

**CITY OF JOLIET POLICE OFFICERS' PENSION FUND
ANNUAL ACTUARIAL VALUATION
FOR THE YEAR BEGINNING
JANUARY 1, 2012**

CONTENTS

<u>Section</u>	<u>Page</u>	
		<i>Introduction</i>
A		<i>Valuation Results</i>
	1-2	Summary of Actuarial Valuation Results
	3	Derivation of Experience Gain (Loss)
	4-6	Comments and Analysis
B		<i>Projections</i>
	1	Projection under P.A. 96-1495
	2	Projection with 35 Years Closed Amortization
C		<i>Benefit Provisions and Valuation Data</i>
	1-10	Brief Summary of Plan Provisions
	11	Active Member Data
	12-13	Development of Actuarial (Market-Related) Value of Assets
D		<i>Valuation Procedures</i>
	1	Actuarial Cost Method
	2	Actuarial Assumptions in the Valuation Process
	3-5	Valuation Assumptions
E		<i>GASB Statement Nos. 25 and 27</i>
	1	Required Supplementary Information Schedule of Funding Progress
	2	Schedule of Employer Contributions
	3	Annual Pension Cost and Contributions
	4	Pension Cost Summary for GASB #27
	5	Summary of Actuarial Methods and Assumptions



September 12, 2012

The Pension Board
City of Joliet Police Officers Pension Fund
Joliet, Illinois

Dear Board Members:

We are pleased to provide our formal annual Actuarial Valuation Report as of January 1, 2012, covering the City of Joliet Police Officers Pension Fund. This report provides, among other things, the minimum annual contribution requirements of the Plan for the Plan Year commencing January 1, 2012, and ending on December 31, 2012 (which directly affects the City's tax levy in the 2013 fiscal year that is collected and deposited into the Pension Trust in fiscal year 2013). This valuation was based on the plan provisions as outlined in Section C of this report, the Plan participant data as provided by the City of Joliet (i.e., Plan Sponsor), and on the actuarial cost method and the set of actuarial assumptions as described in Section D of the report. The assumptions used in this valuation are the same as those used in the previous valuation.

This valuation also incorporates the Board approved modified funding policy equal to the sum of: (a) annual normal cost plus (b) amortization of unfunded liability as a level percent of pay between January 1, 2011, and January 1, 2046, plus (c) interest on (a) and (b) to date of payment, that is projected to produce a funded ratio of 100 percent by January 1, 2046. The contribution under this modified funding policy satisfies the statutory minimum funding requirements found in Public Act 96-1495.

Chapter 40, Act 5, Article 3 of the Illinois Compiled Statutes requires an actuarial balance sheet (i.e., actuarial valuation) be prepared by a qualified actuary in order to determine the annual tax levy to meet the annual actuarial requirements of the Pension Fund. Alex Rivera and Lance Weiss of Gabriel, Roeder, Smith & Company have the following qualifications:

Alex Rivera is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary with over 25 years of responsible experience in the actuarial and pension consulting field.

Lance Weiss is a Fellow of the Conference of Consulting Actuaries, a Member of the American Academy of Actuaries, and an Enrolled Actuary with over 30 years of responsible experience in the actuarial and pension consulting field.

It is our understanding, in accordance with the Illinois Compiled Statutes, that the undersigned more than satisfy the minimum requirements as set forth in the referenced Pension Code as recently amended.

In addition, it is also our understanding that the Pension Code requires that a member of the American Academy of Actuaries perform the required annual actuarial valuation and does not mandate that the Illinois Department of Insurance's annual actuarial valuation of the Pension Fund be controlling or that the Department of Insurance accept or approve another actuarial valuation of the Pension Fund.

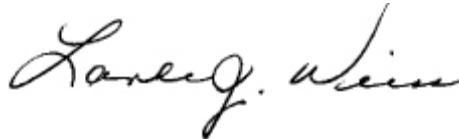
Both of the undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries (MAAA) to render the actuarial opinion contained herein.

We will be pleased to review this report with you at your convenience.

Sincerely,



Alex Rivera, F.S.A., M.A.A.A.
Senior Consultant



Lance Weiss, E.A., , M.A.A.A.
Senior Consultant

Additional Disclosures Required by Actuarial Standards of Practice

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.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

SECTION A
VALUATION RESULTS

SUMMARY OF ACTUARIAL VALUATION RESULTS

	Valuation Date as of	<u>January 1, 2011</u>	<u>January 1, 2012</u>
Employee	Number of Active Police Officers	263	253
Data	Number of Service Retirees	114	119
	Number of Disabled Lives	13	13
	Number of Widow Beneficiaries	28	28
	Number of Children Beneficiaries	0	0
	Number of Separated Deferred Police Officers	7	7
	Number of Handicapped Beneficiaries	1	1
	TOTAL	426	421
	Total Annual Salaries of Police Officers	\$ 24,847,562	\$ 25,893,398
Plan	Gross Actuarial Accrued Liability:		
Liabilities	Active Police Officers	\$ 122,989,093	\$ 131,789,545
	Retirees, Beneficiaries & Disabled	133,779,640	145,940,572
	TOTAL	\$ 256,768,733	\$ 277,730,117
	Actuarial Value of Assets at Valuation Date	\$ 133,877,323	\$ 141,001,705
	Unfunded (Overfunded) Actuarial Accrued Liability	\$ 122,891,410	\$ 136,728,412
	Funded Position of Plan's Gross Actuarial Accrued Liability ²	52.1 %	50.8 %
		For the 2011 Fiscal Year	For the 2012 Fiscal Year
Normal	Gross Annual Normal Cost	\$ 7,616,723	\$ 7,937,008
Cost	Less Expected Member Contributions (for Applicable Plan Year)	2,462,393	2,566,036
	Net Annual Normal Cost (Municipality Paid)	\$ 5,154,330	\$ 5,370,972
	Net Annual Normal Cost (As a percentage of pay) ¹	20.7 %	20.7 %

¹ Percents above represent annual plan contributions expressed as percentages of covered Police Officers' salaries.

² Equals the ratio of the actuarial value of assets to the total gross actuarial accrued liability.

SUMMARY OF ACTUARIAL VALUATION RESULTS (CONTINUED)

Annual Contribution Requirements Plan Year End	<u>December 31, 2011</u> ^a	<u>December 31, 2012</u> ^b
Net Annual Normal Cost (Municipality Paid)	\$5,154,330	\$5,370,972
Annual Amortization Payments for Funding Unfunded Actuarial Accrued Liability as a level percentage of payroll	5,465,671	6,185,696
Interest Adjustment to Expected Date of Payment into the Fund (Optional)	<u>1,134,392</u>	<u>1,234,444</u>
Total Minimum Annual Contribution Requirement for the Current Plan Year	<u>\$11,754,393</u>	<u>\$12,791,112</u>
Minimum Annual Contribution (As a percentage of pay)	47.3%	49.4%

^a Unfunded Actuarial Accrued Liability is amortized over a 35 year closed period.

^b Unfunded Actuarial Accrued Liability is amortized over a 34 year closed period.

The contributions shown above satisfy the statutory minimum funding requirements found in Public Act 96-1495 that employer contribution produces 90 percent funding by the end of fiscal year 2040. The statutory minimum funding requirement produces a contribution of \$11,808,000 or 42.39 percent of projected pay.

**DERIVATION OF EXPERIENCE GAIN (LOSS)
YEAR ENDED JANUARY 1, 2012**

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is expected that gains and losses will cancel each other over time, but year-to-year fluctuations are not uncommon. Detail on the derivation of the experience gain (loss) is shown below, along with a year-by-year comparative schedule.

1. Unfunded Actuarial Accrued Liability at 01/01/2011	\$ 122,891,410
2. Normal Cost Due at 01/01/2011	7,616,723
3. Interest on (1) and (2) to 12/31/2011 (at 7.00% per annum)	9,135,569
4. Contributions (Employer and Employee) applicable to the 2011 Plan Year, with interest to 12/31/2011	13,890,825
5. Expected Unfunded Actuarial Accrued Liability at 01/01/2012 [(1) + (2) + (3) - (4)]	\$ 125,752,877
6. Actual Unfunded Actuarial Accrued Liability at 01/01/2012	\$ 136,728,412
7. Gain (Loss) for the 2011 Plan Year [(5) - (6)]	\$ (10,975,535)

Valuation Date January 01	Experience Gain (Loss) As % of Accrued Liability at the Prior Valuation Date ¹
2001	(2.93)%
2002	1.48 %
2003	(5.74)%
2004	(2.50)%
2005	(5.28)%
2006	2.11 %
2007	(13.32)%
2008	1.38 %
2009	(1.33)%
2010	(8.87)%
2011	(4.14)%
2012	(4.27)%

¹ Excluding Plan and assumption changes.

COMMENTS AND ANALYSIS

The valuation results pertaining to the current Plan Year are analyzed and discussed in the following paragraphs.

Plan History

The following table provides a summary of the Plan's rate of return on assets and salary increase experience over the last 20 actuarial valuations performed by Gabriel, Roeder, Smith & Company:

Plan Year Ending	Rate of Return On Plan Assets	Salary Scale Increase
12/31/1992	7.6 %	7.0 %
12/31/1993	6.8	6.2
12/31/1994	5.8	6.5
12/31/1995	9.6	7.1
12/31/1996	3.4	8.7
12/31/1997	7.1	3.6
12/31/1998	8.8	5.8
12/31/1999	5.5	8.7
12/31/2000	6.9	6.0
12/31/2001	3.4	5.4
12/31/2002	(0.3)	7.6
12/31/2003	9.4	7.4
12/31/2004	4.9	9.9
12/31/2005	3.8	2.7
12/31/2006	9.0	22.0
12/31/2007	7.1	6.5
12/31/2008	(8.6)	1.6
12/31/2009	7.7	6.4
12/31/2010	6.3	10.2
12/31/2011	0.2	9.3

The Salary Scale increase has averaged 7.4% over the last 20 years. We believe the 5.25% salary increase assumption continues to be a reasonable long-term assumption. The salary scale was recently adjusted to recognize that members with less than three years of service receive higher pay increases. As part of each annual valuation, we will review salary scale increases and determine whether the current assumption continues to be appropriate.

Over the same 20-year period, the Plan's assets have averaged an annual rate of investment return of 5.1%. We believe the 7.00% annual rate of return on Plan assets is within the range of reasonable assumptions. However, we recommend that the City monitor this assumption for continuing reasonableness at each future valuation.

**COMMENTS AND ANALYSIS
(CONTINUED)**

<i>Analysis of the Experience Gain (Loss)</i>	The experience gain(loss) reported on page A-3, is the net result of the following:	
	(a) From plan asset performance	\$ (6,227,589)
	(b) Other sources ("net effect" of salary increases, terminations, new entrants, retirements, etc.)	<u>(4,747,946)</u>
	Total Gain/(Loss): [(a) + (b)]	\$ (10,975,535)

<i>Changes in the Annual Contribution</i>	The dollar amount of the plan's annual minimum required contribution of \$12,791,112 is approximately 8.8% higher than the level for the prior plan year of \$11,754,393. As a percentage of payroll, the contribution requirement is higher than last year (i.e., increasing from 47.3% to 49.4%). The important factors producing this change are summarized as follows:	
	1. Minimum Annual Contribution Requirement for prior plan year	\$ 11,754,393
	2. Actual Asset Performance (based on actuarial value of assets)	311,835
	3. Increase in Normal Cost and Amortization Amount due to anticipated pay increases	470,176
	4. Changes in Assumptions	0
	6. Other Sources (demographic (gains)/losses)	254,708
	7. Minimum Annual Contribution Requirement for current plan year (sum of items 1 through 6)	<u>\$ 12,791,112</u>

COMMENTS AND ANALYSIS (CONTINUED)

Comments on Actuarial Value of Assets Government accounting standards mandate the use of market value of assets or market-related value of assets for accounting purposes. The Pension Fund used market-related value of assets for both government accounting and funding purposes. This market-related value of assets will recognize gains and losses due to return on plan assets over a four-year period. Hence, only a portion of this year's investment loss (see Section B for details) is included in the current year actuarial value of assets. The remainder of the gain or loss will be incorporated into Pension Fund assets over the next three years. The purpose of this technique is to minimize contribution volatility due to fluctuations in the market value of assets. Finally, receivables for plan years prior to the current plan year which are not in Plan assets by December 31, 2011, are not included in assets for Government accounting standards purposes but are included in assets for funding purposes.

GASB Statements No. 25 and 27 GASB Statement No. 25 is applicable to fiscal years beginning after June 15, 1996. It was adopted by the City of Joliet Police Officers Pension Fund in the January 1997 report. GASB Statement 27 is applicable to fiscal years beginning after June 15, 1997. It was adopted by the City of Joliet in the January 1998 report. A transition pension liability (asset) has been developed under Statement No. 27 equal to the cumulative difference between the actuarially determined funding requirement and the actual amount contributed for fiscal years 1987 to the date GASB 27 is adopted. As of the adoption date, all outstanding pension liabilities (assets) are adjusted to equal the transition NPO. Section D of this report provides further details and explanations on these regulations.

SECTION B
PROJECTIONS

City of Joliet Police Officers Pension Fund
Actuarial Valuation Projection Results Based on P.A. 96-1495 as of January 1, 2012 (Based on Projected Unit Credit Cost Method)
(\$ in Thousands)

Year	Actuarial Accrued Liability	Market Value of Assets	Actuarial Value of Assets ¹	Unfunded Liability	Actuarial Value Funded Ratio	Uncapped Payroll	Capped Payroll	Employer Normal Cost	Statutory Minimum Contribution	Statutory Contribution % of Projected Pay	Employee Contributions	Benefit Payments
2012	\$268,420	\$123,317	\$129,446	\$138,974	48.23%	\$25,893	\$25,893	\$5,572	\$11,808	42.39%	\$2,566	\$9,967
2013	285,641	136,384	140,470	145,171	49.18%	26,828	26,828	5,844	12,292	42.39%	2,659	10,591
2014	303,813	149,870	151,913	151,900	50.00%	27,855	27,855	6,102	12,798	42.39%	2,760	11,233
2015	322,978	164,239	164,239	158,739	50.85%	28,996	28,988	6,324	13,317	42.39%	2,873	11,951
2016	343,105	179,509	179,509	163,596	52.32%	30,190	30,156	6,512	13,846	42.39%	2,988	12,776
2017	364,115	195,649	195,649	168,466	53.73%	31,415	31,330	6,668	14,385	42.39%	3,105	13,744
2018	385,888	212,581	212,581	173,307	55.09%	32,661	32,495	6,794	14,937	42.39%	3,220	14,803
2019	408,350	230,278	230,278	178,072	56.39%	33,933	33,644	6,893	15,487	42.39%	3,334	15,966
2020	431,408	248,696	248,696	182,712	57.65%	35,235	34,773	6,952	16,017	42.39%	3,446	17,252
2021	454,936	267,756	267,756	187,180	58.86%	36,533	35,829	6,944	16,544	42.39%	3,551	18,708
2022	478,713	287,296	287,296	191,416	60.01%	37,783	36,746	6,876	17,104	42.39%	3,642	20,335
2023	502,498	307,157	307,157	195,340	61.13%	39,027	37,554	6,774	17,663	42.39%	3,722	22,096
2024	526,101	327,247	327,247	198,854	62.20%	40,348	38,332	6,613	18,252	42.39%	3,799	23,987
2025	549,312	347,439	347,439	201,873	63.25%	41,665	38,974	6,410	18,868	42.39%	3,862	25,986
2026	571,929	367,649	367,649	204,280	64.28%	43,054	39,554	6,173	19,518	42.39%	3,920	28,087
2027	593,760	387,792	387,792	205,968	65.31%	44,507	40,057	5,905	20,211	42.39%	3,970	30,255
2028	614,639	407,823	407,823	206,816	66.35%	46,042	40,491	5,615	20,972	42.39%	4,013	32,450
2029	634,441	427,744	427,744	206,697	67.42%	47,676	40,868	5,330	21,757	42.39%	4,050	34,651
2030	653,077	447,603	447,603	205,475	68.54%	49,472	41,259	5,028	22,594	42.39%	4,089	36,896
2031	670,411	467,378	467,378	203,034	69.72%	51,323	41,532	4,722	23,488	42.39%	4,116	39,179
2032	686,290	487,065	487,065	199,225	70.97%	53,298	41,764	4,423	24,437	42.39%	4,139	41,413
2033	700,665	506,764	506,764	193,901	72.33%	55,407	41,957	4,127	25,477	42.39%	4,158	43,617
2034	713,461	526,558	526,558	186,903	73.80%	57,645	42,103	3,865	26,567	42.39%	4,172	45,705
2035	724,715	546,665	546,665	178,049	75.43%	60,100	42,314	3,626	27,719	42.39%	4,193	47,711
2036	734,436	567,248	567,248	167,188	77.24%	62,669	42,471	3,414	28,968	42.39%	4,209	49,660
2037	742,598	588,459	588,459	154,140	79.24%	65,387	42,621	3,263	30,294	42.39%	4,224	51,425
2038	749,344	610,632	610,632	138,712	81.49%	68,334	42,877	3,174	31,696	42.39%	4,249	52,979
2039	754,870	634,143	634,143	120,727	84.01%	71,461	43,192	3,144	33,163	42.39%	4,280	54,347
2040	759,352	659,363	659,363	99,989	86.83%	74,768	43,579	3,169	8,445	10.33%	4,319	55,542
2041	762,961	686,665	686,665	76,296	90.00%	78,230	44,027	3,225	8,604	10.07%	4,363	56,630
2042	765,788	689,210	689,210	76,579	90.00%	81,778	44,454	3,308	8,771	9.83%	4,405	57,598
2043	767,927	691,134	691,134	76,793	90.00%	85,446	44,911	3,414	8,938	9.60%	4,451	58,425
2044	769,502	692,552	692,552	76,950	90.00%	89,244	45,421	3,531	9,101	9.37%	4,501	59,146
2045	770,602	693,542	693,542	77,060	90.00%	93,131	45,947	3,652	9,257	9.15%	4,553	59,783
2046	771,289	694,160	694,160	77,129	90.00%	97,104	46,491	3,772	9,402	8.93%	4,607	60,358
2047	771,598	694,438	694,438	77,160	90.00%	101,160	47,051	3,883	9,533	8.70%	4,663	60,884

¹ Pursuant to P.A. 96-1495, the actuarial value of assets was set equal to the market value of assets at March 30, 2011.

City of Joliet Police Officers Pension Fund
Actuarial Valuation Projection Results Based on 34 Years Closed Amortization as of January 1, 2012 (Based on Entry Age Normal Cost Method)
(\$ in Thousands)

Fiscal Year	Actuarial Accrued Liability	Market Value of Assets	Actuarial Value of Assets	Unfunded Liability	Actuarial Value Funded Ratio	Uncapped Payroll	Capped Payroll	Employer Normal Cost	Annual Required Contribution¹	ARC as % of Pay	City Contribution	City Contribution % of Pay	Employee Contributions	Benefit Payments
2012	\$277,730	\$123,317	\$141,002	\$136,728	50.77%	\$25,893	\$25,893	\$5,371	\$12,606	48.68%	\$12,791	49.40%	\$2,566	\$9,967
2013	295,352	136,384	153,016	142,335	51.81%	27,855	27,855	5,513	13,071	46.93%	13,358	47.96%	2,659	10,591
2014	313,813	150,887	165,844	147,969	52.85%	28,996	28,988	5,659	13,519	46.62%	13,949	48.11%	2,760	11,233
2015	333,168	166,431	179,916	153,252	54.00%	30,190	30,156	5,787	13,933	46.15%	14,523	48.11%	2,873	11,951
2016	353,391	183,045	197,085	156,306	55.77%	31,415	31,330	5,895	14,217	45.26%	14,976	47.67%	2,988	12,776
2017	374,416	200,680	215,158	159,258	57.46%	32,661	32,495	5,985	14,659	44.88%	15,424	47.23%	3,105	13,744
2018	396,132	219,135	234,046	162,086	59.08%	33,933	33,644	6,059	15,098	44.50%	15,868	46.76%	3,220	14,803
2019	418,475	238,366	253,707	164,768	60.63%	35,235	34,773	6,117	15,538	44.10%	16,310	46.29%	3,334	15,966
2020	441,361	258,315	274,082	167,279	62.10%	36,533	35,829	6,147	15,967	43.71%	16,737	45.81%	3,446	17,252
2021	464,672	278,899	295,079	169,593	63.50%	37,783	36,746	6,134	16,370	43.33%	17,132	45.34%	3,551	18,708
2022	488,204	299,965	316,527	171,678	64.83%	39,027	37,554	6,080	16,750	42.92%	17,500	44.84%	3,642	20,335
2023	511,740	321,321	338,239	173,502	66.10%	40,348	38,332	6,006	17,127	42.45%	17,862	44.27%	3,722	22,096
2024	535,108	342,811	360,079	175,029	67.29%	41,665	38,974	5,888	17,481	41.96%	18,196	43.67%	3,799	23,987
2025	558,111	364,299	381,890	176,221	68.43%	43,054	39,554	5,741	17,826	41.40%	18,516	43.01%	3,862	25,986
2026	580,566	385,632	403,532	177,034	69.51%	44,507	40,057	5,570	18,170	40.82%	18,830	42.31%	3,920	28,087
2027	602,297	406,670	424,874	177,423	70.54%	46,042	40,491	5,375	18,514	40.21%	19,139	41.57%	3,970	30,255
2028	623,150	427,311	445,813	177,337	71.54%	47,676	40,868	5,162	18,867	39.57%	19,450	40.80%	4,013	32,450
2029	643,010	447,486	466,289	176,721	72.52%	49,472	41,259	4,948	19,249	38.91%	19,783	39.99%	4,050	34,651
2030	661,792	467,151	486,276	175,516	73.48%	51,323	41,532	4,714	19,643	38.27%	20,118	39.20%	4,089	36,896
2031	679,358	486,252	505,700	173,658	74.44%	53,298	41,764	4,474	20,065	37.65%	20,470	38.41%	4,116	39,179
2032	695,561	504,697	524,486	171,074	75.40%	55,407	41,957	4,231	20,525	37.04%	20,848	37.63%	4,139	41,413
2033	710,351	522,506	542,660	167,690	76.39%	57,645	42,103	3,988	21,029	36.48%	21,252	36.87%	4,158	43,617
2034	723,655	539,687	560,232	163,422	77.42%	60,100	42,314	3,765	21,605	35.95%	21,707	36.12%	4,172	45,705
2035	735,506	556,340	577,325	158,180	78.49%	62,669	42,471	3,546	22,247	35.50%	22,199	35.42%	4,193	47,711
2036	745,897	572,571	594,031	151,866	79.64%	65,387	42,621	3,338	22,971	35.13%	22,734	34.77%	4,209	49,660
2037	754,792	588,441	610,419	144,373	80.87%	68,334	42,877	3,162	23,817	34.85%	23,340	34.16%	4,224	51,425
2038	762,311	604,161	626,725	135,586	82.21%	71,461	43,192	3,016	24,807	34.71%	24,016	33.61%	4,249	52,979
2039	768,617	620,022	643,239	125,378	83.69%	74,768	43,579	2,901	25,982	34.75%	24,765	33.12%	4,280	54,347
2040	773,859	636,305	660,247	113,612	85.32%	78,230	44,027	2,813	27,399	35.02%	25,590	32.71%	4,319	55,542
2041	778,177	653,301	678,040	100,137	87.13%	81,778	44,454	2,740	29,155	35.65%	26,478	32.38%	4,363	56,630
2042	781,638	671,255	696,852	84,786	89.15%	85,446	44,911	2,684	31,467	36.83%	27,441	32.11%	4,405	57,598
2043	784,324	690,422	716,950	67,374	91.41%	89,244	45,421	2,649	34,844	39.04%	28,499	31.93%	4,451	58,425
2044	786,351	711,113	738,663	47,688	93.94%	93,131	45,947	2,629	40,783	43.79%	29,676	31.86%	4,501	59,146
2045	787,805	733,647	762,336	25,469	96.77%	97,104	46,491	2,623	56,781	58.47%	31,093	32.02%	4,553	59,783
2046	788,750	758,368	788,426	324	99.96%	101,160	47,051	2,627	33,009	32.63%	3,266	3.23%	4,607	60,358
2047	789,226	785,740	788,897	329	99.96%	105,293	47,614	2,639	6,125	5.82%	3,284	3.12%	4,663	60,884

¹ Based on an amortization period equal to the lesser 30 years and the amortization period used to determine the City's Contribution, with interest adjustment.

SECTION C

BENEFIT PROVISIONS AND VALUATION DATA

BRIEF SUMMARY OF PLAN PROVISIONS (JANUARY 1, 2012)

Plan Police Pension Fund as Incorporated in Chapter 40, Act 5, Article 3 of the Illinois Compiled Statutes

Effective Date Enacted: July 25, 1963

Last Amended Effective: January 1, 2012

Eligibility to Participate Generally, any person who is in the Police Department of a city, village or incorporated town (whose population is 500,000 or less) which has adopted the provisions of Chapter 40, Act 5, Article 3 of the Illinois Compiled Statutes concerning Police Officers' pensions, is eligible to participate, subject to the following:

- (a) The person has been appointed to the Police force of a Police Department and sworn and commissioned to perform Police duties; and
- (b) Within three months after receiving his/her first appointment (or within three months after any re-appointment) the person makes written application to the Board to be covered under the provisions of the Article; and
- (c) The person is found to be physically and mentally fit to perform the duties of a Police Officer.

Notwithstanding, the following persons are not considered eligible for participation in this Fund: part-time Police Officers, special Police Officers, night watchmen, temporary employees, traffic guards, or auxiliary Police Officers (specially appointed to aid or direct traffic at or near schools or public functions, or to aid in civil defense), municipal parking lot attendants, clerks or other civilian employees of a Police Department who perform clerical duties exclusively.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

***Employee
Contributions
(Mandatory)***

In order to participate in the plan, each Police Officer must contribute 9.910% of his/her regular salary. "Salary" in this instance means annual salary and includes longevity pay attached to the Police Officer's rank but excludes overtime pay, holiday pay, bonus pay, merit pay or any other cash benefit over and above the salary established by the appropriation ordinance.

Creditable Service

"Creditable Service" is the time period during which a person serves as a Police Officer of a regularly constituted Police force of a municipality. Furloughs without pay exceeding 30 days in any one year shall not be counted, but all leaves of absence for illness or accident, regardless of length, shall be counted. Also, time attributable to disability for which the Police Officer does not receive disability pension benefits under this Article shall be counted as "Creditable Service."

In addition, creditable service includes all periods of service in the Military, Naval or Air Forces of the United States of America, entered into when the person was an active Police Officer, provided that the Police Officer contributes to the Fund the amount that he/she would have paid had he/she been a regular contributor during such Military service. Not more than five years may be counted under this provision.

***Eligibility For and
Amount of Regular
Retirement Benefits***

***I. Age 50 (or
More) and 20
or More Years
of Creditable
Service***

Benefit: A Police Officer who is age 50 (or more) and has 20 years (or more) of Creditable Service and is no longer in service as a Police Officer is entitled to a pension payable for life equal to 50% of his/her salary attached to the rank held by the Officer one year immediately prior to retirement.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Effective July 1, 1987, for persons terminating service on or after that date, the applicable salary will be the greater of: (1) the salary attached to the rank held on the last day of service; or (2) the salary one year prior to the last day of service.

For Creditable Service over 20 years, the pension is increased as follows:

- 2.5% of the Police Officer's salary for each additional year over 20 years of Creditable Service, up to 30 years, subject to the maximum of 75% of his/her salary.

Notwithstanding the above, no Pension in effect or granted for a Police Officer with 20 or more years of service after January 1999 is to be less than \$600.00 per month. This increases to \$800.00 per month on January 1, 2000, and \$1,000.00 per month on January 1, 2001.

***II. Eligibility—
Age 60 (or
More) and 8
(but Less than
20) Years of
Creditable
Service***

Benefit: A Police Officer who retires or is separated from service having at least 8 years (but less than 20) of Creditable Service and who does not apply for a refund of contributions at separation from service, is entitled to a monthly pension upon attaining age 60, payable for life, equal to years of Creditable Service multiplied by 2-1/2% of the salary attached to the rank he/she held in the Police force one year prior to retirement. Effective July 1, 1987, for persons terminating service on or after that date, the applicable salary will be the greater of: (1) the salary attached to the rank held on the last day of service; or (2) the salary one year prior to the last day of service.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

A Police Officer who is mandatorily retired from service by reason of age through an operation of law, and has accumulated at least 8 years (but less than 20 years) of Creditable Service, is entitled to a pension payable for life equal to years of Creditable Service multiplied by 2-1/2% of the salary attached to the rank he/she held on the Police force one year immediately prior to retirement. Effective July 1, 1987, for persons terminating service on or after that date, the applicable salary will be the greater of: (1) the salary attached to the rank held on the last day of service; or (2) the salary one year prior to the last day of service.

III. Pension Allowance Increases

- A Police Officer who retired from service with 20 or more years of Creditable Service on or before July 1, 1971 is entitled to an increase of 3% of his/her original monthly pension for each year the Police Officer was in receipt of pension payments; such increase takes effect in the January of the year following the year in which he/she attains age 65, or January of 1972, if then age 65. Each subsequent January thereafter, the monthly pension is increased by 3% of the original monthly pension amount.

- A Police Officer who retired from service after July 1, 1971 and prior to January 1, 1986 is entitled to an increase of 3% of his/her original monthly pension either upon: (a) the first of the month following the first anniversary of his/her date of retirement if he/she was age 60 or more on the retirement date, or (b) the first of the month following the Police Officer's attainment of age 60 (if such occurs after the first anniversary of his/her retirement date). Each subsequent January thereafter, the monthly pension is increased by 3% of the original monthly pension amount.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

- A Police Officer who retired from service on or after January 1, 1986 is entitled to an increase of 3% of his/her original monthly pension for each full year that has elapsed since the pension began. This occurs either upon: (a) the first of the month following the anniversary of his/her date of retirement if he/she was age 55 or older on the retirement date, or (b) the first of the month following the Police Officer's attainment of age 55 (if such occurs after the first anniversary of his/her retirement date). Each subsequent January thereafter, the monthly pension is increased by 3% of the original monthly pension amount.

 - Notwithstanding the provisions of the second paragraph listed above, a Police Officer who retired from service after January 1, 1977 and prior to January 1, 1986 and did not receive a pension increase before July 1, 1987, is entitled to a 3% increase of his/her original monthly pension for each full year that has elapsed since the pension began. This occurs on the first day of the month following the later of either: (a) the first anniversary of the date of retirement, or (b) the attainment of age 55, or (c) July 1, 1987. Each subsequent January thereafter, the monthly pension is increased by 3% of the original pension amount.

 - Notwithstanding the provisions of the previous paragraphs, beginning with increases granted on or after July 1, 1993, the second and all subsequent automatic annual increases under these provisions shall be calculated as 3% of the amount of pension payable at the time of the increase, including any increases previously granted under the prior provisions, rather than 3% of the originally granted pension amount.
-

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Eligibility For and Amount of Disability Benefits

- I. Disability Incurred in the Line of Duty** If a Police Officer is injured or suffers an accident or sickness as the result of carrying out his/her duties as a Police Officer (even if those duties take him/her to a place away from the municipality in which he/she serves as a Police Officer, and assuming such duties are related to the Police protection service of such municipality), then such a disabled Police Officer is entitled to a disability retirement pension equal to the maximum of: (a) 65% of the monthly salary attached to the rank held by the officer in the Police Department at the date of suspension of duty or retirement, or (b) his/her accrued benefit.
- II. Disability on Account of Occupational Hazards** If a Police Officer suffers a heart attack as a result of the performance and discharge of duties as a Police Officer, then he/she is eligible for any benefits provided under this Article for Police Officers who are injured in the performance of an act of duty.
- III. Disability Due to Occurrences Unrelated to Duties** If a Police Officer becomes mentally or physically disabled as the result of any cause other than the performance of an act of duty, he/she is entitled to a disability pension equal to 50% of the salary attached to the rank held by the officer in the Police Department at the date of suspension of duty or retirement.
- Notwithstanding the provisions of I, II and III above, no disability pension in effect or granted after January 1, 1987 is to be less than \$600.00 per month. This increases to \$800.00 per month on January 1, 2000 and \$1,000.00 per month on January 1, 2001.
- IV. Special Disability Pension Option** A Police Officer, age 50 or more, who is receiving a disability pension and who has completed 20 years of service may apply for a retirement pension equal to 1/2 of the salary attached to his/her rank on the Police force at the date of his/her retirement for disability. In computing years of service for this benefit option, the period during which the Police Officer received a disability pension should be added to his/her period of active service.
- V. Disability Pension Allowance Increase** A Police Officer who is receiving a disability pension is entitled to receive an automatic increase upon the attainment of age 60. At this date, the monthly pension is increased by 3% of the original monthly pension for each year the Police Officer was in receipt of monthly pension payments. Each subsequent January thereafter, the monthly pension is again increased by 3% of the original monthly pension amount.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Death Benefits to Surviving Spouse or Dependents

- I. *Death in Line of Duty*** If a Police Officer dies while in the line of duty as a result of any injuries or if a Police Officer sustains injuries from which he/she thereafter dies, then the surviving spouse is entitled to a pension equal to 100% of the salary attached to the rank the Police Officer held for one year immediately prior to his/her death. This benefit is payable to the survivors in the sequence noted in Section VI — Rights on Death of a Pensioner.
- II. *Death in Service With 10 or More but Less than 20 Years of Creditable Service*** If a Police Officer dies while in service after having at least 10 but less than 20 years of Creditable Service, then his/her surviving spouse is entitled to a pension equal to 50% of the salary attached to the rank held by the Police Officer for one year immediately prior to his/her death. Such benefit is payable to the survivors in the sequence noted in Section VI — Rights on Death of a Pensioner.
- III. *Death in Service With 20 or More Years of Creditable Service*** If a Police Officer dies while in service after having at least 20 years of Creditable Service (regardless of age), then the surviving spouse is entitled to a pension earned by the Police Officer as of the date of death. Such benefit is payable to the survivors in the sequence noted in Section VI — Rights on Death of a Pensioner.
- IV. *Death While on Disability*** If a Police Officer who is receiving a disability pension dies while still disabled, his/her disability pension shall continue to be paid to the surviving spouse or dependents in the sequence noted in Section VI — Rights on Death of a Pensioner.

Notwithstanding the provisions of I, II, III or IV above, effective January 1, 1999, the minimum death benefit payable to the surviving spouse or dependents is \$400.00 per month. This increases to \$800.00 per month on January 1, 2000 and \$1,000 per month on January 1, 2001.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

V. *Less than 10 Years of Creditable Service* If a Police Officer dies before he/she has 10 years of Creditable Service, all contributions made by the Officer shall be refunded to the surviving spouses without interest.

VI. *Rights on Death of a Pensioner* If a Police Officer who was receiving or was entitled to receive a monthly pension dies, the surviving spouse is entitled to the pension to which the Police Officer was then entitled. Upon the surviving spouse's death or re-marriage, the Police Officer's unmarried children (under age 18) or unmarried children who are dependent because of a physical or mental disability are entitled to equal shares of the pension. If there is no eligible surviving spouse and no eligible children, the dependent parent or parents of the Police Officer are entitled to receive or share such pension until their death, or marriage, or remarriage.

Special Note: If a Police Officer marries subsequent to retirement on any pension, the surviving spouse and the children of such surviving spouse shall receive no pension on the death of the Officer.

Termination of Employment Benefits

Refund of Employee Contributions A Police Officer who has less than 20 Years of Service and who resigns or is discharged (and has not received any disability payments) is entitled to a refund of his/her total amount contributed to the Police Pension Fund during his/her period of service. If the Police Officer should be subsequently re-employed, he/she must repay to the fund the amount of refund which was received, plus interest at 2% per annum from the date of refund to the date of repayment, before commencing service. When repayment is made, the Police Officer will receive credit for the previous years of service for which the refund was received.

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

Financing of Pension Benefits Pension benefits are to be funded by "employee" deductions from wages and salaries of Police Officers and by a property tax levied by the Municipality. The amount derived from these two sources should equal the sum sufficient to meet the annual actuarial requirements of the pension fund as stated below:

- (1) Provide a reserve for the pensions and benefits earned by the Police Officers and all beneficiaries — provided that the reserve to be accumulated shall not exceed the estimated total actuarial requirements of the fund,

and

- (2) In a municipality that has a reserve less than the actuarial requirements of the fund, the Board of the Pension Fund shall designate the proportionate amount needed annually to insure the accumulation of such actuarial reserve over a period of 35 years subsequent to January 1, 2011, in the case of pension funds in operation on that date.

The minimum funding requirements under P.A. 96-1495 are disclosed on the following page.

Administration The Police Pension Fund is administered by a Board of Trustees located in each municipality maintaining a Pension Fund for its Police Officers. Its duties are: to control and manage the pension fund, to enforce the collection of the contributions, to hear and determine applications for pensions, to authorize payment of pensions to establish rules, to pay expenses, to invest funds, and to keep records.

Benefits Under P.A. 96-1495

Under P.A. 96-1495, members of the City of Joliet Police Officers' Pension Fund hired after December 31, 2010, are eligible for the following tier-two benefits:

- Minimum retirement eligibility at age 55 with 10 years of service with annuity based on accrual rate of 2.5 percent, subject to a maximum of 75 percent;
- Minimum retirement eligibility at age 50 with 10 years of service with annuity based on accrual rate of 2.5 percent, reduced by ½ of a percent per month for retirement prior to age 55, subject to a maximum of 75 percent;
- Final average salary based on 96 consecutive months within last 120 months;
- Annual salary capped at \$106,800, indexed annually at lesser of 3.0 percent and 50 percent of CPI-U;
- COLA equal to lesser of 3.0 percent and 50 percent of CPI-U, commencing at age 60, with no cap, applied to originally granted retirement annuity;

BRIEF SUMMARY OF PLAN PROVISIONS (CONTINUED)

- Widow benefits at 66-2/3 percent of retiree's benefit; and,
- Widow COLAs equal to the lesser of 3.0 percent and 50 percent of CPI-U, commencing when the survivor reaches age 60 and applied to originally granted retirement annuity.

Minimum Funding Requirements under P.A. 96-1495

P.A. 96-1495 includes the following changes to the statutory funding requirements:

- Employer contribution (combined with members contributions and other fund revenue) produces 90 percent funding by the end of fiscal year 2040
- Contributions based on open group projection and level percent of pay financing
- Actuarial liabilities based on projected unit credit cost method
- Assets marked to market at March 30, 2011. For fiscal years after March 30, 2011, actuarial value of assets based on 5-year smoothing.

If the City does not make the statutorily required contributions, then the State, starting in FY 2016, could withhold State grants to the City, and directly deposit the withheld funds into the City of Joliet Police Officers' Pension Fund. The withheld funds are limited to 33 percent of total State grants to the City in FY 2016, 67 percent in FY 2017, and 100 percent on and after FY 2018.

The contribution determined in accordance with P.A. 96-1495 serves as a minimum contribution requirement. The funding policy adopted for this valuation exceeds the minimum contribution established under this Public Act.

**ACTIVE MEMBERS AS OF JANUARY 1, 2012
BY ATTAINED AGE AND YEARS OF SERVICE**

Attained Age	Years of Service to Valuation Date									Totals	Totals
	0	1-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 35		Valuation Payroll
Under 20										0	\$ 0
20-24										0	0
25-29		10	5							15	1,321,768
30-34		7	34	5						46	4,220,002
35-39		5	16	38	3					62	6,143,225
40-44			3	22	30	9				64	6,948,996
45-49			2	4	15	19	1			41	4,439,123
50-54					4	12	4	2		22	2,475,251
55-59				1			1		1	3	345,033
60-64										0	0
65-69										0	0
Over 70										0	0
Total	0	22	60	70	52	40	6	2	1	253	\$25,893,398

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

Age: 40.3 years
Service: 13.6 years
Annual Pay: \$102,345

DEVELOPMENT OF ACTUARIAL (MARKET-RELATED) VALUE OF ASSETS

Expected Return on Market Value of Assets for Prior Year	1. Market value of assets at 01/01/2011	\$ 119,105,234																												
	2. Actual income and disbursements in prior year weighted for timing:																													
	<table style="width: 100%; border-collapse: collapse; margin-left: 40px;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Item</th> <th style="text-align: right; border-bottom: 1px solid black;">Amount</th> <th style="text-align: right; border-bottom: 1px solid black;">Weight for Timing</th> <th style="text-align: right; border-bottom: 1px solid black;">Weighted Amount</th> </tr> </thead> <tbody> <tr> <td>(a) Member Contributions</td> <td style="text-align: right;">\$ 2,476,143</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">\$ 1,238,072</td> </tr> <tr> <td>(b) City Contributions</td> <td style="text-align: right;">10,952,624</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">5,476,312</td> </tr> <tr> <td>(c) Miscellaneous Revenue</td> <td style="text-align: right;">127,598</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">63,799</td> </tr> <tr> <td>(d) Benefit Payments</td> <td style="text-align: right;">(9,580,617)</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">(4,790,309)</td> </tr> <tr> <td>(e) Administration</td> <td style="text-align: right;">(66,183)</td> <td style="text-align: right;">50.00%</td> <td style="text-align: right;">(33,092)</td> </tr> <tr> <td>(f) Total</td> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">\$ 1,954,782</td> </tr> </tbody> </table>	Item	Amount	Weight for Timing	Weighted Amount	(a) Member Contributions	\$ 2,476,143	50.00%	\$ 1,238,072	(b) City Contributions	10,952,624	50.00%	5,476,312	(c) Miscellaneous Revenue	127,598	50.00%	63,799	(d) Benefit Payments	(9,580,617)	50.00%	(4,790,309)	(e) Administration	(66,183)	50.00%	(33,092)	(f) Total			\$ 1,954,782	
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(e) Administration	(66,183)	50.00%	(33,092)																											
(f) Total			\$ 1,954,782																											
	3. Market value of assets adjusted for actual income disbursements [(1) + (2)(f)]	\$ 121,060,016																												
	4. Assumed rate of return on plan assets for the year	7.00%																												
	5. Expected return [(3) * (4)]	\$ 8,474,201																												
<hr/>																														
Actual Return on Market Value of Assets for Prior Year	6. Market value of assets at 01/01/2011	\$ 119,105,234																												
	7. Income (less investment income) for prior plan year	13,556,365																												
	8. Disbursements paid in prior year	9,646,800																												
	9. Market value of assets at 01/01/2012	123,317,022																												
	10. Actual Return [(9) + (8) - (7) - (6)]	302,223																												
<hr/>																														
Gain/(Loss)	11. Investment gain/(loss) for prior year based on market value of assets [(10) - (5)]	\$ (8,171,978)																												

**DEVELOPMENT OF ACTUARIAL (MARKET-RELATED) VALUE OF ASSETS
(CONTINUED)**

Actuarial Value of Assets as of 01/01/2012	12. Market value of assets at 01/01/2012	\$ 123,317,022																									
	13. Deferred investment gains and (losses) for last 3 years:																										
	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;"></th> <th style="width: 20%; text-align: center;">Plan Year Beginning</th> <th style="width: 15%; text-align: center;">Gain/(Loss)</th> <th style="width: 15%; text-align: center;">Percent Deferred</th> <th style="width: 40%; text-align: center;">Deferred Amount</th> </tr> </thead> <tbody> <tr> <td>a)</td> <td style="text-align: center;">2009</td> <td style="text-align: right;">\$ 674,781</td> <td style="text-align: center;">25.00%</td> <td style="text-align: right;">\$ 168,695</td> </tr> <tr> <td>b)</td> <td style="text-align: center;">2010</td> <td style="text-align: right;">(721,986)</td> <td style="text-align: center;">50.00%</td> <td style="text-align: right;">(360,993)</td> </tr> <tr> <td>c)</td> <td style="text-align: center;">2011</td> <td style="text-align: right;">(8,171,978)</td> <td style="text-align: center;">75.00%</td> <td style="text-align: right;">(6,128,984)</td> </tr> <tr> <td>d)</td> <td style="text-align: center;">Total</td> <td style="text-align: right;">\$ (8,219,183)</td> <td></td> <td style="text-align: right;">\$ (6,321,282)</td> </tr> </tbody> </table>		Plan Year Beginning	Gain/(Loss)	Percent Deferred	Deferred Amount	a)	2009	\$ 674,781	25.00%	\$ 168,695	b)	2010	(721,986)	50.00%	(360,993)	c)	2011	(8,171,978)	75.00%	(6,128,984)	d)	Total	\$ (8,219,183)		\$ (6,321,282)	
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c)	2011	(8,171,978)	75.00%	(6,128,984)																							
d)	Total	\$ (8,219,183)		\$ (6,321,282)																							
	14. Item (12) less item 13(d)	\$ 129,638,304																									
	15. 2012 Tax Year Levy (i.e., the 2011 Plan Year Contributions)	11,754,393																									
	16. Interest Adjustment on item (15) to 01/01/2012	(390,992)																									
	17. Actuarial Value of Plan Assets at 01/01/2012 [(14) + (15) + (16)]	\$ 141,001,705																									

- Notes:
- (1) The calculated value is determined by adjusting the market value of assets to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last four years at the rate of 25% per year.
 - (2) Assumes the 2012 tax year levy is collected and deposited in the Pension Fund on July 1, 2012.

SECTION D

VALUATION PROCEDURES

ACTUARIAL COST METHOD

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

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

Financing of Unfunded Actuarial Accrued Liabilities. Unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent of payroll contributions over 34 future years.

Actuarial Value of Pension Plan Assets. The current market value of assets (including discounted contributions due for prior Plan Years and not received as of the valuation date) is reduced (increased) for the current year and each of two succeeding years, by a portion of the gain/(loss) in market value during the prior year. Such gain/(loss) is determined as the excess/(deficit) of the current market value of assets over the market value of assets as of the prior year, increased to reflect interest at the actuarial rate and adjusted to reflect contributions and benefit payments during the prior year. The portion of such gain/(loss) by which the current market value of assets is reduced (increased) shall be 75% in the current year, 50% in the first succeeding year and 25% in the second succeeding year.

ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

The contribution and benefit values of the System are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost method described on the previous page.

The principal areas of financial risk which require assumptions about future experiences 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 members
- the age patterns of actual retirement.

In a valuation, the monetary effect of each assumption is calculated for as long as a present covered person survives; a period of time which can be as long as a century.

Actual experience of the System will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments (usually small) to the computed contribution rate.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

The assumptions used in this valuation are the same as those used in the previous valuation.

VALUATION ASSUMPTIONS

The assumed rate of investment return used was 7.00%, net of expenses, annually.

The mortality table used to measure retirement mortality is the 1994 Group Annuity Mortality Table. This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement. This is a static table with no provisions for future mortality improvement.

Single Life Retirement Values				
Sample Attained Ages	Present Value of \$1		Future Life	
	Monthly for Life		Expectancy (years)	
	Men	Women	Men	Women
50	\$ 147.78	\$ 154.93	30.69	34.89
55	138.58	147.42	26.15	30.17
60	127.35	137.85	21.83	25.59
65	114.51	126.50	17.84	21.28
70	100.68	113.58	14.29	17.31
75	85.70	98.39	11.12	13.60
80	70.13	81.90	8.37	10.31

The disability retirement mortality table was based on 110% of the 1994 Group Annuity Mortality Table.

Single Life Retirement Values				
Sample Attained Ages	Present Value of \$1		Future Life	
	Monthly for Life		Expectancy (years)	
	Men	Women	Men	Women
50	\$ 146.24	\$ 153.76	29.80	34.03
55	136.65	145.92	25.29	29.34
60	125.02	135.95	21.01	24.78
65	111.80	124.22	17.08	20.51
70	97.71	110.98	13.60	16.60
75	82.56	95.50	10.51	12.96
80	66.96	78.84	7.85	9.75

**VALUATION ASSUMPTIONS
(CONTINUED)**

Rates of separation from active membership are represented by the following table (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 terminating employment.

Years of Service	Sample Employee Withdrawal Rate Per 1,000 Employees	
	Males	Females
0	40.0	40.0
5	24.0	24.0
10	9.0	9.0
15	9.0	9.0
20	9.0	9.0
25	6.0	6.0
30 and Over	0.0	0.0

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries at the time upon which benefit amounts will be based.

Years of Service	Salary Increase Assumptions For an Individual Member
	Increase
1	30.00%
2	27.50%
3	18.00%
4	8.00%
>=5	5.25%

**VALUATION ASSUMPTIONS
(CONTINUED)**

Sample rates of disability were as follows:

Employee Disablement Rate Per 1,000 Employees		
Age	Male	Female
25	0.4	0.4
30	0.5	0.5
35	0.7	0.7
40	1.0	1.0
45	1.6	1.6
50	2.6	2.6
55	5.0	5.0
60	8.7	8.7
65	14.3	14.3

Probabilities of retirement for members eligible to retire during the next year were as follows:

Rates of Retirement			
Age	Rate	Age	Rate
50	7.5 %	60	25.0 %
51	7.5	61	50.0
52	15.0	62	50.0
53	15.0	63	50.0
54	15.0	64	50.0
55	25.0	65	100.0
56	25.0	66	100.0
57	25.0	67	100.0
58	25.0	68	100.0
59	25.0	69	100.0

SECTION E

GASB STATEMENT NOS. 25 AND 27

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	GASB Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b - a)/c]
1/1/2007	\$95,538,634	\$182,417,318	\$86,878,684	52.4%	\$23,422,967	370.9%
1/1/2008	103,850,735	195,400,478	91,549,743	53.1	24,954,438	366.9
1/1/2009	108,992,202	207,987,440	98,995,238	52.4	24,731,587	400.3
1/1/2010	116,137,856	226,844,622	110,706,766	51.2	23,117,412	478.9
1/1/2011	123,381,539	256,768,733	133,387,194	48.1	24,847,562	536.8
1/1/2012	129,638,304	277,730,117	148,091,813	46.7	25,893,398	571.9

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution (a)	Total Employer Contribution (b)	Percentage Contributed (b / a)
12/31/2007	\$ 7,363,057	\$ 5,291,233	71.9%
12/31/2008	9,238,713	5,972,492	64.6
12/31/2009	9,749,187	9,475,303	97.2
12/31/2010	10,350,416	10,185,546	98.4
12/31/2011	11,670,558	10,952,624	93.8
12/31/2012	12,605,549	TBD	TBD

ANNUAL PENSION COST AND CONTRIBUTIONS

Contribution rates:

City Proceeds from a tax levy equal to the sum of: (a) annual normal cost plus (b) amortization of unfunded liability as a level percent of pay between now and 1/1/2046 plus (c) interest on (a) and (b) to date of payment.

Plan members 9.910% of regular salary

Annual Required Contribution for fiscal year ending December 31, 2012:	Net Annual Normal Cost (Municipality Paid)	\$	5,370,972
	Annual Amortization Payments for Funding Unfunded Actuarial Accrued Liability Over 30 Years as a level percentage of payroll		<u>7,234,577</u>
	Annual Required Contribution (ARC)	\$	12,605,549
<hr/>			
Annual Pension Cost for fiscal year ending December 31, 2012:	Annual Required Contribution (ARC)	\$	12,605,549
	Interest on Net Pension Obligation		561,173
	Adjustment to ARC		<u>(391,634)</u>
	Total Annual Pension Cost	\$	12,775,088
<hr/>			
Net Pension Obligation (NPO):	Net Pension Obligation (NPO) at Beginning of year, January 01, 2011:	\$	7,147,665
	Total Annual Pension Cost from Previous Year:		11,821,717
	Total Employer Contribution for year ended December 31, 2011:		10,952,624
	Net Pension Obligation (NPO) at End of year, December 31, 2011:	\$	<u>8,016,758</u>

PENSION COST SUMMARY FOR GASB #27

Year Ended December 31	Annual Pension Cost	Total Employer Contribution	% of Annual Pension Cost Contributed	Net Pension Obligation
2008	\$ 9,288,977	\$ 5,972,492	64.3%	\$ 6,530,610
2009	9,841,433	9,475,303	96.3	6,896,740
2010	10,436,471	10,185,546	97.6	7,147,665
2011	11,821,717	10,952,624	92.6	8,016,758
2012	12,775,088	TBD	TBD	TBD

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

The information requested 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 January 1, 2012

Actuarial Cost Method and Amortization Method

Entry-Age-Normal

35 – Year Closed Level-Percentage-of-Pay Amortization
(from January 1, 2011) for Funding.
34 years remaining

30 – Year Open Level-Percentage-of-Pay Amortization
(from January 1, 2011) for GASB 25/27 Accounting.

Actuarial Value of Assets

4-year smoothed market

Actuarial Assumptions:

Investment Rate of Return 7.00% per year

Projected Salary Increases * 5.25% per year with a three-year service-based select period

**Includes Wage Inflation Increases* 4.00% per year

Cost-of-Living Increases 3.00% per year
