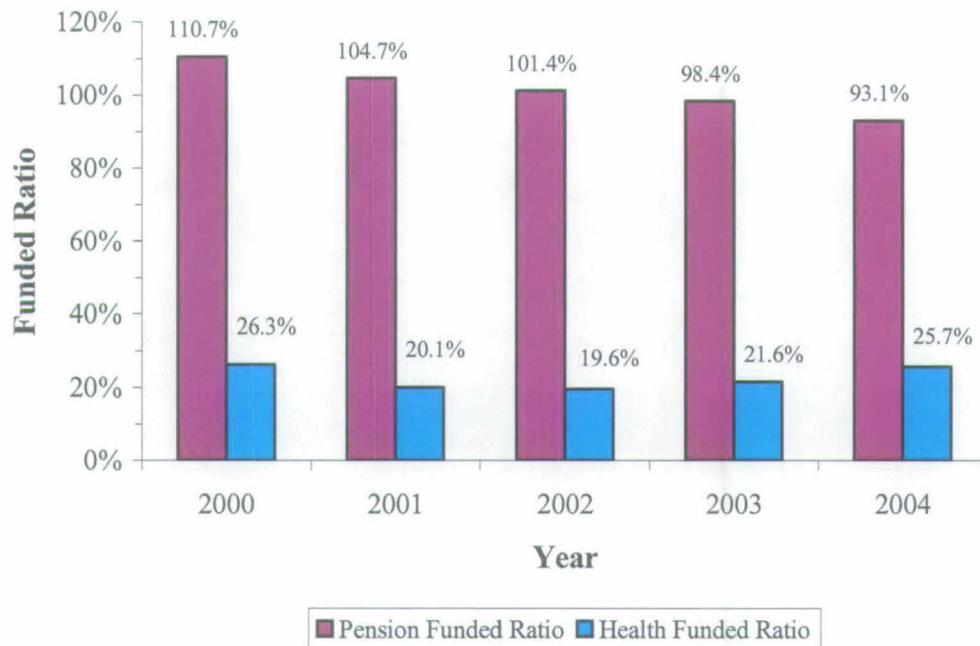
Comment D: Internal Revenue Code (IRC) Section 401(h) allows a pension plan to establish a separate account within the trust to pay benefits for sickness, accident, hospitalization and medical expenses of retired employees, their spouses and their dependents. In order for a pension plan to maintain its qualified status, the IRC Section 401(h) account must meet certain requirements, established by the code. An important (and often, the most restrictive) requirement is that employer contributions for medical benefits must be "subordinate" to the contributions for pension benefits. A result of the "subordinate benefits limitation" the maximum permissible employer health contribution may be less than required to actuarially fund the promised benefits.

We recommend that a special study of this limitation be performed for the System. Once the City and Boards make a decision concerning the level of funding that will be made for retiree health benefits, the study could be performed on this basis only.

**CONTRIBUTION SUMMARY
FOR THE YEAR BEGINNING JANUARY 1, 2006**

Contributions for	Computed Employer Contributions Expressed As Percents of Payroll		
	Pension	Health	Total
Total Normal Cost	20.05 %	1.69 %	21.74 %
Unfunded Actuarial Accrued Liability			
Total UAAL Contribution (1)	4.16	2.66	6.82
Total Computed Contribution Rate	24.21	4.35	28.56
Member portion	8.00	0.00	8.00
City-State portion	16.21 %	4.35 %	20.56 %

Pension and Retiree Health Funded Ratio History



Section B



Summary of Benefit Provisions
and Valuation Data

**BENEFIT PROVISIONS EVALUATED
AND/OR CONSIDERED
(DECEMBER 31, 2004)**

Regular Retirement:

Eligibility - Age 55 with 20 or more years of service; or the sum of a member's age and years of service equals eighty (80) with a minimum retirement age of 50.

Annual Amount - Final average compensation times the sum of a) 2.5% times the first 25 years of service, plus b) 1.5% times service in excess of 25 years.

Type of Final Average Compensation - Average of last 3 years before retirement. Some lump sums are included.

Early Reduced Retirement:

Eligibility - 20 or more years of service

Annual Amount - Same as regular retirement except that the benefit is actuarially reduced.

Deferred Retirement (vested benefit):

Eligibility - 15 years of service; benefit payable at deferred retirement age.

Annual Amount- Computed as a regular retirement benefit but based on service and final average compensation at termination.

Duty Disability Retirement:

Eligibility - No age or service requirements. Must be in receipt of Workers' Compensation.

Annual Amount - Computed as a regular retirement benefit, based on a minimum of 10 years of service. Minimum benefit is 50% of a first-class firefighter's salary. Workers' compensation payments are offset.

**BENEFIT PROVISIONS EVALUATED
AND/OR CONSIDERED
(DECEMBER 31, 2004)**

Non-Duty Disability Retirement:

Eligibility - 10 years of service

Annual Amount - Computed as a regular retirement benefit. Minimum benefit is 20% of a first-class firefighter's salary.

Duty Death Before Retirement:

Eligibility - No age or service requirement. Also payable in case of death of duty-disability retiree within 5 years of retirement. Workers' Compensation must be payable.

Annual Amount - Refund of accumulated contributions. Spouse receives a pension of 1/3 of first-class firefighter's salary until death. Unmarried children under age 18 or an eligible handicapped child will receive equal share of 1/4 of a first-class firefighter's salary (if no spouse, each child receives 1/4 to a maximum of 1/2). The minimum monthly benefit for each eligible child is \$200. If there are no spouse or eligible children, dependent parents each receive 1/6 of a first-class firefighter's salary. Workers' Compensation payments are offset.

Non-Duty Death Before Retirement:

Eligibility - 10 years of service

Annual Amount - Surviving spouse receives a monthly benefit for life computed as a regular retirement benefit but actuarially reduced in accordance with a 100% joint and survivor election. In addition each eligible or handicapped child is paid a minimum monthly benefit of \$200.

Post-Retirement Cost-of-Living Adjustments:

An annual increase equal to 100% of the CPI change in June of each year with a cap of 3%. The first increase is granted after 36 months of retirement.

Member Contributions:

8% of compensation

REPORTED FUND BALANCES

Reserves	Reported Fund Balances	
	Market Value	
	2004	2003
Pension Savings Fund	\$ 7,514,763	\$ 7,782,562
Pension Reserve Fund	36,689,005	36,221,224
Retirement Reserve Fund	32,240,584	24,162,680
Income/Expense Fund	88,397	34,582
Total Fund Balances	\$76,532,749	\$68,201,048

In financing pension actuarial accrued liabilities, valuation assets were distributed as follows:

Reserves	Valuation Assets Applied to			Totals
	Actuarial Accrued Liabilities for			
	Active & Inactive Members	Retirees & Beneficiaries	Contingency Reserve	
Pension Savings Fund	\$ 7,514,763	\$	\$	\$ 7,514,763
Pension Reserve and Income/Expense Fund	22,526,335	10,455,027		32,981,362
Retirement Reserve Fund	32,240,584	32,240,584		32,240,584
Total	\$30,041,098	\$42,695,611	\$ 0	\$72,736,709

DERIVATION OF VALUATION ASSETS

	Pension	Health	Total
Assumed Annual Rate of Interest	8.00%	8.00%	8.00%
A. Funding Value, 12/31/03	\$70,428,739	\$965,993	\$71,394,732
B. Market Value, Beginning of Year			68,201,048
C. Non-Investment Net Cash Flow			(1,363,456)
D. Net Investment Income (Market Total)			9,695,157
E. Market Value, End of Year			76,532,749
F. Phase-in Factor			20%
G. Expected Income			5,657,040
H. Market Value Gain (Loss): [(D) – (G)]			4,038,117
I. Method Change			
J. Recognition of Gain/(Loss)			
J1. Year One			807,623
J2. Year Two			1,767,454
J3. Year Three			(2,386,467)
J4. Year Four			(1,161,494)
J5. Year Five			(781,113)
J6. Total (J1...J5)			(1,753,997)
K. Funding Value, 12/31/04 [(A) + (C) + (G) + (J6)]			73,934,319
L. Funding Value Rate of Return			5.50%
M. Percent Allocation (to pension and health)*	98.4%	1.6%	100.0%
N. Allocated Funding Value, 12/31/2004	\$72,736,709	\$1,197,610	\$73,934,319

* Rounded

**SUMMARY OF
CURRENT ASSET INFORMATION
REPORTED FOR VALUATION**

Trust Assets

	December 31, 2004 Market Value
Cash & equivalents	\$ 482,296
Investments	75,896,132
Interest and Dividend Receivables	168,205
	76,546,633
Less accounts payable	13,884
	\$76,532,749

Revenues and Expenditures of Trust

	2003	2004
Balance – January 1	\$55,096,563	\$68,201,048
Revenues:		
Member contributions	694,919	729,784
Employer contributions	964,605	1,269,502
Investment income	14,505,737	9,856,321
Total	16,165,261	11,855,607
Expenditures:		
Benefit payments	2,646,885	3,130,455
Hospitalization Insurance	176,456	205,117
Refunds of member contributions	12,667	27,170
Administrative expenses	224,768	161,164
Total	3,060,776	3,523,906
Balance - December 31	\$68,201,048	\$76,532,749

**ASSET INFORMATION REPORTED FOR VALUATION
COMPARATIVE STATEMENT - MARKET VALUE**

Year Ended Dec. 31	Assets Beginning of Year	Revenues			Expenses			Assets Year-End
		Member Contrib.	Employer Contrib.	Investment Income	Retirement Benefits	Contrib. Refunds	Other Net Expenses	
1990	\$18,762,089	\$279,338	\$ 677,916	\$ 158,461	\$ 684,729	\$ 0	\$137,873	\$19,055,202
1991	19,055,202	317,841	725,386	4,641,212	717,924	18,963	166,505	23,836,249
1992	23,836,249	335,381	941,653	1,584,015	856,200	6,965	202,347	25,631,786
1993	25,631,786	345,835	1,206,962	3,752,146	889,086	10,983	173,546	29,863,114
1994	29,863,114	352,190	1,341,259	296,937	1,199,288	0	181,309	30,472,903
1995	30,472,903	356,929	1,328,956	6,880,947	1,360,695	45,547	233,037	37,400,456
1996	37,400,456	362,418	1,360,279	5,973,417	1,463,323	50,390	219,510	43,363,348
1997	43,363,348	359,362	1,323,058	7,868,506	1,742,134	101,303	234,342	50,836,495
1998	50,836,495	384,425	1,400,438	6,319,530	1,884,691	2,132	240,655	56,813,410
1999	56,813,410	388,242	1,216,206	9,134,505	1,970,490	46,532	213,541	65,321,800
2000	65,321,800	377,237	1,034,177	491,515	2,082,927	9,920	231,827	64,900,056
2001	64,900,056	549,024	878,260	(913,594)	2,275,493	0	263,426	62,874,827
2002	62,874,827	612,637	837,636	(6,425,470)	2,454,162	11,921	336,984	55,096,563
2003	55,096,563	694,919	964,605	14,505,737	2,646,885	12,667	401,224	68,201,048
2004	68,201,048	729,784	1,269,502	9,856,321	3,130,455	27,170	366,281	76,532,749

**ADDITIONS TO AND REMOVALS FROM RETIRED/SURVIVOR MEMBERSHIP
COMPARATIVE STATEMENT**

Year Ended Dec. 31	Additions		Removals		End of Year Totals		Average	Present	Expected Removals
	No.	Annual Benefits	No.	Annual Benefits	No.	Annual Benefits	Annual Benefits	Value of Benefits	
1990	4	\$ 100,512	1	\$ 4,716	68	\$ 718,238	\$ 10,562	\$ 8,557,668	2.3
1991	1	51,056	1	3,800	68	765,494	11,257	9,493,746	2.5
1992	5	134,354	2	16,807	71	883,041	12,437	10,924,168	2.6
1993	9	290,061			80	1,173,102	14,664	15,129,832	2.6
1994	6	198,775	2	19,955	84	1,351,922	16,094	17,377,288	2.8
1995	3	112,987			87	1,464,909	16,838	18,798,048	3.0
1996	7	200,639	3	47,373	91	1,618,175	17,782	20,838,557	3.5
1997	10	297,375	2	25,146	99	1,890,404	19,095	25,386,453	3.5
1998	1	61,918	4	28,128	96	1,924,194	20,044	25,677,303	3.1
1999	3	159,701	2	19,218	97	2,064,677	21,285	27,618,722	2.8
2000	4	91,635	2	6,150	99	2,150,162	21,719	28,364,586	3.0
2001	5	204,618	4	38,747	100	2,316,033	23,160	30,488,652	3.2
2002	7	256,583	5	60,380	102	2,512,236	24,630	33,161,976	3.0
2003	17	266,239	7	21,520	112	2,756,955	24,616	36,127,984	2.9
2004	13	538,951	3	39,371	122	3,256,535	26,693	42,695,611	3.1

RETIREES AND BENEFICIARIES DECEMBER 31, 2004
TABULATED BY TYPE OF BENEFITS BEING PAID

<u>Type of Benefits Being Paid</u>	<u>No.</u>	<u>Annual Benefit</u>
Age and Service Benefits*	87	\$2,780,763
Disability Retirement Benefits	9	108,486
Survivor Benefits	<u>26</u>	<u>367,286</u>
Total	122	\$3,256,535

* *Includes survivors of age and service benefit recipients*

**RETIREES AND BENEFICIARIES BY ATTAINED AGES
AS OF DECEMBER 31, 2004**

Attained Ages	No.	Annual Pensions
Under 40	2	\$ 4,800
40 - 44		
45 - 49	4	103,170
50 - 54	19	648,982
55 - 59	25	802,001
60 - 64	13	492,198
65 - 69	14	433,445
70 - 74	15	343,441
75 - 79	15	254,683
80 - 84	5	54,000
85 +	10	119,815
<hr/>		
Total	122	\$3,256,535

**VESTED DEFERRED RETIREMENTS BY ATTAINED AGES
AS OF DECEMBER 31, 2004**

<u>Attained Ages</u>	<u>No.</u>	<u>Annual Pensions</u>
45 - 49	3	\$ 91,587
50 - 54	1	28,625
<hr/>		
Totals	4	\$120,212

ACTIVE MEMBERS INCLUDED IN VALUATION

Valn. Date Dec. 31	Active Members			Vested Term. Members	Valuation Payroll	Average Age	Average		% Incr.
	Chiefs	Other	Total				Service	Pay	
1990	7	152	159		\$4,646,153	39 yrs.	12.8 yrs.	\$29,221	5.1 %
1991	7	150	157		5,286,969	40	13.7	33,675	15.2
1992	7	145	152		5,476,906	40	14.4	36,032	7.0
1993	6	135	141		5,283,317	41	14.5	37,470	4.0
1994	6	141	147		5,484,638	40	14.2	37,310	0.0
1995	6	142	148		5,682,043	40	14.3	38,392	2.9
1996	6	142	148		5,791,398	41	14.4	39,131	1.9
1997	5	144	149		5,673,224	40	13.4	38,057	(2.7)
1998	13	136	149	2	6,254,807	41	13.9	41,699	9.6
1999	12	137	149	2	6,265,176	42	14.2	42,048	0.8
2000	12	138	150	2	6,236,863	42	14.9	41,579	(1.1)
2001	11	140	151	3	6,860,428	42	14.9	45,433	9.3
2002	13	149	162	3	7,634,337	41	13.7	47,126	3.7
2003	13	151	164	4	8,354,041	41	13.2	50,939	8.1
2004	12	151	163	4	8,624,759	41	12.5	52,913	3.9

**ADDITIONS TO AND REMOVALS FROM ACTIVE MEMBERSHIP
ACTUAL AND EXPECTED NUMBERS**

Year Ended Dec. 31	Number Added During Year		Active		Disability Retirement		Died-In- Service		Other Terminations		Members End of Year
	A	E	A	E	A	E	A	E	A	E	
	1995	6	5	3	0.9	0	0.3	0	0.3	2	
1996	7	7	5	0.8	0	0.3	0	0.3	2	2.5	148
1997	14	13	9	1.1	0	0.3	0	0.3	4	2.8	149
1998	5	4	1	0.3	0	0.3	0	0.2	3	4.0	150
1999	3	4	3	0.6	0	0.3	0	0.2	1	3.5	149
2000	5	4	1	0.9	1	0.3	0	0.2	2	3.1	150
2001	6	5	4	2.5	0	0.3	0	0.2	1	2.8	151
2002	21	10	7	2.5	0	0.2	0	0.3	3	2.7	162
2003	12	10	6	2.9	0	0.3	1	0.2	3	4.5	164
2004	11	12	10	4.1	0	0.2	1	0.2	1	4.7	163
5 Year Totals	55	41	28	12.9	1	1.3	2	1.1	10	17.8	

A represents actual number

E represents the expected number based on assumptions outlined in Section C.

**ACTIVE FIREFIGHTER MEMBERS
DECEMBER 31, 2004
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service on Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	2							2	\$ 38,616
25-29	19	1						20	794,124
30-34	12	6						18	792,542
35-39	13	10	5					28	1,277,930
40-44	4	6	7	11	1			29	1,564,494
45-49	2	3		7	11	1		24	1,414,915
50-54			1	6	7	14	1	29	1,788,950
55-59				1				1	54,457
Totals	52	26	13	25	19	15	1	151	\$7,726,028

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 40.4 years

Service: 11.8 years

Annual Pay: \$51,166

**ACTIVE MEMBER BATTALION CHIEFS
DECEMBER 31, 2004
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service on Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Payroll
35-39		1	1	1				3	\$196,723
45-49					6			6	481,624
50-54				1		1		2	148,817
55-59							1	1	71,567
Totals		1	1	2	6	1	1	12	\$898,731

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 45.9 years

Service: 20.3 years

Annual Pay: \$74,894

Section C

Actuarial Methods and Assumptions and Definitions of Technical Terms

ACTUARIAL COST METHODS USED FOR THE VALUATION

Normal cost and the allocation of actuarial present values between service rendered before and after the valuation date were determined using an individual entry-age actuarial cost method having the following characteristics:

- (i) the annual normal costs for each individual active member, payable from the member's actual date of employment to projected date of retirement, are sufficient to accumulate the actuarial present value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

Amortization of Unfunded Actuarial Accrued Liabilities.

Except where indicated, unfunded actuarial accrued liabilities were amortized as a level percent of active member payroll over a period of 19 years.

Active member payroll was assumed to increase 4.5% a year for the purpose of determining the level percent contributions.

ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

The actuary calculates contribution requirements and actuarial present values of a retirement system by applying actuarial assumptions to the benefit provisions and census information of the system, using the actuarial cost methods described on page C-1.

The principal areas of risk which require assumptions about future experience are:

- long-term rates of investment return to be generated by the assets of the system
- patterns of pay increases to members
- rates of mortality among members, retirees and beneficiaries
- rates of withdrawal of active members
- rates of disability among active members
- the age patterns of actual retirements.

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

The employer contribution rate has been computed to remain level from year to year so long as benefits and the basic experience and make-up of members do not change. Examples of favorable experience which would tend to reduce the employer contribution rate are:

- (1) Investment returns in excess of 8% per year
- (2) Member non-vested terminations at a higher rate than outlined in this report
- (3) Mortality among retirees and beneficiaries at a higher rate than indicated by the 1983 Group Annuity Mortality Table
- (4) Increases in the number of active members

ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

Examples of unfavorable experience which would tend to increase the employer contribution rate are:

- (1) Pay increases in excess of the rates outlined in this section of the report.
 - (2) An acceleration in the rate of retirement from the rates outlined in this section of the report.
 - (3) A pattern of hiring employees at older ages than in the past
-

Actual experience of the system will not coincide exactly with assumed experience, regardless of the choice of the assumptions, or the skill of the actuary and the precision of the calculations. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time one or more of the assumptions are modified to reflect experience trends (but not random or temporary year to year fluctuations).

Asset Valuation Method

Valuation assets are equal to reported market value of assets with investment gains and losses spread over a period of 5 years, (with 20% recognition in each year). Such spreading reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The details of this spreading technique are shown in Section B of this report.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Investment Return (net of expenses)

8.00% per year, compounded annually. This rate consists of a net real rate of return of 3.50% per year plus a long-term rate of wage inflation of 4.5% per year.

This assumption is used to equate the value of payments due at different points in time and was first used for the December 31, 1997 valuation. Approximate rates of investment return, for the purpose of comparison with assumed rates, are shown below.

	Year Ended December 31,				
	2004	2003	2002	2001	2000
Rate of Investment Return	5.5%	5.8%	4.0%	10.7%	12.8%

The nominal rate of return was computed using the approximate formula $i = I$ divided by $1/2 (A + B - I)$, where I is actual investment income net of expenses, A is the beginning of year asset value, and B is the end of year asset value.

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other systems -- *to do so will mislead.*

Pay Projections: These assumptions are used to project current pays to those upon which benefits will be based. The assumptions were first used for the December 31, 2004 valuation.

Service (Years)	Annual Rate of Pay Increase for Sample Ages		
	Base (Economic)	Merit and Longevity	Total
1 - 5	4.5 %	4.0 %	8.5 %
6	4.5	3.0	7.5
7	4.5	3.0	7.5
8	4.5	2.0	6.5
9	4.5	2.0	6.5
10 - 14	4.5	1.0	5.5
15	4.5	0.0	4.5

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

If the number of active members remains constant, the total active member payroll will increase 4.5% annually, the base portion of the individual pay increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities.

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

Increase in	Year Ended December 31				
	2004	2003	2002	2001	2000
Average pay	3.9	8.1	3.7	9.3	(1.1)
Total payroll	3.2	9.4	11.3	10.0	(0.5)

Mortality Table: The 1983 Group Annuity Mortality Table. This table was first used for the December 31, 1997 valuation. Sample values follow:

Sample Ages	Actuarial Present Value of		Future Life	
	\$1 Monthly for Life		Expectancy (Years)	
	Men	Women	Men	Women
55	\$124.57	\$134.74	24.82	30.23
60	115.04	127.23	20.64	25.67
65	103.26	117.61	16.69	21.28
70	90.18	105.53	13.18	17.13
75	76.40	91.57	10.15	13.37
80	62.65	77.15	7.64	10.20

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

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Rates of separation from active membership: The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This assumption measures the probabilities of members remaining in employment.

<u>Sample Ages</u>	<u>Years of Service</u>	<u>Current Rates Percent Separating within Next Year</u>
ALL	0	7.0 %
	1	6.0
	2	5.0
	3	4.0
	4	3.0
25	5 & Over	2.5
30		2.0
35		1.5
40		1.0
45		0.5
50		-
55		-
60		-

The current rates were first used in the December 31, 2004 valuation.

Rates of Disability: These assumptions represent the probabilities of active members becoming disabled.

<u>Sample Ages</u>	<u>Percent Becoming Disabled within Next Year</u>
20	0.08 %
25	0.08
30	0.08
35	0.08
40	0.20
45	0.26
50	0.49
55	0.89

These rates were first used for the December 31, 1976 valuation.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

Rates of Retirement: These rates are used to measure the probabilities of an eligible member retiring under the Regular and Early reduced retirement provisions during the next year.

Percents of Active Members Retiring within the Next Year			
Retirement Ages	Regular Retirement Rates	Service (Yrs)	Early Retirement Rates
50	40 %	20	2 %
51	40	21	2
52	40	22	2
53	40	23	2
54	40	24	2
55	30	25	2
56	20	26	2
57	15	27	2
58	15	28	2
59	15	29	2
60 & Over	100	30 & Over	2

A member was assumed to be eligible for regular retirement after attaining age 55 and completing 20 or more years of service, or if the sum of age and service equals eighty (80). A member was assumed to be eligible for early reduced retirement after completing 20 years of service.

The current rates were first used for the December 31, 2004 valuation.

Lump sum payments included in the calculation of the average pay upon which benefits are computed were assumed to increase benefits by 15 percent.

Active Member Group Size: The number of active members was assumed to remain constant. This assumption is unchanged from previous valuations.

POST-RETIREMENT HEALTH INSURANCE

The “premiums” used in the actuarial valuation of the retiree health program (with contribution rates shown in Section A of this report) were based on the illustrative premiums provided by the City and a weighted average of these “premiums” based on utilization of health care plans by retirees. A summary of these premiums is shown below.

Type	<u>50% of the Reported Illustrative Premiums</u>		
	<u>12/02</u>	<u>12/03</u>	<u>12/04</u>
Retiree Only	\$163.22	\$199.68	\$205.47
Retiree & Spouse	345.82	423.59	437.16
Dental (1-person)	13.16	13.56	14.69

Retirees pay 50% of the reported illustrative premiums (the amounts shown above). The City pays the remaining portion of the retiree health care cost. Health insurance coverage terminates upon attainment of age 65 and each retiree must make their own arrangements for health care coverage.

Eighty percent of future retired members were assumed to elect 2 person coverage at retirement.

Premiums shown above were assumed to increase in future years as follows:

<u>Year</u>	<u>Rate</u>
1	8 %
2	7
3	6
4	5
5	4.5
6+	4.5

Effective with the December 31, 2004 valuation, the indemnity plan option was eliminated, and an additional plan option was added to both the Sioux Valley and Avera McKennan plans. The premiums used in this valuation of the system (see report section A), reflect the change in health plan utilization, and are based on a weighted average of premiums in each plan and include a factor to account for the subsidy that exists in the reported premiums. The 2004 valuation premiums shown above do not reflect such an adjustment.

DEFINITIONS OF TECHNICAL TERMS

Accrued Service - Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Accrued Liability - The difference between the actuarial present value of system benefits and the actuarial present value of future normal costs. Also referred to as "past service liability."

Actuarial Assumptions - Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate in an inflation-free environment plus a provision for a long-term average rate of inflation.

Actuarial Cost Method - A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future benefits" between future normal costs and actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

Actuarial Equivalent - One series of payments is said to be actuarially equivalent to another series of payments if the two series have the same actuarial present value.

Actuarial Gain (Loss) - The difference between actual unfunded actuarial accrued liabilities and anticipated unfunded actuarial accrued liabilities -- during the period between two valuation dates. It is a measurement of the difference between actual and expected experience.

Actuarial Present Value - The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payment.

DEFINITIONS OF TECHNICAL TERMS

Amortization - Paying off an interest-discounted amount with periodic payments of interest and (generally) principal -- as opposed to paying it off with a lump sum payment.

Normal Cost - The portion of the actuarial present value of future benefits that is assigned to the current year by the actuarial cost method. Sometimes referred to as "current service cost."

Unfunded Actuarial Accrued Liabilities - The difference between actuarial accrued liabilities and valuation assets. Sometimes referred to as "unfunded past service liability" or "unfunded supplemental present value."

Most retirement systems have unfunded actuarial accrued liabilities. They arise each time new benefits are added and each time an actuarial loss occurs. The existence of unfunded actuarial accrued liabilities is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liabilities do not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liabilities and the trend in their amount (after due allowance for devaluation of the dollar).

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption:	80% of participants are assumed to be married for purposes of death and retiree health benefits. In each case the male was assumed to be 3 years older than the female.
Pay Increase Timing:	Beginning of year
Decrement Timing:	Decrements of all types are assumed to occur mid-year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service is used to determine the amount of benefit payable.
Other:	Disability and turnover decrements do not operate during retirement eligibility.
Miscellaneous Loading Factors:	The calculated retirement benefits were increased by 15% to account for the inclusion of unused sick leave and vacation time in the calculation of Final Average Compensation and by 1% to account for the impact of subsidized optional forms of payment.
Disability Assumption:	Fifty percent of disabilities were assumed to be duty related. Fifty percent were assumed to be unrelated to duty. The recovery rate from disability was assumed to be 0 (i.e., no disabled individual was assumed to recover and return to work.
Death Assumption:	Fifty percent of deaths were assumed to be duty related and fifty percent were assumed to be unrelated to duty.
Non-forfeiture Assumption:	All vested terminated members were assumed to elect a deferred retirement benefit.

Section D

Certain Disclosures Required By
Statements Nos. 25, 26 and 27 of the
Governmental Accounting Standards Board

GASB STATEMENT NO. 25
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Pension 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 % of Covered Payroll ((b-a)/c)
1995	\$34,525,942	\$39,807,550	\$ 5,281,608	86.7	\$5,682,043	93.0 %
1996	37,502,893	42,454,120	4,951,227	88.3	5,791,398	85.5
1997	42,642,037	47,505,052	4,863,015	89.8	5,673,224	85.7
1998	48,194,168	50,952,881	2,758,713	94.6	6,254,807	44.1
1999	54,931,107	53,515,826	(1,415,281)	102.6	6,265,176	-
2000	61,130,023	59,013,354	(2,116,670)	103.6	6,236,863	-
2001	66,493,766	63,521,558	(2,972,208)	104.68	6,860,428	-
2002	67,851,962	66,935,547	(916,415)	101.4	7,634,337	-
2003	70,428,739	71,553,948	1,125,209	98.4	8,354,041	13.5
2004	72,736,709	78,146,993	5,410,284	93.1	8,624,759	62.7

Schedule of Employer Pension Contributions

Valuation Year Ended December 31	Fiscal Year Ended December 31	Contribution Rates as % of Valuation Payroll	Computed Dollar Contributions	Actual Contributions	% Contributed
1995	1997	20.07	\$ 1,197,405	\$ 1,138,616	100 %
1996	1998	19.8	1,204,032	1,238,452	100
1997	1999	16.77	994,213	1,050,670	100
1998 ^	2000	14.43	943,184	899,979	100
1999 #	2001	10.48	656,590	718,973	100
2000 #	2002	7.86	490,217	607,842	100
2001 #	2003	7.23	518,329	653,835	100
2002 #	2004	9.31	742,741	890,875	100
2003	2005	11.12	992,375		
2004 ^	2006	16.21	1,526,731		

Reflects amortization credit

^ New methods or assumptions adopted

Computed dollar contributions are based on contribution rates and projected valuation payroll. Actual contributions were based on the financial statements provided by the City. Deviations may be attributable to differences between projected and actual payroll. This information is presented in draft form for review by the City's auditor. Please let us know if there are any items that the auditor changes so that we can maintain consistency with the City's financial statements.

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2004
Actuarial Cost Method	Entry-Age
Amortization method	Level percent closed
Remaining amortization period	19 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases*	4.5%-8.5%
*Includes inflation at	4.50%
Cost-of-living adjustments	Annual increase equal to CPI in June with a cap of 3% beginning 3 years after retirement.

Membership of the plan consisted of the following at December 31, 2004, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	122
Terminated plan members entitled to but not yet receiving benefits	4
Active plan members	<u>163</u>
Total	289

GASB STATEMENT NO. 26
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF PLAN ASSETS
(INCLUDES RETIREE HEALTH)
AS OF DECEMBER 31, 2004

Assets:

Cash and equivalents	\$ 482,296
Interest and Dividend Receivables	168,205
Total	<u>650,501</u>

Investments, at market value:

Northern Trust	20,823,902
Mutual Funds	36,916,455
Starbuck	10,479,393
Alliance Cap	7,676,382
Total Investments	<u>75,896,132</u>

Total Assets	<u>76,546,633</u>
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Less accounts payable	<u>13,884</u>
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Assets held in trust for pension and health benefits	\$76,532,749
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GASB STATEMENT NO. 26
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGE IN PLAN ASSETS
(INCLUDES RETIREE HEALTH)
AS OF DECEMBER 31, 2004

	Pension	Retiree Health	Total
Additions:			
Contributions			
Employer	\$ 890,875	\$ 378,627	\$ 1,269,502
Plan members	729,784	-	729,784
Total	<u>1,620,659</u>	<u>378,627</u>	<u>1,999,286</u>
Investment income			9,856,321
Miscellaneous			0
Total Additions			<u>11,855,607</u>
Deductions:			
Pension Benefits Paid	3,130,455		3,130,455
Refunds of Contributions	27,170		27,170
Health Benefits		205,117	205,117
Administrative Expenses [^]	158,765	2,399	161,164
Total Deductions	<u>3,316,390</u>	<u>207,516</u>	<u>3,523,906</u>
Net Increase (Decrease)			8,331,701
Net assets held in Trust Fund:			
Beginning of year market value			\$68,201,048
End of year market value			\$76,532,749

[^] The administrative expenses shown above were allocated based on the average funding value of assets and are shown for illustration purposes.

Employer contributions for pension and retiree health were reported in total and allocated by the actuary based on contribution recommendations.

Appendix

Retiree Health Valuation Based on Alternate Assumptions and Methods

RETIREE PREMIUM RATE DEVELOPMENT

Background

Health care premiums are an important part of a retiree health valuation. Eligible City retirees (and their spouses) may elect to receive benefits from a number of health care plans, including those offered by Sioux Valley and Avera McKennan. Retirees (and surviving spouses) receive benefits from these providers under the Patient Choice I plan. All benefits provided by the retiree health plan are self insured. This means that the City pays claims and takes the risk associated with the health care program. The City buys stop loss insurance to help manage this risk. Dental insurance benefits are also self insured.

Historically, the City has provided the illustrative retiree health care premiums for use in the actuarial valuation of the retiree health program. As a test, these premiums are applied to health benefit recipients and the result is compared to reported benefit disbursements. If the relationship between this result and actual disbursements is reasonable, it is one measure of premium reasonability.

Actuarial standards of practice have evolved as measurement of retiree health liabilities developed within the actuarial profession. The current actuarial standard covering the valuation of retiree medical liability became effective for measurements on or after January 1, 2003. Changes include the development of facsimile premiums based on the actual claims experience and the use of age grading. The combination of these two techniques produces "premiums" at each age during the retiree's lifetime based on the group's actual, historical claims experience.

We believe that using illustrative rates alone to determine retiree medical liability will likely understate the value of retiree health benefits and will fail to comply with both current actuarial standards of practice and governmental accounting standards. A summary of the proposed health care "premium" rates for use in the December 31, 2004 valuation of the retiree health program are shown on the following page. The current actuarial assumptions and methods are shown in the prior section of this report.

PREMIUM RATE DEVELOPMENT METHOD
PROPOSED MONTHLY PER PERSON HEALTH CARE RATES

Facsimile Premiums Proposed for Use in the 2004 Valuation at Sample Ages

Age	Pre-65 Rates	
	Male	Female
50	\$396.29	\$449.32
55	518.30	532.76
60	651.13	625.87

The rates shown above include medical and prescription drug coverage. These rates do not include dental coverage. Based on the current policy, retirees who receive retiree health benefits pay the illustrative premium rates shown on page C-8 as of the valuation date. The total illustrative premium for a retiree age 60 receiving health coverage for himself is \$410.94 per month while the illustrative monthly premium (based on claims analysis) is \$651.13. Currently, this retiree would pay 50% of the \$410.94 illustrative premium, or \$205.47. The resulting cost sharing arrangement in this example is a 32% / 68% split with the City paying 68%.

Dental Rates Proposed for Use in the 2004 Valuation

Coverage for	Monthly Rate
1-person	\$21.49
2-person	42.98

HEALTH COST TREND ASSUMPTION

Background

Retiree health care valuations require an assumption about how the health costs that the plan is absorbing will change over the years. This assumption includes more than just “health inflation”. It includes the impact of

- The introduction of new procedures and medications and how they are priced.
- The utilization of services and products by covered retirees and their dependents and how that utilization changes over the years.

Retiree health valuations use a health cost trend assumption that changes over the years. The near term rates reflect the fact that currently employers are seeing sharp increases in the cost of health goods and services. However, they do not anticipate that health costs will increase at these rates indefinitely. To do so would be to ignore the real world implications of this sort of projection. For example, if health costs would grow at 12% per year for the next 10 years while disposable income increases at 4% would imply that after 10 years health would absorb 40% of our disposable income. Over a 20 year period, these rates of increase would imply that at the end of the 20 year period, health costs would absorb almost 90% of our disposable income.

The valuations attempt to deal with the future by recognizing that it is more reasonable to assume that current trends will have to change in the future before we reach the absurd situation of having little or no money to spend on things that are not related to health (including food, shelter, clothes, etc.). Health costs are assumed to increase at rates greater than general inflation for a temporary “cooling off” period. At the end of the cooling off period, health costs are assumed to increase in line with general inflation. As years elapse, there are fewer remaining years in the cooling off period. The current medical inflation assumption (page C-8) has only 4 remaining years in the cooling off period. Continued use of this assumption suggests that medical inflation will increase at the same rate as general inflation in the near future. Given the recent history of plan experience, this is unlikely. A summary of proposed rates of medical inflation is shown on the next page. Current rates of medical inflation are shown on page C-8.

HEALTH COST TREND ASSUMPTION
SUMMARY OF PROPOSED MEDICAL INFLATION RATES

Rates of Inflation for Medical Benefits

Future Health Cost Increases	
Year Beginning December 31,	Valuation Assumption
2005	11.00%
2006	10.00
2007	9.00
2008	8.00
2009	7.00
2010	6.00
2011	5.00
2012 & After	4.50

Rates of Inflation for Dental Benefits

Future Health Cost Increases	
Year Beginning December 31,	Dental & Vision
2005	6.00%
2006	6.00
2007	6.00
2008	6.00
2009	6.00
2010	6.00
2011	5.00
2012 & After	4.00

**THE EFFECT OF ASSUMPTION/METHOD CHANGES
ON COMPUTED CITY RETIREE HEALTH CONTRIBUTIONS
AS OF DECEMBER 31, 2004**

Assumption Set	<u>Present</u>	<u>Proposed</u>	<u>Increase</u>
Benefits	All	All	
Valuation Date	12/31/2004	12/31/2004	
Number Active	163	163	
Number Retired*	122	122	
Total NC%	1.69 %	3.31 %	
-Employee %	<u>0.00</u>	<u>0.00</u>	
-Employer %	1.69 %	3.31 %	1.62 %
UAL%	<u>2.66 %</u>	<u>6.00 %</u>	<u>3.34 %</u>
Total Employer Contribution % (19 Year Amortization of UAL)	4.35 %	9.31 %	4.96 %
First Year \$ Contribution	\$ 409,703	\$ 876,858	\$ 467,155
UAL%		<u>4.45 %</u>	
Total Employer Contribution (NC% + UAL%) (30 Year Amortization of UAL)		7.76 %	3.41 %
First Year \$ Contribution		\$ 730,872	\$ 321,169

UAL: Unfunded Accrued Liability

* As of December 31, 2004, 122 pension retirees and beneficiaries were reported to the actuary and 67 were deemed ineligible for retiree health benefits as of the valuation date.