

Commission to Strengthen Chicago's Pension Funds

Final Report



Volume 2: Resources

Co-chairs

Dana R. Levenson

Gene Saffold

April 30, 2010

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Office of the Mayor
Richard M. Daley
Mayor

Contact: Mayor's Press Office
(312) 744-3334

Wendy Abrams
Office of the Chief Financial Officer
(312) 744-1821

News Release

January 11, 2008

MAYOR DALEY ANNOUNCES COMMISSION TO STRENGTHEN CHICAGO'S PENSION FUNDS

Will Make Recommendations Aimed at Reaching and Sustaining Higher Funding Levels

Mayor Richard M. Daley today announced the creation of a "Commission to Strengthen Chicago's Pension Funds" to propose ways to improve the financial strength of the City's four pension funds - Fire, Police, Laborers, and Municipal Employees, as well as the City's sister agency pension funds, including the Chicago Transit Authority, Chicago Public Schools, Chicago Park District, City Colleges and the Chicago Housing Authority.

"When our City's pension funds are healthy, we're protecting our taxpayers and our city's future. It's clearly in the best interests of all stakeholders - annuitants, present and future City employees, the City of Chicago and our City's taxpayers - that the pensions are funded to a level much higher than where they are today," said Mayor Daley. "The goal of this commission will be to address the pension challenge now, rather than push the problem off on future generations."

While investment returns have been strong and contributions have been robust, neither has been adequate to keep the pension funds at "reasonable" funded levels. At the end of 2006, the pensions were funded at the following levels: Fire, 40 percent; Police, 49 percent; Laborers, 92 percent; and Municipal Employees, 67 percent.

"The strength of the City's pension funds is a function of employee and taxpayer contributions, investment returns and the level of benefits paid out," said Chief Financial Officer Paul A. Volpe. "The commission will be charged with evaluating all of these and determining appropriate recommendations related to each."

Commission members will include representatives from the pension fund executive directors, pension fund employee representatives, and other current and former pension fund trustees, as well as representatives from the labor, business, consulting and banking communities. The commission will be co-chaired by City of Chicago Chief Financial Officer Paul A. Volpe and Royal Bank of Scotland Managing Director and Head of North of American Infrastructure Dana R. Levenson.

- more -

City Hall, Room 602 121 North LaSalle Street Chicago, Illinois 60602
(312) 744-3334 FAX: (312) 744-2325



As part of its effort to improve the pension funds, the City established a Labor Management Cooperation Committee (LMCC) through the union agreements reached in 2007. The LMCC will provide a structured forum for unions and the City to work together to monitor and manage issues such as health care and pension reform and identify new efficiencies and implement further economies that control and contain these rising costs. The executive director of the LMCC will be member of the Commission to Strengthen Chicago's Pension Funds.

The commission will make specific recommendations to Mayor Daley aimed at reaching and sustaining higher funding levels for all of Chicago's pension funds. The commission should complete their analysis and be prepared to make recommendations within eighteen months.

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EXHIBIT AA-2 - Original Commission Appointments

Co-chairs:

Paul A. Volpe, Chief Financial Officer, City of Chicago

Dana R. Levenson, Managing Director and Head of North American Infrastructure, Royal Bank of Scotland

Members:

Dennis Anosike, Sr. Vice President, Finance/Treasurer, Chicago Transit Authority

Henry L. Bayer, Executive Director, AFSCME Council 31

James Capasso, Jr., Executive Director, Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Lester Crown, Chairman, Civic Committee of the Commercial Club of Chicago

Miguel del Valle, City Clerk, City of Chicago

James C. Franczek, Jr., Founding Partner and President, Franczek Sullivan, P.C.

John J. Gallagher, Executive Director, Policemen's Annuity and Benefit Fund of Chicago

Dennis J. Gannon, President, Chicago Federation of Labor

John K. Gibson, Trustee, Municipal Employees Annuity and Benefit Fund of Chicago

Kenneth C. Gotsch, Chief Financial Officer, City Colleges of Chicago

Edward M. Hogan, Partner, Hogan Marren, Ltd.

Kevin Huber, Executive Director, Public School Teachers' Pension and Retirement Fund of Chicago

Steve Hughes, Chief Financial Officer, Chicago Park District

Kenneth Kaczmarz, Executive Director, Firemen's Annuity and Benefit Fund of Chicago

John V. Kallianis, Executive Director, Retirement Plan for Chicago Transit Authority Employees

Juan Lopez, Investment Officer, Teachers Retirement System of Illinois

Steve Lux, Comptroller, City of Chicago

Tariq Malhance, President, Unicom Investment Bank Capital

R. Eden Martin, President, Civic Committee of the Commercial Club of Chicago

Pedro Martinez, Chief Financial Officer, Chicago Public Schools

Michael N. Mayo, Partner, Deloitte & Touche, LLP

Miroslava Mejia Krug, Chief Financial Officer, Chicago Housing Authority

Stephanie D. Neely, Treasurer, City of Chicago

Judith C. Rice, Vice President and Director, Government Relations, Harris Bank

Jose Santillan, Chief Investment Officer, LaSalle Bank

Terrance R. Stefanski, Executive Director, Municipal Employees' Annuity and Benefit Fund of Chicago

To be Determined:

Four City Employee pension Fund Trustees to be named by the Executive Directors

Executive Director, City of Chicago Labor Management Cooperation Committee

EXHIBIT AA-3 - Final Commission Members

Co-chairs:

Gene Saffold, Chief Financial Officer, City of Chicago

Dana R. Levenson, Managing Director and Head of North American Infrastructure, Royal Bank of Scotland

Members:

Andrew Appel, Chairman, Aon Consulting

Henry L. Bayer, Executive Director, AFSCME Council 31

Christine Boardman, President, SEIU Local 73

James Capasso, Jr., Executive Director, Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Lester Crown, Civic Committee of the Commercial Club of Chicago

Miguel del Valle, City Clerk, City of Chicago

Mark Donahue, President, Fraternal Order of Police, Lodge 7

Diana Ferguson, Chief Financial Officer, Chicago Public Schools

Dan Fabrizio, Vice President, Firemen's Annuity and Benefit Fund of Chicago

James C. Franczek, Jr., Franczek, Radelet P.C.

John J. Gallagher, Executive Director, Policemen's Annuity and Benefit Fund of Chicago

John K. Gibson, Trustee, Municipal Employees Annuity and Benefit Fund of Chicago

Dennis J. Gannon, President, Chicago Federation of Labor
(Jorge Ramirez, Secretary-Treasurer, Chicago Federation of Labor)

Kenneth C. Gotsch, Chief Financial Officer, City Colleges of Chicago

Edward M. Hogan, Partner, Hogan Marren, Ltd.

Kevin Huber, Executive Director, Public School Teachers' Pension and Retirement Fund of Chicago

Steve Hughes, Chief Financial Officer, Chicago Park District

Kenneth Kaczmarz, Executive Director, Firemen's Annuity and Benefit Fund of Chicago

John V. Kallianis, Executive Director, Retirement Plan for Chicago Transit Authority Employees

Juan Lopez, Investment Officer, Teachers Retirement System of Illinois

Chuck LoVerde, Secretary, Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago

Steve Lux, Comptroller, City of Chicago

Tariq Malhance, President, Unicom Investment Bank Capital

James Maloney, Lieutenant, Chicago Police Dept.

R. Eden Martin, President, Civic Committee of the Commercial Club of Chicago

Laurence J. Msall, President, Civic Federation of Chicago

Stephanie D. Neely, Treasurer, City of Chicago

Eli Rosario, Chief Financial Officer, Chicago Housing Authority

Thomas E. Ryan, Jr, President, Chicago Firefighters Union

Jose Santillan, Sr. Vice President, Head of Investments, Harris Bank N.A.

Mark Schmid, Chief Financial Officer, University of Chicago Investment Office

Terrance R. Stefanski, Executive Director, Municipal Employees' Annuity and Benefit Fund of Chicago

Karen Walker, Chief Financial Officer, Chicago Transit Authority

EXHIBIT AA-4 - Staff and Technical Support Team

City of Chicago Staff:

Michelle Curran, Assistant Comptroller
Jeremy Fine, Assistant Comptroller
Carol Hamburger, Assistant Budget Director
Marty Johnson, Senior Financial Analyst, Office of the CFO
Ann McNabb, Deputy Budget Director
Mark Mitrovich, Deputy City Treasurer
Lisa Schrader, Deputy Chief of Staff
Colleen Stone, Senior Staff Assistant
Bill Thanoukas, Chief of Staff to City Treasurer
Michael Walsh, Assistant City Treasurer
Erika Zovko, Administrative Assistant to Mayor's Chief of Staff

External Resources:

Michael Schachet, Senior VP, Retirement Practice, Aon
Bridget Gainer, Director of Government Affairs, Aon
Michael Ralsky, Government Affairs Assistant, Aon
Pat Hagan, Regional Partner, Public Sector Services, Deloitte Consulting LLP
David Hilko, Principal, Deloitte Consulting LLP
Lance Weiss, Senior Manager, Deloitte Consulting LLP
Michael R. Kivi, Senior Consultant, Gabriel Roeder Smith & Co.
Alex Rivera, Senior Consultant, Gabriel Roeder Smith & Co.
Ralph Martire, Executive Director, Center for Tax and Budget Accountability
Jim Mohler, Chief Investment Officer, Municipal Employees' Annuity and Benefit Fund of Chicago
Michael G. Moran, Chief Investment Officer, Firemen's Annuity and Benefit Fund of Chicago
Hank Scheff, Dir. Of Research and Employee Benefits, AFSCME Council 31

EXHIBIT AA-5 - Committee Roster (Final)

| CAUCUS | Structure & Funding Policy | Annuity | Disability | Contributions | Investments, Admin & Actuarial |
|---|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------------|----------------------------------|
| City | Walker 681-3400 | Gotsch 553-3330 | Del Valle 4-8590 | Franczek 786-6110 | Rosario 913-7032 |
| City | Martinez 553-2590 | Hughes 742-4761 | Lux 4-2887 | Martinez 553-2590 | Neely 4-3356 |
| Funds | Capasso 236-2082 | Capasso 236-2082 | Kallianis 463-0350 | Kaczmarz 726-5823 | Kaczmarz 726-5823 |
| Funds | Stefanski 236-4700 | Stefanski 236-4700 | Hube 641-4464 | Gallagher 726-3207 | Gallagher 726-3207 |
| Labor | Bayer 641-6060 | Donahue 733-7776 | Gibson 534-2379 | Gannon 222-1000 | Hogan 946-1800 |
| Labor | Boardman 787-5868 | Fabrizio 726-5823 | Ryan 773-536-0450 | LoVerde 236-2065 | Maloney 4-3891 |
| Business & Public | Appel 381-5005 | Crown 443-7070 | Malhance 334-0775 | Crown 443-7070 | Malhance 334-0775 |
| Business & Public | Martin 853-1205 | Martin 853-1205 | Msall 201-9066 | Msall 201-9066 | Schmid 544-2166 |
| Additional invitees | Scheff 641-6060 | Scheff 641-6060 | Scheff 641-6060 | Scheff 641-6060 | Scheff 641-6060 |
| Coordinating Committee and Staff/Tech Team Assignments | | | | | |
| City Staff | Johnson 4-5815 | Johnson 4-5815 | Hamburger 4-8982 | Fine 4-7106 | Curran 2-1932 |
| backup | McNabb 4-9543 | McNabb 4-9543 | none | Stone 2-6958 | Walsh 2-1853 |
| Tech Team | Deloitte Weiss 486-3092 | Deloitte Weiss 486-3092 | Deloitte Hilko 486-3057 | Aon Gainer 381-3809 | GRS Rivera 368-6613 |

All phone numbers are 312 except as indicated; City numbers are 5-digit extensions

EXHIBIT AA-6 - Commission Meeting Dates and Topics

| | |
|--------------------|--|
| February 29, 2008 | Introductions, Organization, Next Steps |
| April 4, 2008 | Presentation by Deloitte on Pension Finance |
| May 7, 2008 | Presentation by GRS on Financial Status of 4 City Pension Funds |
| June 12, 2008 | Presentation by Aon on national Peer Comparisons |
| July 11, 2008 | Adopt "Guiding Principles," Call for Suggestions to be analyzed |
| August 7, 2008 | Review Suggestions and Organize Committees to Review Them |
| November 7, 2008 | Committee Status Reports, Funds Present Their Investment Performance |
| December 5, 2008 | Committee Status Reports |
| January 9, 2009 | Committee Status Reports |
| March 13, 2009 | Committee Status Reports, Schedule Final Committee Reports |
| April 20, 2009 | Committee Final Reports |
| June 8, 2009 | Discuss Ways to Address the Financial Problem; Assign Staff to Develop Scenarios to Clarify Issues |
| September 25, 2009 | Presentation of Staff-developed Scenarios, Direct Preparation of First Phase of Final Report |
| October 30, 2009 | Discuss Next Steps |
| December 4, 2009 | Define scope of final report, set schedule |
| January 15, 2010 | Review draft Final Report |
| February 24, 2010 | Review draft Final Report |
| March 24, 2010 | Approve Final Report |

STATISTICAL RESOURCES

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TABLE SA-3 - Plan Actuarial Liabilities

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TABLE SA-5A Plan Funded Ratios - Actuarially Smoothed Assets

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TABLE SA-20 - Change in Actuarially Smoothed Funded Ratio 12/31/97 to 12/31/08

TABLE SA-1 - Comparison of Plan Provisions

| PROVISION | FABF | PABF | LABF | MEABF |
|--|---|--|--|----------------------------|
| Contributions | | | | |
| Member as % of Pay | 9.1250% | 9.0000% | 8.5000% | |
| City Multiple of Member Contrib'ns 2 yrs prior | 2.26 | 2.00 | 1.00 | 1.25 |
| City, as % of Payroll 2yrs prior | 20.6225% | 18.0000% | 8.5000% | 10.6250% |
| ...Approx. Total as % of Payroll | 29.7475% | 27.0000% | 17.0000% | 19.1250% |
| Retirement Annuity Eligibility | | | | |
| Unreduced (Age & Yrs of Svc) | 50 & 20 63 & 10 | | 50 & 30 55 & 25 60 & 10 | |
| Reduced | 50 & 10 | | 55 & 20 | |
| Pensionable Earnings | Actual salary of permanent career service rank or exempt rank position | "Annual salary without limitation" incl. duty availability allowance | Salaried: actual pay, excl. overtime and final vacation payment; Hourly: rate times regularly scheduled hours | |
| Benefit Formula | <u>FAP formula:</u> 20+ YoS: 2.50% of FAP times YoS <u>Mandatory retirement at 63 YoA, < 20 YoS:</u> 3% FAP times YoS up to 10 YoS; 2% of FAP 11-19 YoS <u>Money Purchase Formula:</u> 10-19 YoS: Member contributions plus 1/10 City Contributions 20+ YoS: Member contributions plus City Contributions | | <u>FAP formula:</u> 2.40% of FAP times YoS <u>ER Reduction:</u> 3% per YoA<60 <u>Minimum annuity:</u> \$850/mo. With 63 & 10 (MEABF, only) | |
| Maximum Retirement Annuity | 75% of FAP | | 80% of FAP | |
| Healthcare Supplement | \$95/mo. If not Medicare-eligible \$65/mo. If Medicare eligible | | | |
| COLA (annual increase) | <u>Born before 1/1/1955:</u> 3.0% starting at later of retirement or 55 YoA <u>Born after 1/1/1955:</u> 1.5% of original annuity, limit 30%, starting at later of retirement or 60 YoA | | 3.00% starting at earlier of: 1. age 60 and 1st anniversary, or 2. age 53 and 3rd anniversary | |
| Final Avg. Pay (FAP) | High 4 consecutive years within final 10 years | | | |
| Disability Benefit | | | | |
| Non-occupational | 50% of salary, up to 5 yrs. | | | |
| Occupational (Duty) | 75% of salary for life | | | |
| Occupational disease | 65% of salary for life | | NA | |
| Mandatory Retirement | Age 63; none for EMT | | NA | |
| Special Benefits | Children annuity; Parents annuity; Death benefit | | NA | Elected City Officers Plan |

TABLE SA-2 - Plan Assets at Market, EOY (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|---------------|----------------|----------------|----------------|-----------------|
| 1996 | 884.3 | 1,211.8 | 4,182.4 | 2,860.8 | 9,139.3 |
| 1997 | 1,019.7 | 1,403.5 | 4,932.8 | 3,307.1 | 10,663.1 |
| 1998 | 1,090.4 | 1,615.7 | 5,715.9 | 3,705.5 | 12,127.5 |
| 1999 | 1,274.3 | 1,683.9 | 6,068.4 | 4,095.4 | 13,122.0 |
| 2000 | 1,226.8 | 1,648.8 | 6,126.2 | 4,033.1 | 13,035.0 |
| 2001 | 1,104.9 | 1,570.7 | 5,820.8 | 3,696.9 | 12,193.3 |
| 2002 | 1,209.8 | 1,388.1 | 5,128.2 | 3,224.0 | 10,950.1 |
| 2003 | 1,194.0 | 1,552.4 | 5,922.8 | 3,693.3 | 12,362.4 |
| 2004 | 1,206.2 | 1,637.4 | 6,242.7 | 3,865.8 | 12,952.1 |
| 2005 | 1,274.7 | 1,659.1 | 6,356.9 | 3,954.8 | 13,245.5 |
| 2006 | 1,391.5 | 1,739.7 | 6,841.1 | 4,192.1 | 14,164.4 |
| 2007 | 1,469.5 | 1,782.8 | 7,009.5 | 4,333.2 | 14,595.1 |
| 2008 | 914.2 | 1,188.6 | 4,739.6 | 3,001.0 | 9,843.4 |
| 2009 | 1051.6 | 1,332.9 | 5,166.2 | 3,326.1 | 10,876.8 |
| 1996-2009 chg | 167.3 | 121.2 | 983.8 | 465.3 | 1,737.6 |
| 1996-2009 rate | 1.34% | 0.74% | 1.64% | 1.17% | 1.35% |

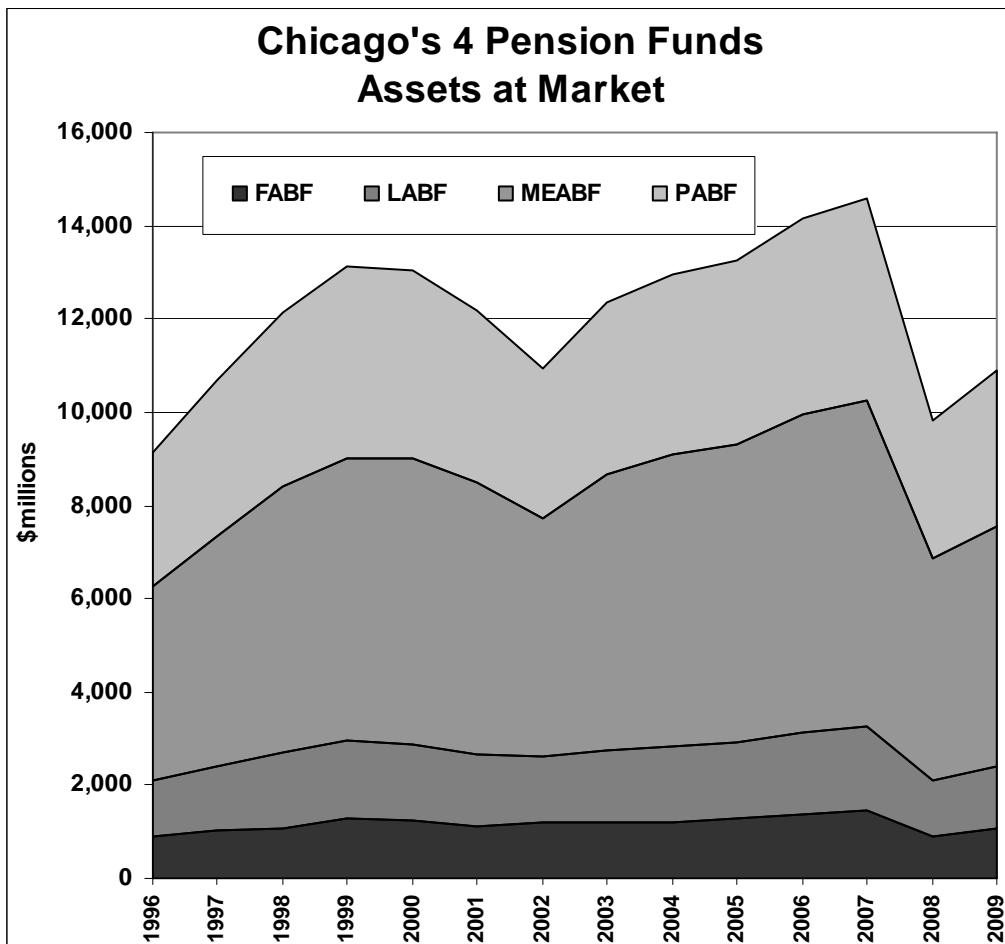


TABLE SA-3 - Plan Actuarial Liabilities, EOY (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|----------------|----------------|-----------------|----------------|-----------------|
| 1996 | 1,575.8 | 936.6 | 4,514.2 | 4,367.0 | 11,393.6 |
| 1997 | 1,640.0 | 1,040.7 | 5,259.1 | 4,609.2 | 12,549.0 |
| 1998 | 1,783.6 | 1,292.6 | 6,324.0 | 5,158.2 | 14,558.4 |
| 1999 | 1,879.7 | 1,309.8 | 6,562.3 | 5,394.9 | 15,146.7 |
| 2000 | 2,053.3 | 1,297.9 | 6,665.2 | 5,652.0 | 15,668.4 |
| 2001 | 2,068.7 | 1,402.1 | 6,934.2 | 5,932.5 | 16,337.5 |
| 2002 | 2,088.7 | 1,540.6 | 7,577.1 | 6,384.9 | 17,591.3 |
| 2003 | 2,517.3 | 1,628.6 | 7,988.6 | 6,581.4 | 18,715.9 |
| 2004 | 2,793.5 | 1,674.6 | 8,808.5 | 7,034.3 | 20,310.9 |
| 2005 | 2,882.9 | 1,742.3 | 9,250.2 | 7,722.7 | 21,598.2 |
| 2006 | 3,133.1 | 1,809.2 | 9,692.3 | 8,116.5 | 22,751.2 |
| 2007 | 3,263.0 | 1,849.7 | 10,186.6 | 8,399.4 | 23,698.7 |
| 2008 | 3,358.6 | 1,957.4 | 10,605.8 | 8,652.6 | 24,574.4 |
| 2009 | 3,476.8 | 2,017.5 | 11,054.3 | 8,900.9 | 25,449.5 |
| 1996-2009 chg | 1,901.0 | 1,080.9 | 6,540.1 | 4,533.9 | 14,055.8 |
| 1996-2009 rate | 6.28% | 6.08% | 7.13% | 5.63% | 6.38% |

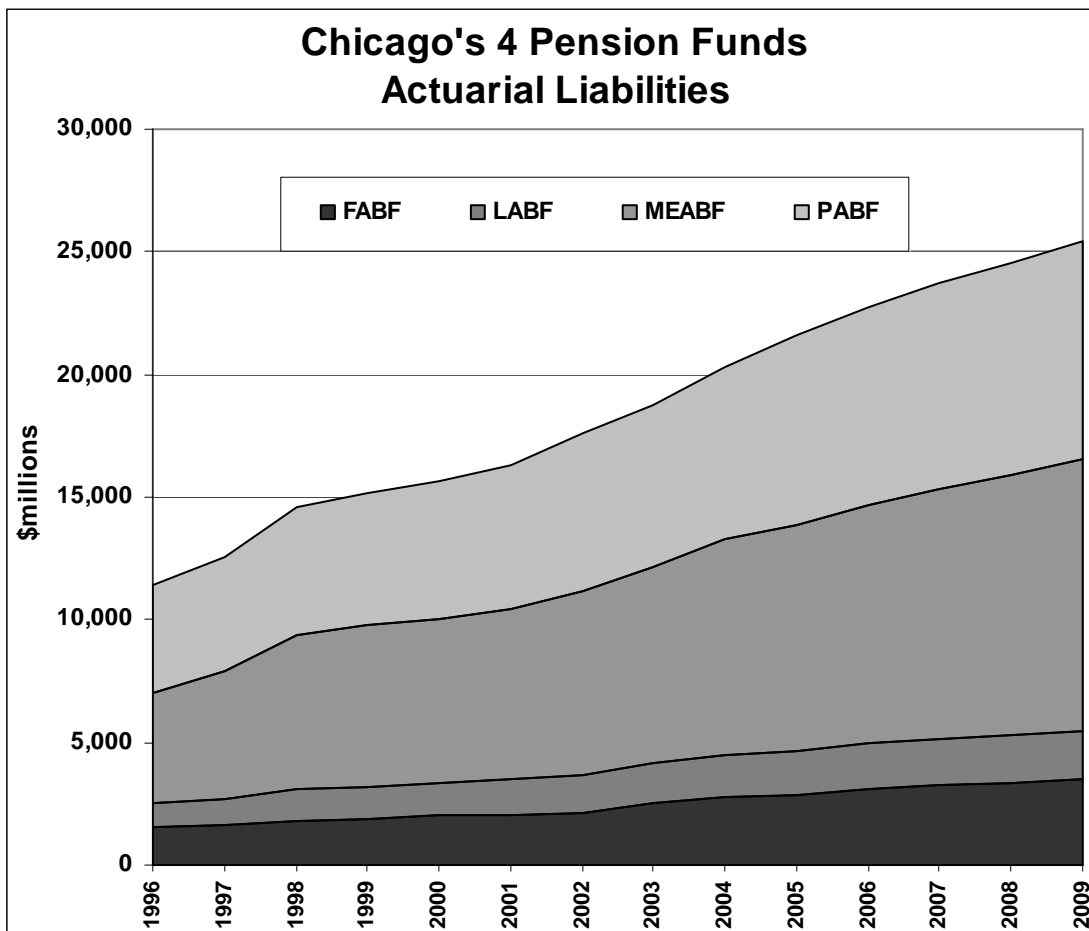


TABLE SA-4 - Surplus/(Unfunded), EOY (\$ millions), Assets at Market vs. Actuarial Liabilities

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|------------------|----------------|------------------|------------------|-------------------|
| 1996 | (691.5) | 275.1 | (331.8) | (1,506.2) | (2,254.4) |
| 1997 | (620.3) | 362.8 | (326.3) | (1,302.1) | (1,885.9) |
| 1998 | (693.2) | 323.1 | (608.1) | (1,452.7) | (2,430.9) |
| 1999 | (605.4) | 374.1 | (493.9) | (1,299.5) | (2,024.7) |
| 2000 | (826.5) | 350.9 | (538.9) | (1,618.9) | (2,633.5) |
| 2001 | (963.8) | 168.6 | (1,113.4) | (2,235.6) | (4,144.2) |
| 2002 | (878.9) | (152.5) | (2,448.9) | (3,160.8) | (6,641.1) |
| 2003 | (1,323.3) | (76.2) | (2,065.8) | (2,888.2) | (6,353.5) |
| 2004 | (1,587.3) | (37.2) | (2,565.8) | (3,168.5) | (7,358.8) |
| 2005 | (1,608.2) | (83.2) | (2,893.3) | (3,767.9) | (8,352.7) |
| 2006 | (1,741.6) | (69.6) | (2,851.2) | (3,924.5) | (8,586.8) |
| 2007 | (1,793.5) | (66.9) | (3,177.1) | (4,066.2) | (9,103.6) |
| 2008 | (2,444.4) | (768.8) | (5,866.2) | (5,651.6) | (14,731.0) |
| 2009 | (2,425.1) | (684.6) | (5,888.1) | (5,574.9) | (14,572.6) |
| 1996-2009 chg | (1,733.7) | (959.7) | (5,556.2) | (4,068.7) | (12,318.2) |
| 1996-2009 rate | 10.13% | na | 24.76% | 10.59% | 15.44% |

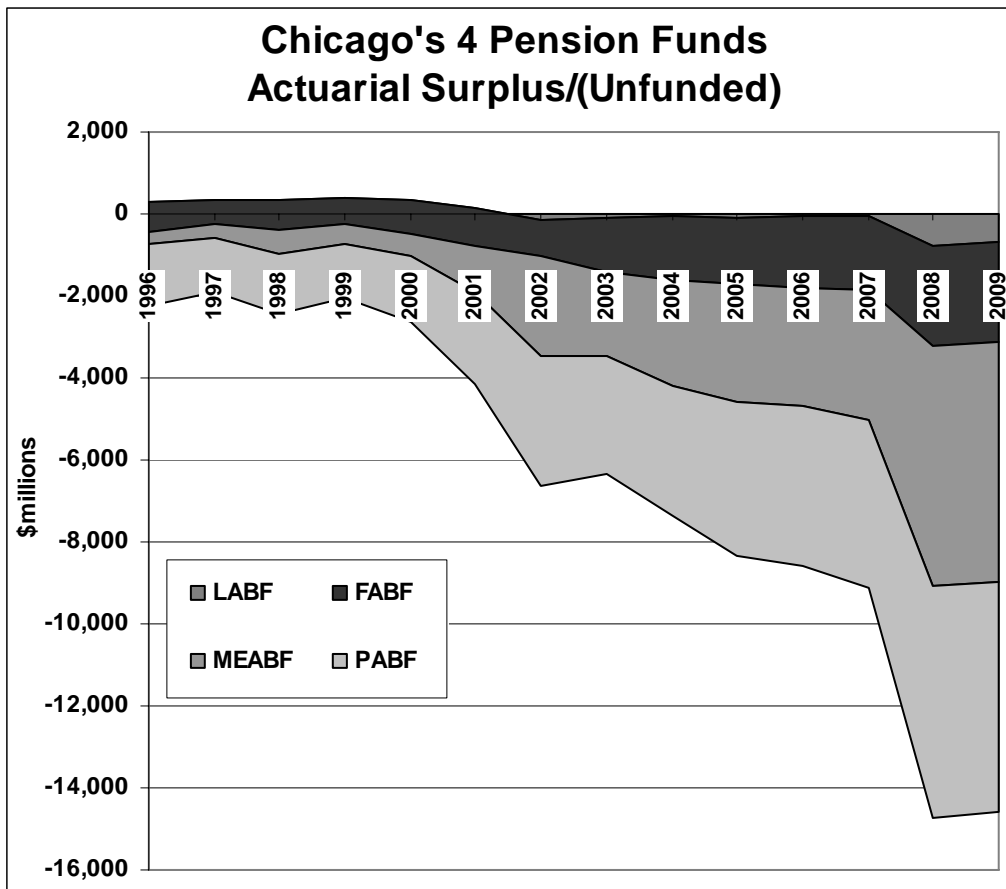


TABLE SA-5 - Plan Funded Ratios, EOY, Assets at Market

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|---------------|---------------|---------------|---------------|---------------|
| 1996 | 56.12% | 129.38% | 92.65% | 65.51% | 80.21% |
| 1997 | 62.18% | 134.86% | 93.79% | 71.75% | 84.97% |
| 1998 | 61.13% | 125.00% | 90.38% | 71.84% | 83.30% |
| 1999 | 67.79% | 128.56% | 92.47% | 75.91% | 86.63% |
| 2000 | 59.75% | 127.04% | 91.91% | 71.36% | 83.19% |
| 2001 | 53.41% | 112.02% | 83.94% | 62.32% | 74.63% |
| 2002 | 57.92% | 90.10% | 67.68% | 50.50% | 62.25% |
| 2003 | 47.43% | 95.32% | 74.14% | 56.12% | 66.05% |
| 2004 | 43.18% | 97.78% | 70.87% | 54.96% | 63.77% |
| 2005 | 44.22% | 95.22% | 68.72% | 51.21% | 61.33% |
| 2006 | 44.41% | 96.15% | 70.58% | 51.65% | 62.26% |
| 2007 | 45.04% | 96.38% | 68.81% | 51.59% | 61.59% |
| 2008 | 27.22% | 60.72% | 44.69% | 34.68% | 40.06% |
| 2009 | 30.25% | 66.07% | 46.74% | 37.37% | 42.74% |
| 1996-2009 chg | 25.87% | -63.31% | -45.91% | -28.14% | -37.47% |
| 1996-2009 rate | -4.64% | -5.04% | -5.13% | -4.23% | -4.73% |

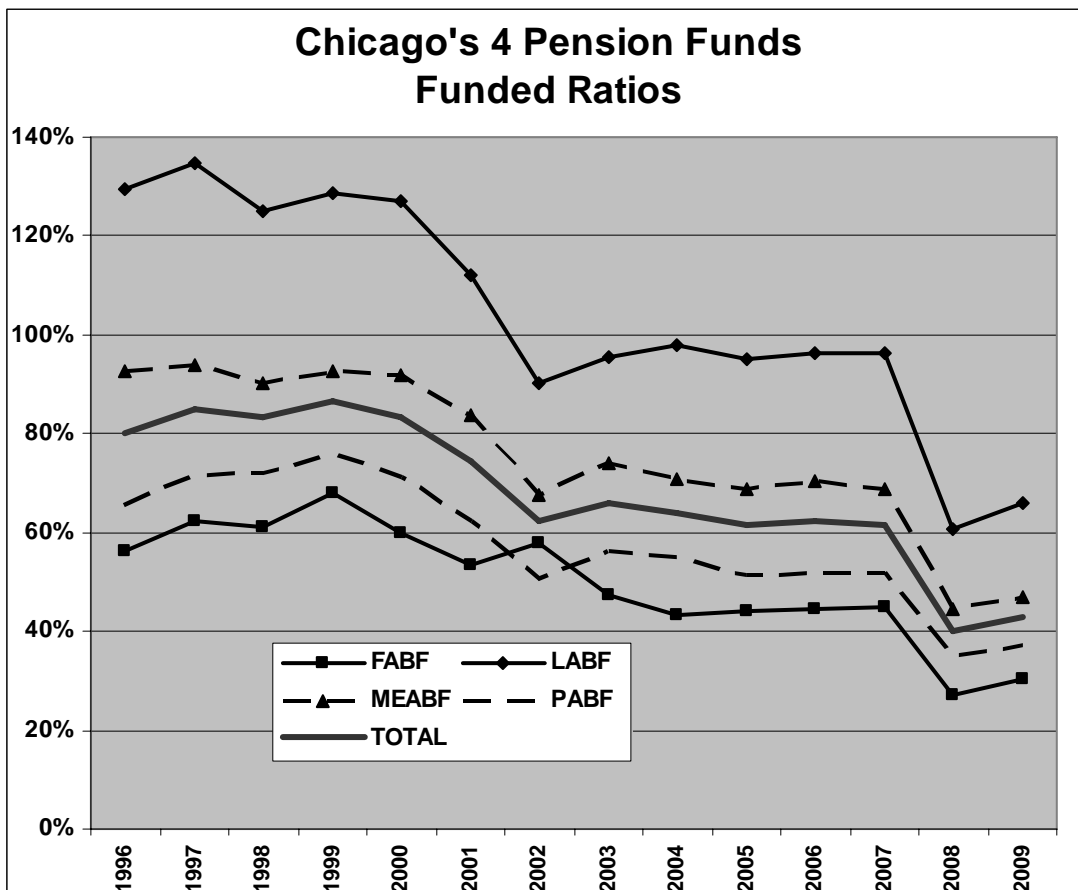


TABLE SA-5A - Plan Funded Ratios, EOY, Actuarially Smoothed Assets

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|---------------|---------------|---------------|---------------|---------------|
| 1996 | 53.65% | 125.16% | 86.57% | 59.53% | 74.83% |
| 1997 | 59.65% | 127.62% | 84.94% | 62.85% | 77.06% |
| 1998 | 59.82% | 118.40% | 82.26% | 63.00% | 75.90% |
| 1999 | 60.93% | 129.09% | 91.70% | 68.32% | 82.79% |
| 2000 | 59.39% | 133.90% | 94.49% | 71.12% | 84.72% |
| 2001 | 60.19% | 125.24% | 93.26% | 70.52% | 83.56% |
| 2002 | 57.89% | 111.32% | 84.52% | 64.60% | 76.47% |
| 2003 | 47.43% | 103.15% | 79.91% | 61.38% | 71.05% |
| 2004 | 42.33% | 98.53% | 72.01% | 55.91% | 64.54% |
| 2005 | 41.75% | 93.88% | 68.46% | 50.69% | 60.59% |
| 2006 | 40.36% | 91.98% | 67.16% | 49.26% | 59.05% |
| 2007 | 42.14% | 95.03% | 67.64% | 50.38% | 60.15% |
| 2008 | 39.77% | 86.77% | 62.89% | 47.31% | 56.15% |
| 2009 | 36.51% | 79.37% | 56.95% | 43.65% | 51.28% |
| 1996-2009 chg | -17.15% | -45.79% | -29.62% | -15.88% | -23.54% |
| 1996-2009 rate | -2.92% | -3.44% | -3.17% | -2.36% | -2.86% |

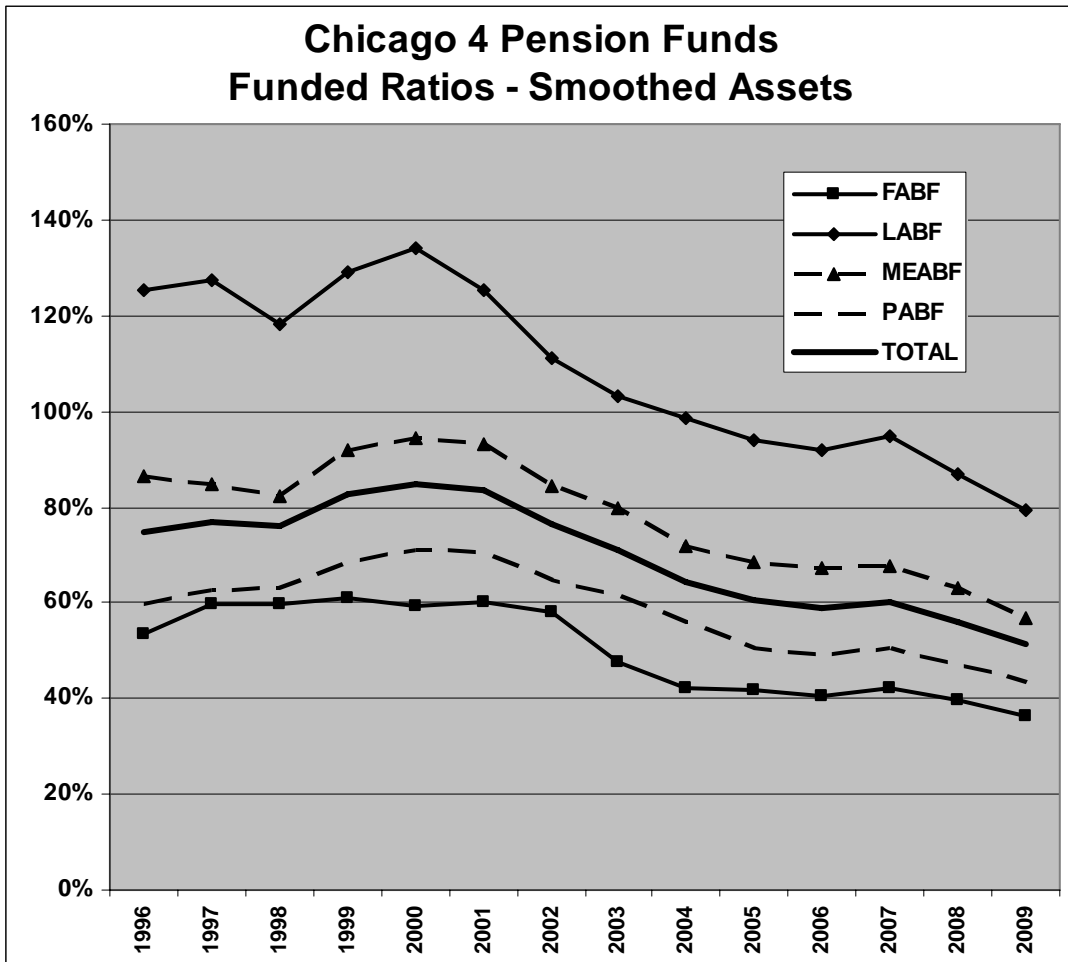


TABLE SA-6 - City (Employer=ER) Contributions (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|--------------|--------------|---------------|---------------|---------------|
| 1996 | 43.53 | 19.62 | 152.56 | 104.86 | 320.57 |
| 1997 | 55.47 | 19.33 | 156.83 | 108.95 | 340.58 |
| 1998 | 48.40 | 19.72 | 160.17 | 118.21 | 346.50 |
| 1999 | 53.41 | 14.41 | 121.13 | 125.10 | 314.05 |
| 2000 | 65.30 | 0.68 | 140.17 | 139.42 | 345.58 |
| 2001 | 60.40 | 0.66 | 131.44 | 139.41 | 331.91 |
| 2002 | 59.45 | 0.08 | 130.97 | 141.94 | 332.44 |
| 2003 | 60.23 | 0.37 | 141.88 | 140.73 | 343.22 |
| 2004 | 55.53 | 0.20 | 153.92 | 135.67 | 345.32 |
| 2005 | 90.13 | 0.04 | 155.07 | 177.91 | 423.15 |
| 2006 | 78.97 | 0.11 | 157.06 | 157.69 | 393.83 |
| 2007 | 74.27 | 15.46 | 148.14 | 178.68 | 416.55 |
| 2008 | 83.74 | 17.58 | 155.83 | 181.53 | 438.68 |
| 2009 | 91.86 | 17.54 | 157.70 | 180.51 | 447.60 |
| 1996-2009 chg | 48.33 | (2.09) | 5.14 | 75.65 | 127.03 |
| 1996-2009 rate | 5.91% | -0.86% | 0.26% | 4.27% | 2.60% |

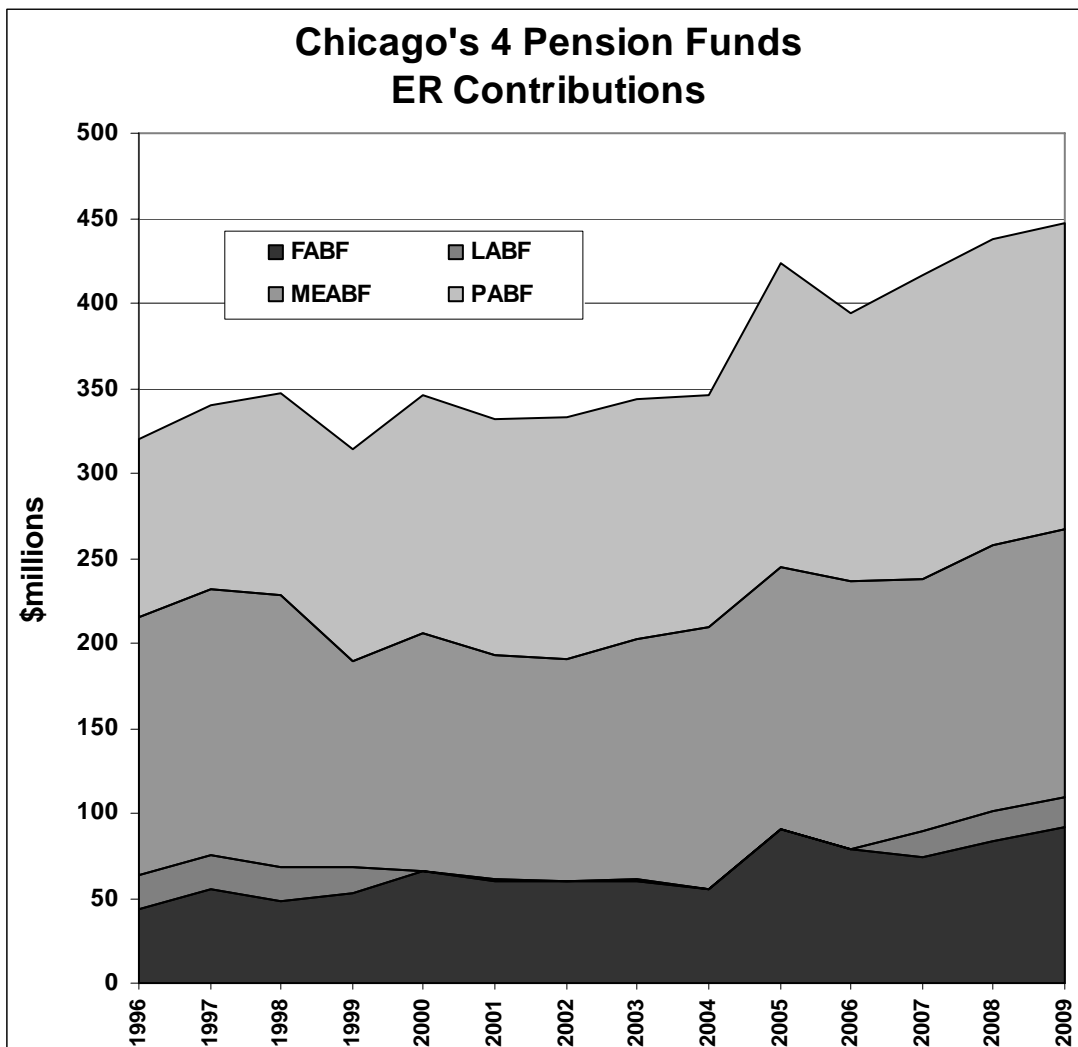


TABLE SA-7 - Employee (EE) Contributions (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|--------------|--------------|---------------|--------------|---------------|
| 1996 | 24.05 | 14.86 | 95.00 | 59.35 | 193.25 |
| 1997 | 24.32 | 15.33 | 98.84 | 63.32 | 201.81 |
| 1998 | 27.28 | 18.69 | 124.68 | 69.89 | 240.54 |
| 1999 | 25.44 | 15.90 | 102.45 | 70.19 | 213.98 |
| 2000 | 24.91 | 17.01 | 107.37 | 71.26 | 220.55 |
| 2001 | 27.62 | 20.02 | 118.24 | 71.15 | 237.02 |
| 2002 | 27.62 | 20.19 | 128.40 | 79.24 | 255.45 |
| 2003 | 42.67 | 19.80 | 129.58 | 79.82 | 271.86 |
| 2004 | 37.73 | 22.59 | 155.88 | 78.80 | 295.01 |
| 2005 | 35.70 | 16.26 | 122.54 | 89.11 | 263.61 |
| 2006 | 44.22 | 18.79 | 129.47 | 91.97 | 284.45 |
| 2007 | 41.12 | 18.41 | 132.44 | 93.30 | 285.28 |
| 2008 | 40.48 | 19.42 | 137.75 | 93.21 | 290.85 |
| 2009 | 41.60 | 17.19 | 130.98 | 95.61 | 285.39 |
| 1996-2009 chg | 17.56 | 2.33 | 35.98 | 36.26 | 92.14 |
| 1996-2009 rate | 4.31% | 1.13% | 2.50% | 3.74% | 3.04% |

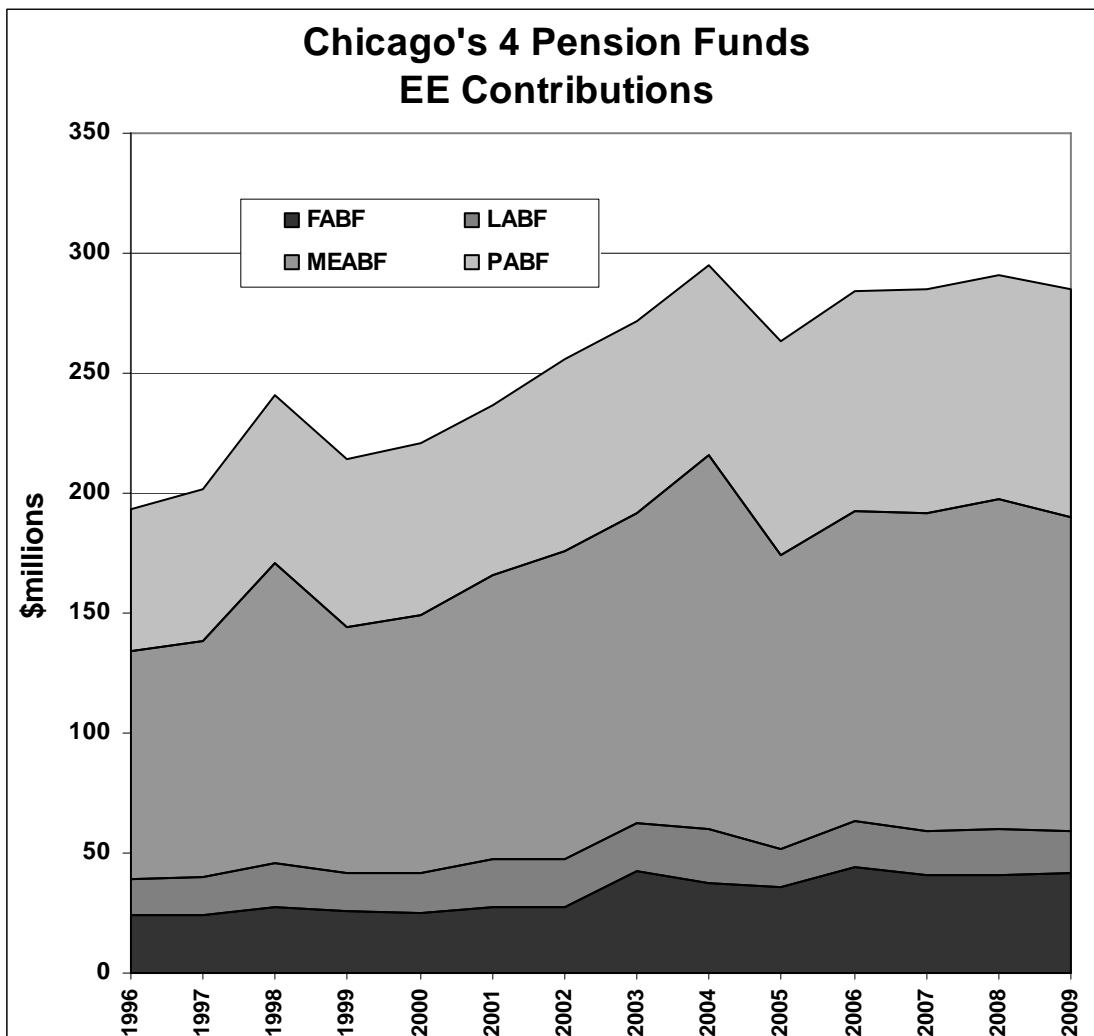


TABLE SA-8 - Total Contributions (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|---------------|--------------|---------------|---------------|---------------|
| 1996 | 67.57 | 34.48 | 247.55 | 164.21 | 513.82 |
| 1997 | 79.79 | 34.66 | 255.67 | 172.26 | 542.39 |
| 1998 | 75.68 | 38.41 | 284.84 | 188.10 | 587.03 |
| 1999 | 78.85 | 30.30 | 223.58 | 195.29 | 528.02 |
| 2000 | 90.21 | 17.69 | 247.54 | 210.69 | 566.13 |
| 2001 | 88.02 | 20.68 | 249.68 | 210.56 | 568.93 |
| 2002 | 87.08 | 20.27 | 259.36 | 221.17 | 587.88 |
| 2003 | 102.90 | 20.17 | 271.46 | 220.55 | 615.08 |
| 2004 | 93.27 | 22.79 | 309.80 | 214.47 | 640.33 |
| 2005 | 125.83 | 16.30 | 277.61 | 267.02 | 686.75 |
| 2006 | 123.19 | 18.90 | 286.53 | 249.65 | 678.27 |
| 2007 | 115.39 | 33.87 | 280.58 | 271.98 | 701.82 |
| 2008 | 124.22 | 37.00 | 293.58 | 274.73 | 729.54 |
| 2009 | 133.46 | 34.73 | 288.68 | 276.13 | 732.99 |
| 1996-2009 chg | 65.89 | 0.25 | 41.13 | 111.91 | 219.17 |
| 1996-2009 rate | 5.37% | 0.06% | 1.19% | 4.08% | 2.77% |

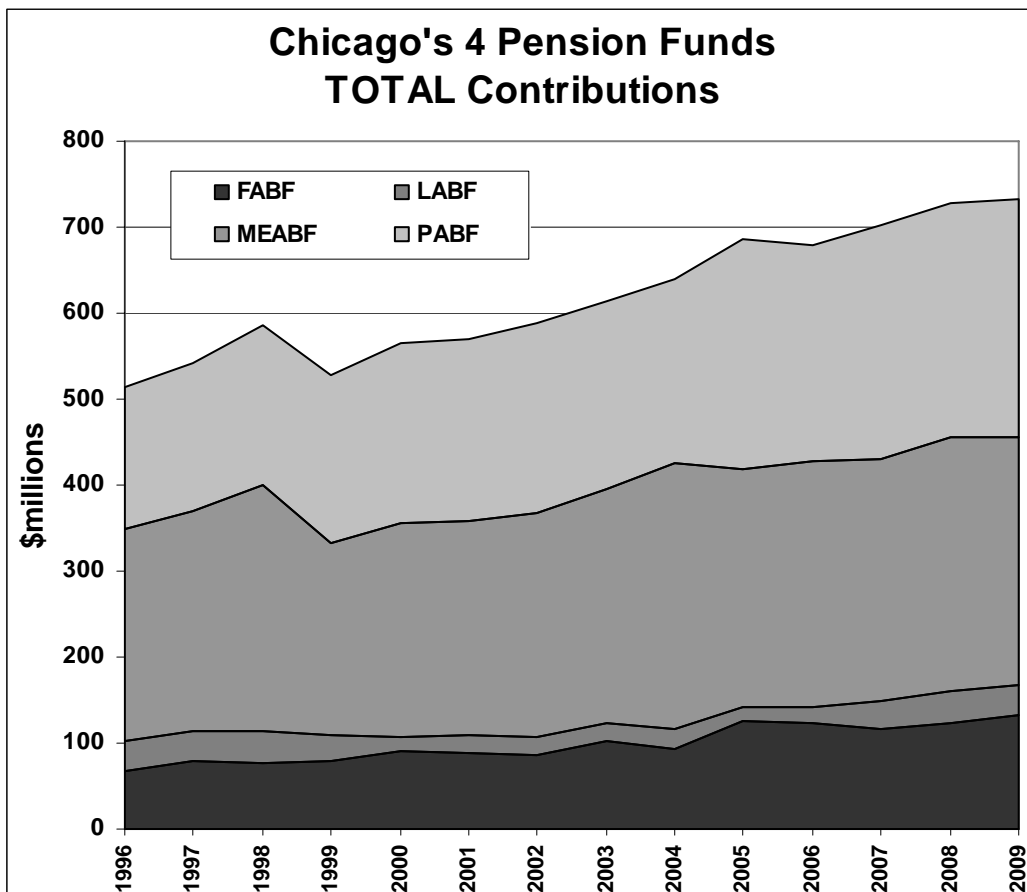
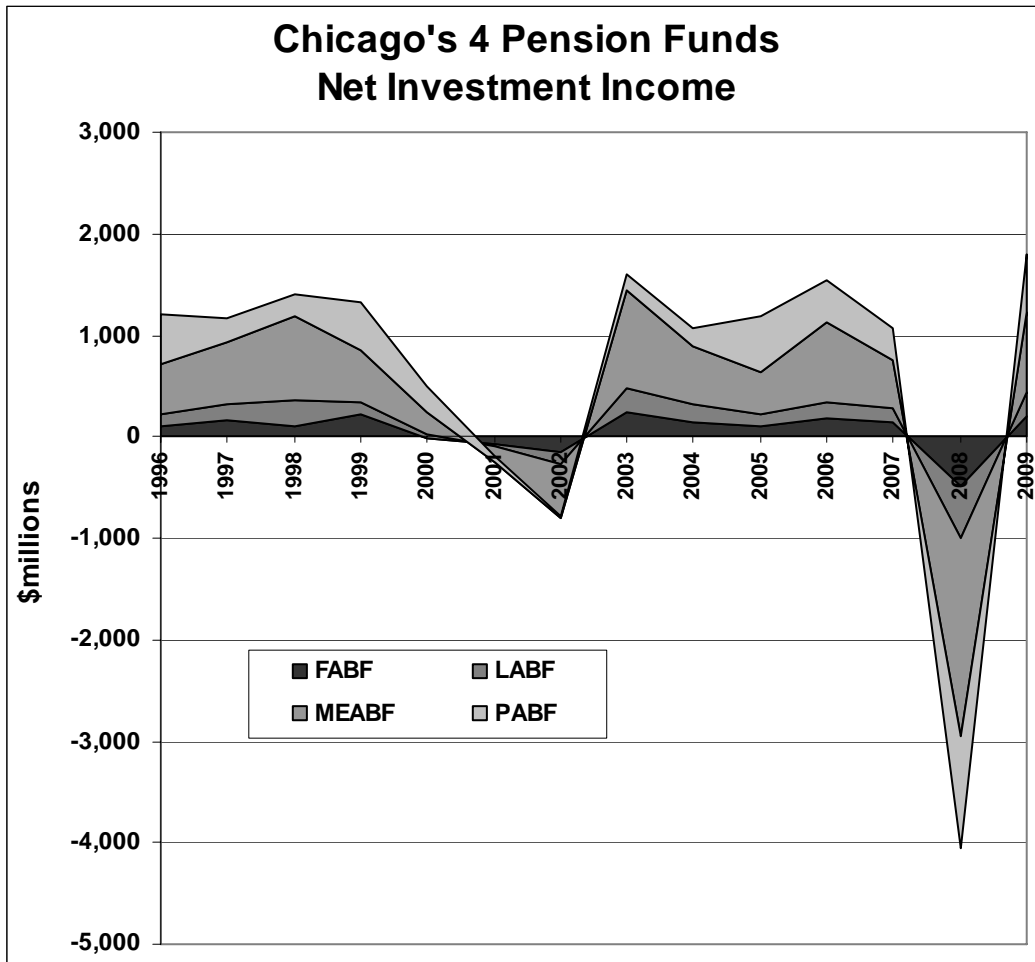


TABLE SA-9 - Net Investment Income (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|---------------|---------------|---------------|---------------|---------------|-------------------|
| 1996 | 112.39 | 117.75 | 477.30 | 504.38 | 1,211.83 |
| 1997 | 169.84 | 156.28 | 596.16 | 247.63 | 1,169.90 |
| 1998 | 109.40 | 242.79 | 842.98 | 216.56 | 1,411.74 |
| 1999 | 224.94 | 119.57 | 513.96 | 459.48 | 1,317.95 |
| 2000 | (9.60) | 27.20 | 217.07 | 263.85 | 498.53 |
| 2001 | (73.53) | (19.13) | (158.37) | 55.20 | (195.83) |
| 2002 | (143.72) | (119.45) | (538.06) | 25.98 | (775.25) |
| 2003 | 250.00 | 231.58 | 961.89 | 152.29 | 1,595.76 |
| 2004 | 139.50 | 171.04 | 578.73 | 176.13 | 1,065.40 |
| 2005 | 112.02 | 117.79 | 402.31 | 554.35 | 1,186.46 |
| 2006 | 174.41 | 174.54 | 778.73 | 415.03 | 1,542.70 |
| 2007 | 148.81 | 125.20 | 485.93 | 316.62 | 1,076.55 |
| 2008 | (484.09) | (510.46) | (1,947.58) | (1,104.40) | (4,046.53) |
| 2009 | 208.56 | 237.10 | 778.56 | 567.31 | 1,791.54 |
| 1996-2009 chg | 96.17 | 119.35 | 301.26 | 62.93 | 579.72 |



**TABLE SA-10 - Net Investment Rate of Return
(from annual actuarial reports)**

| YEAR | FABF | LABF | MEABF | PABF | TOTAL | S&P 500* |
|--|---------------|---------------|---------------|---------------|----------------|---------------|
| 1996 | 13.69% | 11.50% | 13.18% | na | 12.93% | 22.96% |
| 1997 | 19.05% | 17.86% | 18.62% | 17.89% | 18.33% | 33.36% |
| 1998 | 10.94% | 17.49% | 17.23% | 14.27% | 15.79% | 28.58% |
| 1999 | 21.02% | 7.46% | 9.12% | 12.99% | 11.27% | 21.04% |
| 2000 | -0.76% | 1.65% | 3.62% | 0.77% | 2.08% | -9.10% |
| 2001 | -6.11% | -1.18% | -2.62% | -5.39% | -3.59% | -11.89% |
| 2002 | -13.27% | -7.76% | -9.37% | -9.26% | -9.56% | -22.10% |
| 2003 | 28.29% | 17.10% | 19.07% | 19.95% | 19.98% | 28.68% |
| 2004 | 12.82% | 11.33% | 9.99% | 10.23% | 10.49% | 10.88% |
| 2005 | 9.46% | 7.41% | 6.60% | 6.92% | 7.07% | 4.91% |
| 2006 | 14.00% | 10.83% | 12.54% | 11.62% | 12.20% | 15.79% |
| 2007 | 10.97% | 7.37% | 7.27% | 8.56% | 8.04% | 5.49% |
| 2008 | -33.76% | -29.32% | -28.44% | -26.19% | -28.35% | -37.00% |
| 2009 | 23.74% | 20.76% | 17.06% | 19.70% | 18.97% | 26.46% |
| 1997-2009 rate | 6.47% | 5.77% | 5.76% | 5.92% | 5.90% | 5.43% |
| 1996-2009 rate, excl. PABF--1996 not available | 7.01% | 6.20% | 6.32% | na | 6.43% | 6.69% |

* "S&P 500" is annual total return for Large Company Stocks, from 2009 Ibbotson SBBI Classic Yearbook, Table 2-5, p. 37, and December 2009 Market report
TOTAL is the average weighted by assets at EOY

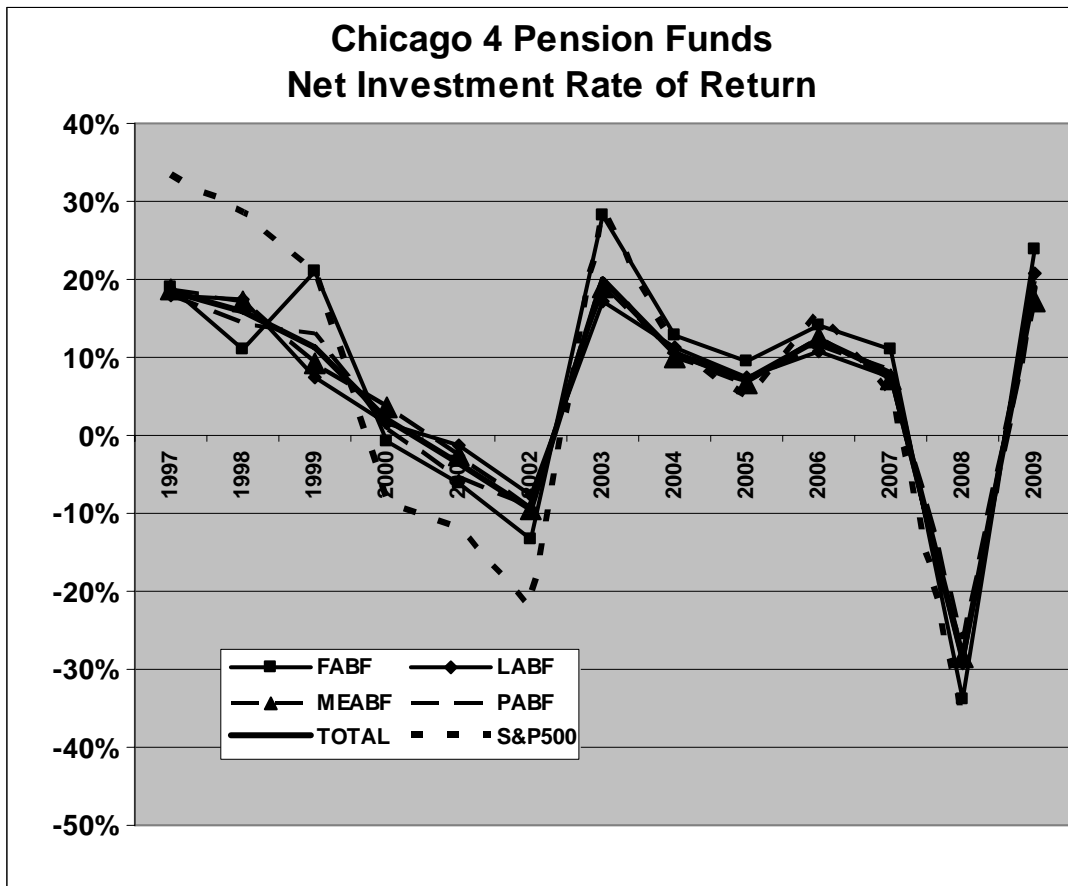
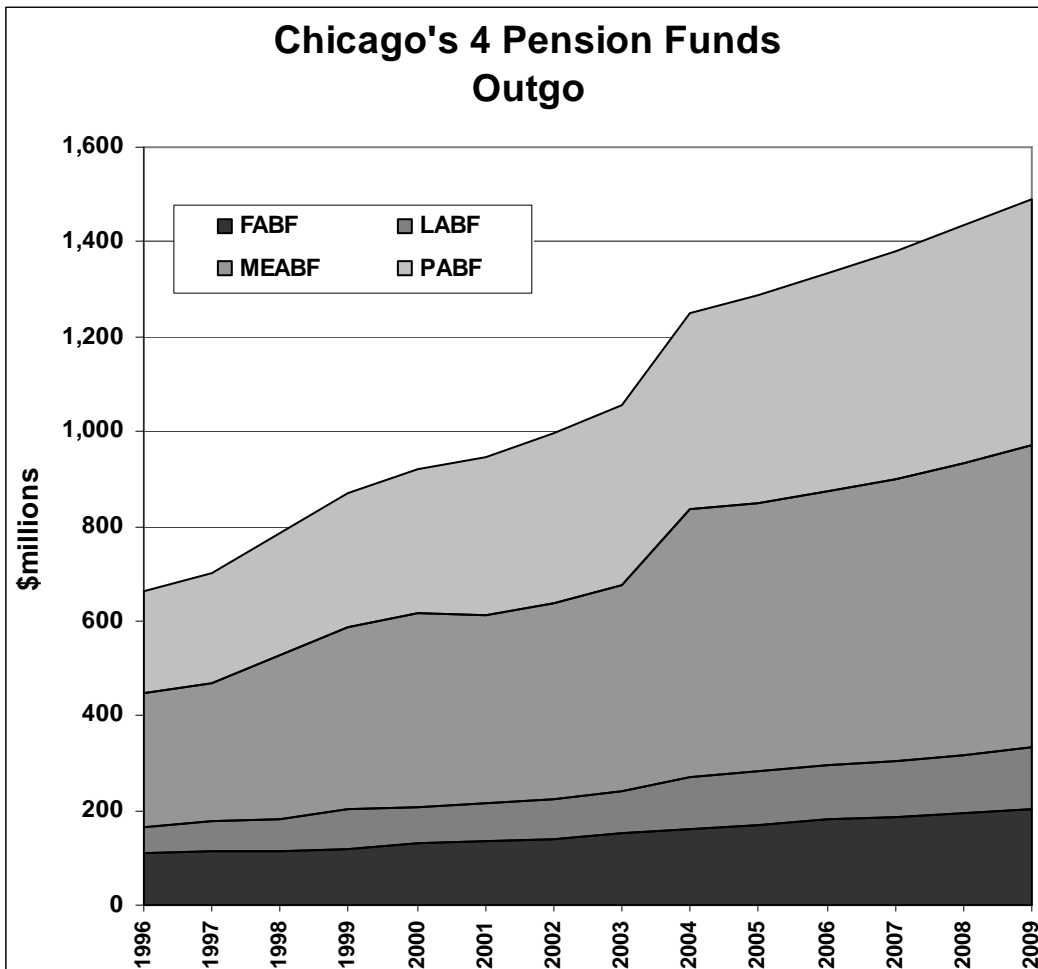


TABLE SA-11 - Outgo (Expenditures) (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|---------------|---------------|---------------|---------------|-----------------|
| 1996 | 107.69 | 56.57 | 283.41 | 215.92 | 663.60 |
| 1997 | 114.24 | 61.20 | 292.73 | 232.73 | 700.89 |
| 1998 | 114.43 | 68.91 | 344.76 | 257.44 | 785.54 |
| 1999 | 119.88 | 81.72 | 385.04 | 281.30 | 867.94 |
| 2000 | 128.78 | 79.98 | 406.73 | 304.35 | 919.84 |
| 2001 | 136.44 | 79.66 | 396.78 | 332.95 | 945.83 |
| 2002 | 140.75 | 83.44 | 413.85 | 358.20 | 996.24 |
| 2003 | 151.22 | 87.48 | 438.84 | 378.67 | 1,056.20 |
| 2004 | 160.47 | 108.83 | 568.58 | 409.93 | 1,247.81 |
| 2005 | 169.82 | 112.39 | 565.77 | 439.75 | 1,287.73 |
| 2006 | 180.86 | 112.83 | 581.02 | 460.76 | 1,335.47 |
| 2007 | 186.39 | 115.92 | 598.11 | 480.76 | 1,381.18 |
| 2008 | 195.50 | 120.77 | 615.92 | 502.22 | 1,434.41 |
| 2009 | 204.58 | 127.48 | 640.63 | 519.19 | 1,491.88 |
| 1996-2009 chg | 96.89 | 70.91 | 357.22 | 303.27 | 828.29 |
| 1996-2009 rate | 5.06% | 6.45% | 6.47% | 6.98% | 6.43% |



**TABLE SA-12 - Employer's Annual Required Contribution
(GASB 25 & 43) (\$ millions)**

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|---------------|--------------|---------------|---------------|-----------------|
| 1997 | 86.98 | - | 100.28 | 107.61 | 294.87 |
| 1998 | 78.02 | - | 108.17 | 105.48 | 291.68 |
| 1999 | 87.96 | - | 157.51 | 133.54 | 379.01 |
| 2000 | 90.53 | - | 93.02 | 133.54 | 317.08 |
| 2001 | 104.01 | - | 83.53 | 123.20 | 310.74 |
| 2002 | 105.11 | - | 92.71 | 130.24 | 328.06 |
| 2003 | 111.08 | - | 158.61 | 181.55 | 451.24 |
| 2004 | 134.76 | 8.51 | 198.20 | 203.76 | 545.23 |
| 2005 | 161.70 | 12.77 | 285.29 | 238.42 | 698.19 |
| 2006 | 164.32 | 21.14 | 325.91 | 273.73 | 785.11 |
| 2007 | 192.38 | 25.29 | 366.41 | 323.95 | 908.03 |
| 2008 | 194.25 | 21.22 | 384.17 | 329.58 | 929.22 |
| 2009 | 208.24 | 37.20 | 436.48 | 351.30 | 1,033.21 |
| 2010 | 222.82 | 50.27 | 506.90 | 374.28 | 1,154.28 |
| 1997-2010 chg | 135.83 | 50.27 | 406.62 | 266.68 | 859.41 |
| 1997-2010 rate | 7.50% | NM | 13.27% | 10.06% | 11.07% |

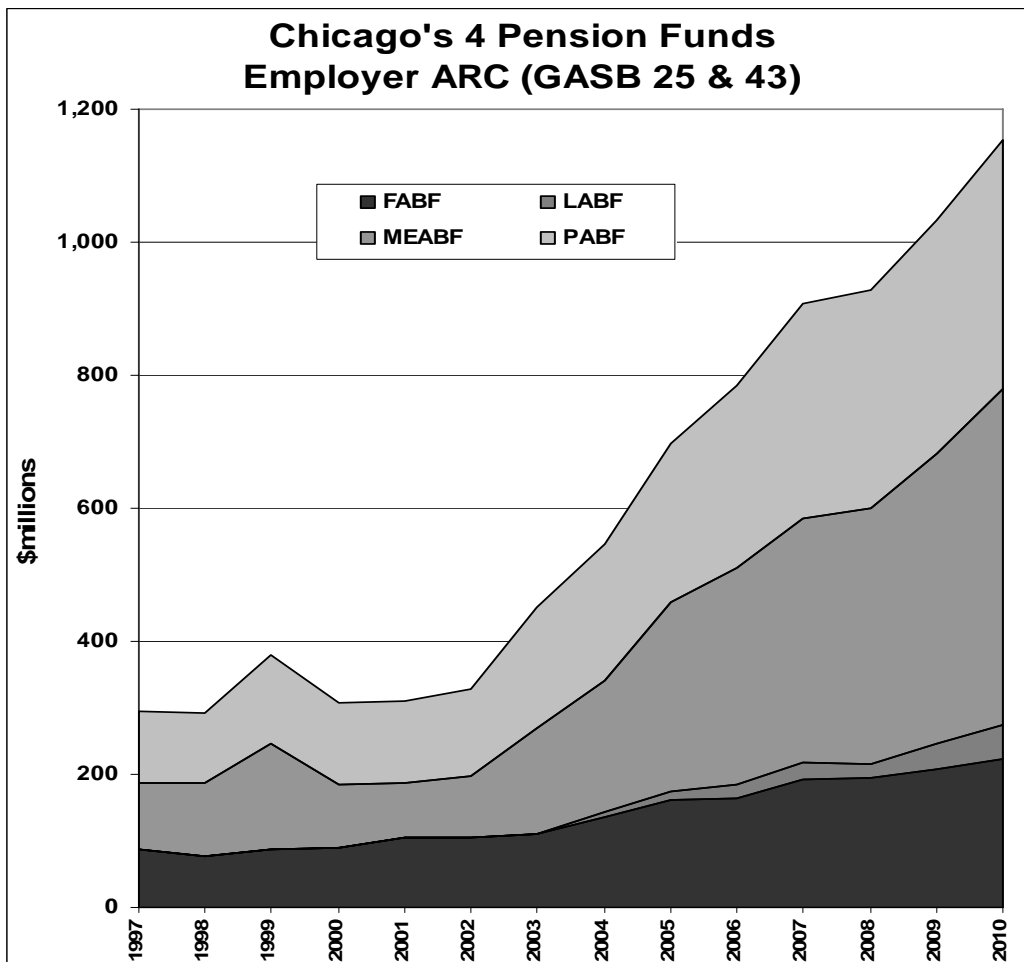


TABLE SA-13 - Normal Cost (GASB 25 & 43) (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|--------------|--------------|---------------|---------------|---------------|
| 1996 | 49.88 | 21.34 | 139.95 | na | na |
| 1997 | 49.86 | 21.54 | 145.30 | 83.28 | 299.98 |
| 1998 | 46.60 | 21.76 | 148.35 | 85.55 | 302.26 |
| 1999 | 52.58 | 24.06 | 169.01 | 102.93 | 348.57 |
| 2000 | 54.49 | 21.04 | 153.80 | 106.00 | 335.32 |
| 2001 | 60.07 | 23.69 | 156.42 | 108.15 | 348.32 |
| 2002 | 62.17 | 27.05 | 168.54 | 109.74 | 367.50 |
| 2003 | 63.53 | 29.48 | 177.52 | 143.81 | 414.34 |
| 2004 | 57.01 | 29.46 | 183.66 | 153.63 | 423.75 |
| 2005 | 60.48 | 24.76 | 193.01 | 159.17 | 437.43 |
| 2006 | 59.22 | 28.14 | 208.46 | 168.33 | 464.15 |
| 2007 | 67.53 | 29.53 | 218.99 | 179.48 | 495.53 |
| 2008 | 67.66 | 29.96 | 234.21 | 184.55 | 516.37 |
| 2009 | 70.65 | 33.59 | 230.20 | 182.51 | 516.96 |
| 2010 | 69.92 | 32.54 | 230.96 | 178.40 | 511.82 |
| 1997-2010 chg | 20.06 | 11.00 | 85.66 | 95.12 | 211.84 |
| 1997-2010 rate | 2.63% | 3.22% | 3.63% | 6.04% | 4.20% |

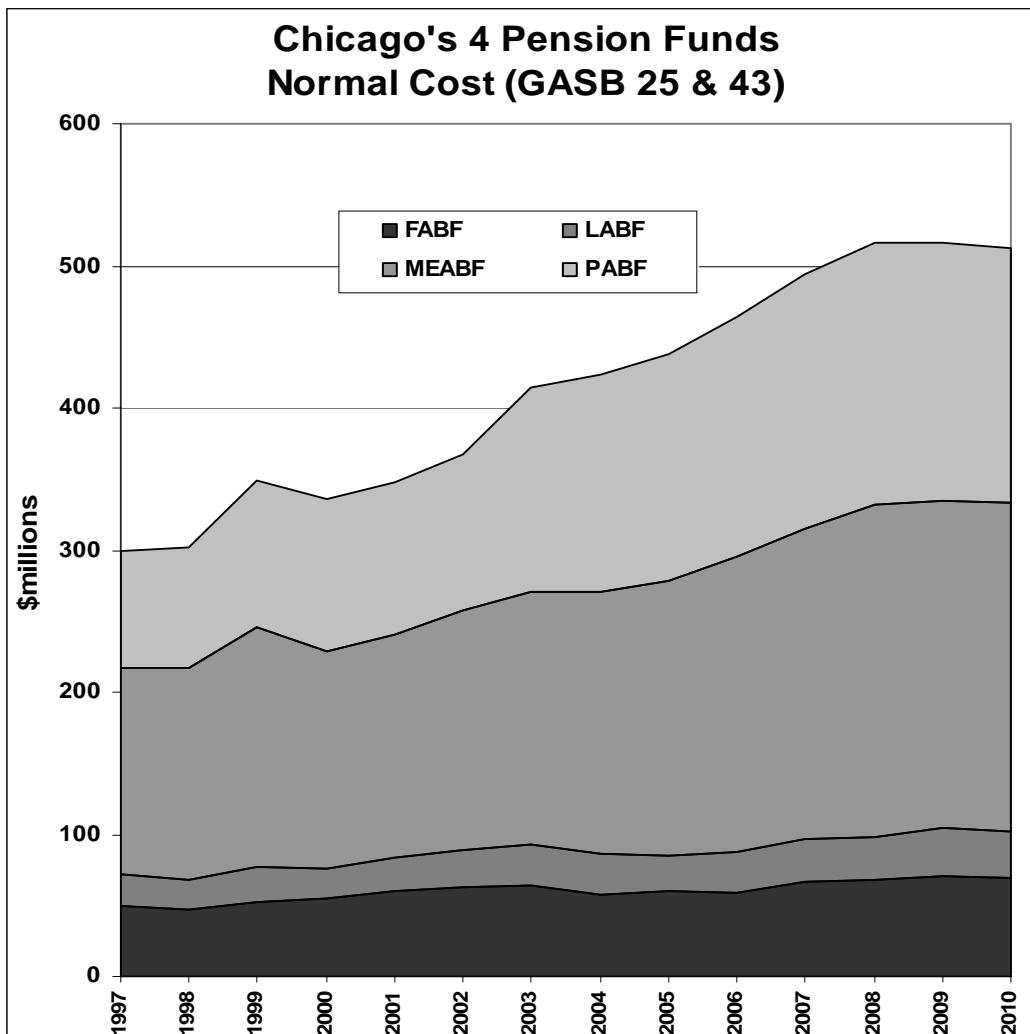
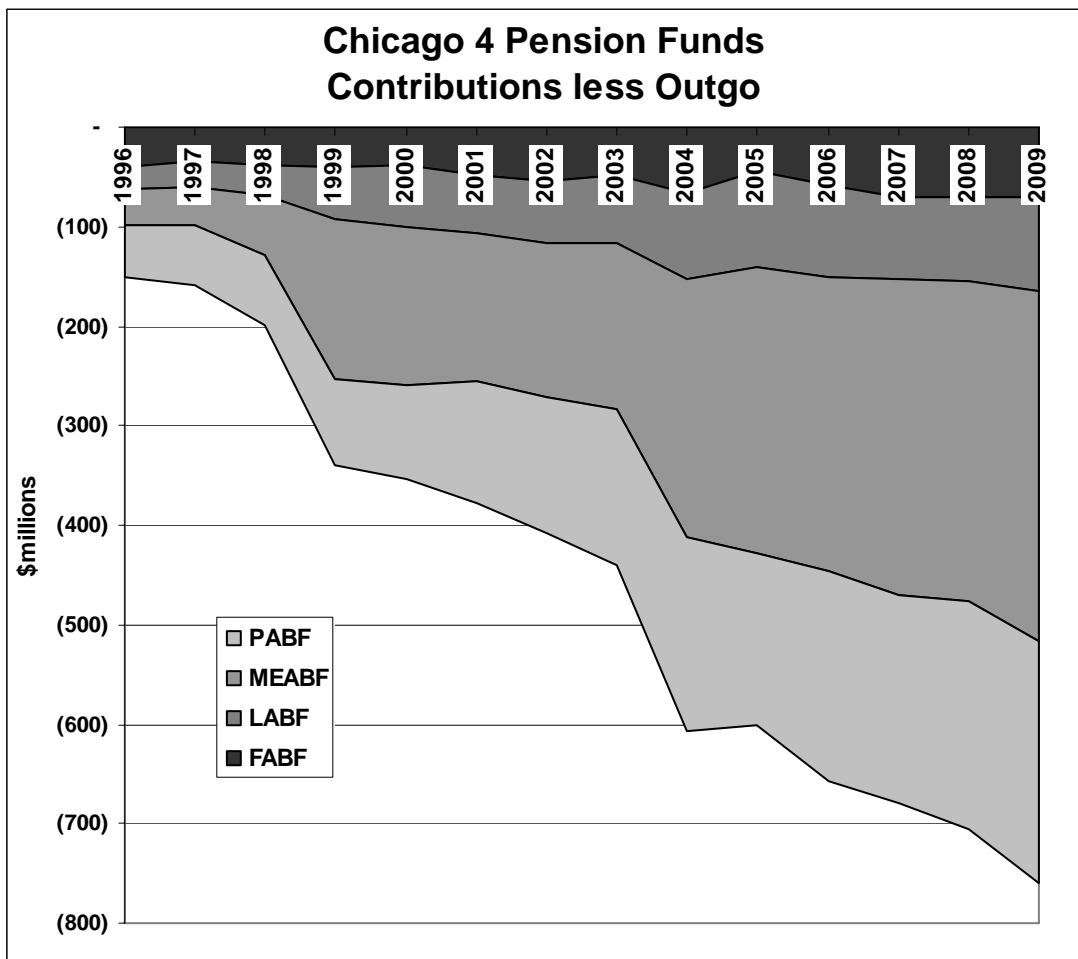


TABLE SA-14 - Contributions less Outgo (\$ millions)

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|-----------------------|----------------|----------------|-----------------|-----------------|-----------------|
| 1996 | (40.12) | (22.09) | (35.86) | (51.71) | (149.78) |
| 1997 | (34.44) | (26.54) | (37.06) | (60.47) | (158.50) |
| 1998 | (38.74) | (30.50) | (59.92) | (69.35) | (198.51) |
| 1999 | (41.03) | (51.41) | (161.46) | (86.02) | (339.92) |
| 2000 | (38.57) | (62.28) | (159.19) | (93.67) | (353.71) |
| 2001 | (48.42) | (58.99) | (147.10) | (122.39) | (376.90) |
| 2002 | (53.67) | (63.17) | (154.49) | (137.02) | (408.36) |
| 2003 | (48.32) | (67.31) | (167.37) | (158.12) | (441.12) |
| 2004 | (67.20) | (86.04) | (258.78) | (195.46) | (607.47) |
| 2005 | (43.99) | (96.09) | (288.16) | (172.73) | (600.98) |
| 2006 | (57.67) | (93.94) | (294.49) | (211.11) | (657.20) |
| 2007 | (71.00) | (82.05) | (317.53) | (208.78) | (679.36) |
| 2008 | (71.28) | (83.77) | (322.33) | (228.49) | (705.87) |
| 2009 | (71.12) | (92.75) | (351.95) | (243.06) | (758.89) |
| 1996-2009 chg | (31.00) | (70.66) | (316.09) | (191.35) | (609.11) |
| 1996-2009 rate | 4.50% | 11.670% | 19.21% | 12.64% | 13.29% |



**TABLE SA-15 - Income (Contributions + Investment Income) less Outgo
(\$ millions)**

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|---------------|---------------|---------------|---------------|-------------------|
| 1996 | 72.27 | 95.66 | 441.44 | 452.67 | 1,062.05 |
| 1997 | 135.39 | 129.74 | 559.10 | 187.16 | 1,011.40 |
| 1998 | 70.66 | 212.29 | 783.07 | 147.22 | 1,213.23 |
| 1999 | 183.91 | 68.16 | 352.50 | 373.46 | 978.04 |
| 2000 | (48.17) | (35.08) | 57.88 | 170.19 | 144.82 |
| 2001 | (121.95) | (78.11) | (305.47) | (67.20) | (572.73) |
| 2002 | (197.40) | (182.62) | (692.56) | (111.05) | (1,183.62) |
| 2003 | 201.67 | 164.27 | 794.51 | (5.82) | 1,154.64 |
| 2004 | 72.29 | 85.01 | 319.95 | (19.33) | 457.93 |
| 2005 | 68.02 | 21.69 | 114.15 | 381.62 | 585.48 |
| 2006 | 116.74 | 80.60 | 484.24 | 203.93 | 885.50 |
| 2007 | 77.81 | 43.16 | 168.40 | 107.83 | 397.19 |
| 2008 | (555.37) | (594.24) | (2,269.91) | (1,332.89) | (4,752.40) |
| 2009 | 137.44 | 144.35 | 426.61 | 324.25 | 1,032.65 |
| 1996-2009 chg | 65.17 | 48.69 | (14.83) | (128.42) | (29.39) |
| 1996-2009 rate | 5.07% | 3.22% | -0.26% | -2.53% | -0.22% |

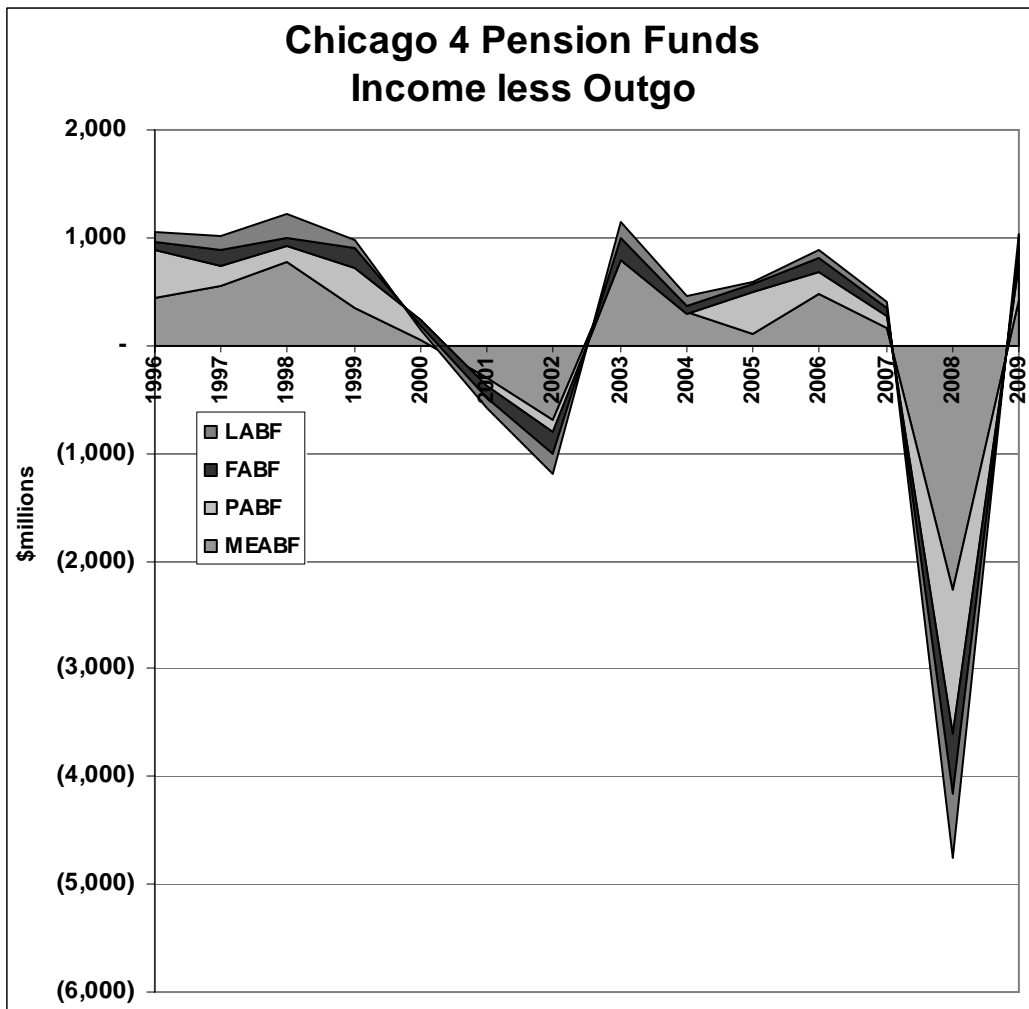


TABLE SA-16 - Active Members (excluding Disabilities), EOY

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|--------------|--------------|---------------|---------------|---------------|
| 1996 | 4,806 | 3,638 | 34,369 | 13,475 | 56,288 |
| 1997 | 4,856 | 3,731 | 34,209 | 13,435 | 56,231 |
| 1998 | 4,783 | 3,641 | 32,550 | 13,586 | 54,560 |
| 1999 | 4,855 | 3,735 | 35,359 | 13,829 | 57,778 |
| 2000 | 4,878 | 3,913 | 35,641 | 13,858 | 58,290 |
| 2001 | 4,930 | 3,920 | 36,174 | 13,889 | 58,913 |
| 2002 | 4,910 | 3,625 | 35,133 | 13,720 | 57,388 |
| 2003 | 4,909 | 3,539 | 34,871 | 13,746 | 57,065 |
| 2004 | 4,856 | 2,980 | 32,841 | 13,569 | 54,246 |
| 2005 | 4,999 | 2,965 | 33,281 | 13,462 | 54,707 |
| 2006 | 5,078 | 3,044 | 32,906 | 13,749 | 54,777 |
| 2007 | 4,938 | 2,962 | 34,372 | 13,748 | 56,020 |
| 2008 | 5,037 | 3,119 | 32,105 | 13,373 | 53,634 |
| 2009 | 4,754 | 2,874 | 31,060 | 12,774 | 51,462 |
| 1996-2009 chg | (52) | (764) | (3,309) | (701) | (4,826) |
| 1996-2009 rate | -0.08% | -1.80% | -0.78% | -0.04% | -0.69% |

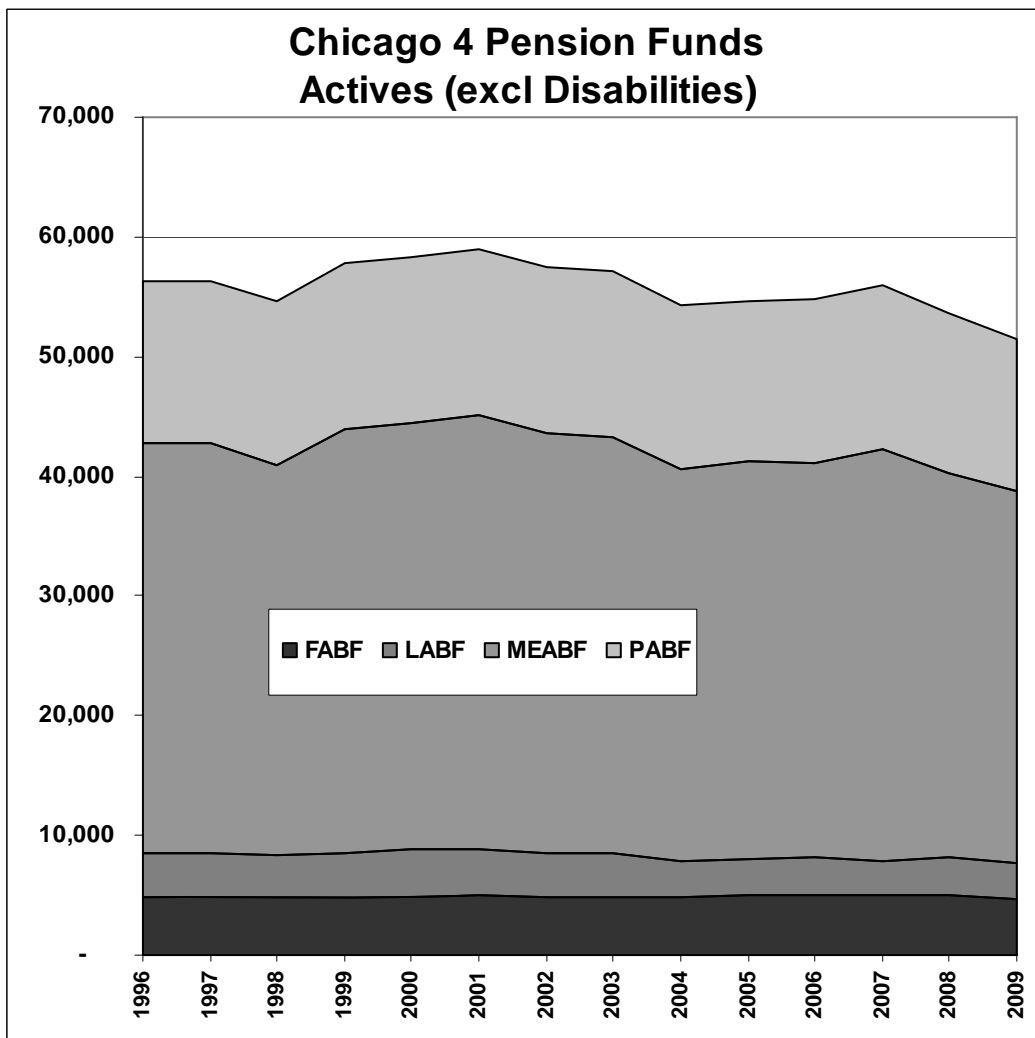


TABLE SA-17 - Annuitants, EOY

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|--------------|--------------|---------------|---------------|---------------|
| 1996 | 4,226 | 4,175 | 18,718 | 9,638 | 36,757 |
| 1997 | 4,256 | 4,088 | 18,671 | 9,843 | 36,858 |
| 1998 | 4,343 | 4,417 | 21,117 | 10,161 | 40,038 |
| 1999 | 4,550 | 4,280 | 20,953 | 10,519 | 40,302 |
| 2000 | 4,614 | 4,199 | 20,775 | 10,867 | 40,455 |
| 2001 | 4,368 | 4,099 | 20,593 | 11,175 | 40,235 |
| 2002 | 4,349 | 4,151 | 20,668 | 11,358 | 40,526 |
| 2003 | 4,306 | 4,114 | 21,086 | 11,441 | 40,947 |
| 2004 | 4,346 | 4,432 | 23,359 | 11,808 | 43,945 |
| 2005 | 4,350 | 4,332 | 23,357 | 11,999 | 44,038 |
| 2006 | 4,376 | 4,241 | 23,351 | 12,026 | 43,994 |
| 2007 | 4,387 | 4,181 | 23,302 | 12,135 | 44,005 |
| 2008 | 4,377 | 4,197 | 23,188 | 12,183 | 43,945 |
| 2009 | 4,428 | 4,246 | 23,308 | 12,016 | 43,998 |
| 1996-2009 chg | 202 | 71 | 4,590 | 2,378 | 7,241 |
| 1996-2009 rate | 0.36% | 0.13% | 1.70% | 1.71% | 1.39% |

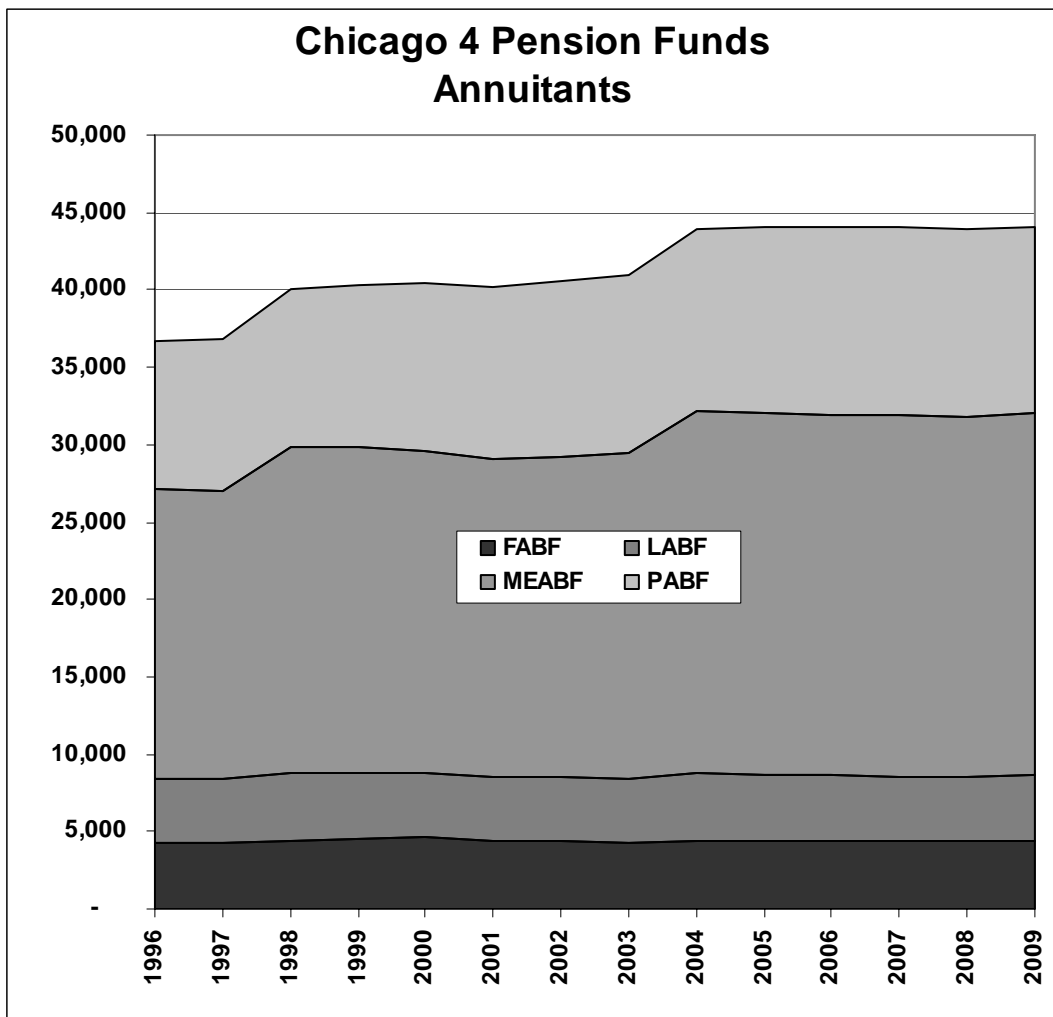


TABLE SA-18 - Retirees, EOY

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|----------------|--------------|--------------|---------------|--------------|---------------|
| 1996 | 2,257 | 2,537 | 13,461 | 5,714 | 23,969 |
| 1997 | 2,235 | 2,457 | 13,383 | 5,945 | 24,020 |
| 1998 | 2,251 | 2,808 | 15,838 | 6,241 | 27,138 |
| 1999 | 2,351 | 2,687 | 15,717 | 6,520 | 27,275 |
| 2000 | 2,538 | 2,569 | 15,530 | 6,876 | 27,513 |
| 2001 | 2,422 | 2,481 | 15,365 | 7,192 | 27,460 |
| 2002 | 2,411 | 2,461 | 15,546 | 7,392 | 27,810 |
| 2003 | 2,412 | 2,472 | 15,853 | 7,498 | 28,235 |
| 2004 | 2,441 | 2,836 | 18,253 | 7,815 | 31,345 |
| 2005 | 2,442 | 2,737 | 18,221 | 8,026 | 31,426 |
| 2006 | 2,459 | 2,683 | 18,183 | 8,083 | 31,408 |
| 2007 | 2,488 | 2,644 | 18,198 | 8,155 | 31,485 |
| 2008 | 2,471 | 2,646 | 18,173 | 8,210 | 31,500 |
| 2009 | 2,556 | 2,683 | 18,245 | 8,227 | 31,711 |
| 1996-2009 chg | 299 | 146 | 4,784 | 2,513 | 7,742 |
| 1996-2009 rate | 0.96% | 0.43% | 2.37% | 2.84% | 2.18% |

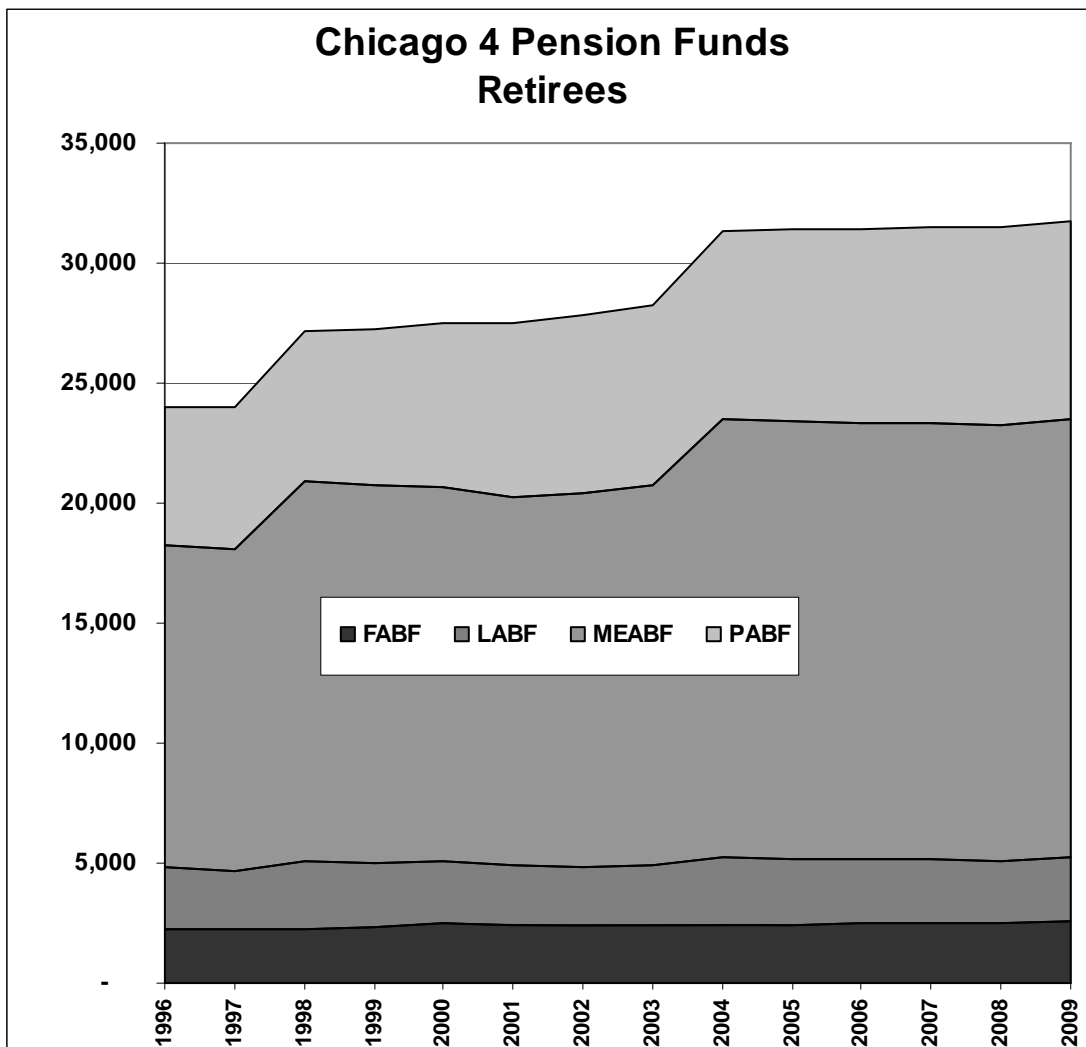


TABLE SA-19 - Actives per Retiree, EOY

| YEAR | FABF | LABF | MEABF | PABF | TOTAL |
|---------------|-------------|-------------|--------------|-------------|--------------|
| 1996 | 2.13 | 1.43 | 2.55 | 2.36 | 2.35 |
| 1997 | 2.17 | 1.52 | 2.56 | 2.26 | 2.34 |
| 1998 | 2.12 | 1.30 | 2.06 | 2.18 | 2.01 |
| 1999 | 2.07 | 1.39 | 2.25 | 2.12 | 2.12 |
| 2000 | 1.92 | 1.52 | 2.29 | 2.02 | 2.12 |
| 2001 | 2.04 | 1.58 | 2.35 | 1.93 | 2.15 |
| 2002 | 2.04 | 1.47 | 2.26 | 1.86 | 2.06 |
| 2003 | 2.04 | 1.43 | 2.20 | 1.83 | 2.02 |
| 2004 | 1.99 | 1.05 | 1.80 | 1.74 | 1.73 |
| 2005 | 2.05 | 1.08 | 1.83 | 1.68 | 1.74 |
| 2006 | 2.07 | 1.13 | 1.81 | 1.70 | 1.74 |
| 2007 | 1.98 | 1.12 | 1.89 | 1.69 | 1.78 |
| 2008 | 2.04 | 1.18 | 1.77 | 1.63 | 1.70 |
| 2009 | 1.86 | 1.07 | 1.70 | 1.55 | 1.62 |
| 1996-2008chg | (0.27) | (0.36) | (0.85) | (0.81) | (0.66) |
| 1996-2008rate | -1.03% | -2.22% | -3.07% | -3.16% | -2.658% |

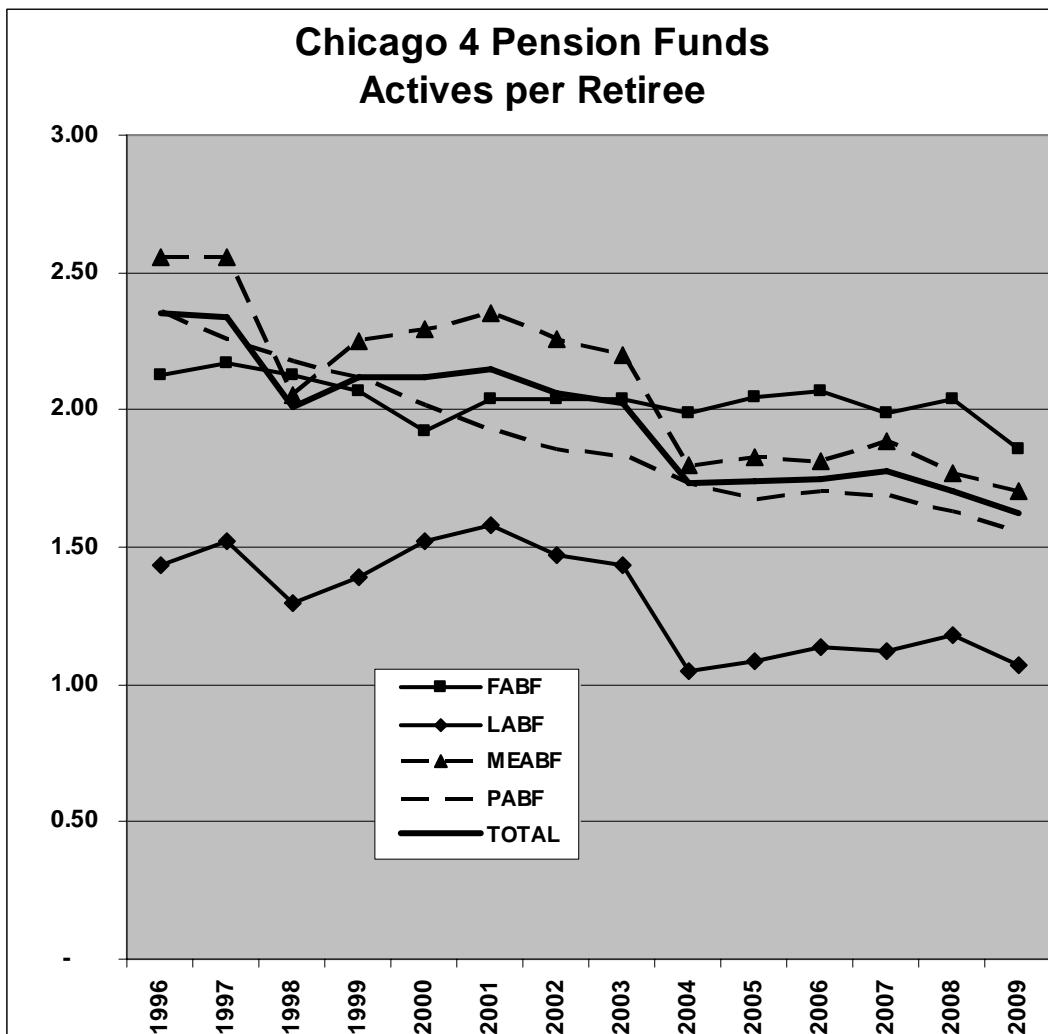


TABLE SA-20 - Change in Actuarially Smoothed Funded Ratio 12/31-97 to 12/31/08

| | FABF | LABF | MEABF | PABF |
|-------------------------------|--------------|---------------|--------------|--------------|
| Funded Ratio, 12/31/97 | 59.7% | 127.6% | 84.9% | 62.8% |
| Expected change | 20.5% | -4.6% | 8.3% | 17.2% |
| Contribution Shortfall | -22.9% | 7.7% | -3.5% | -17.4% |
| Investments | -5.2% | -10.9% | -5.8% | -3.9% |
| Benefit changes | -6.5% | -34.6% | -18.5% | -4.2% |
| Other factors | -5.8% | 1.6% | -2.5% | -7.2% |
| Funded Ratio, 12/31/08 | 39.8% | 86.8% | 62.9% | 47.3% |

TECHNICAL RESOURCES

TABLE TA-1 - Commission Suggestions for Committee Consideration

TABLE TA-2 - Analysis Presented at Dec. 1, 2008 Meeting of Annuity Benefits Committee

- Hypothetical Reduction in Current Benefits Based on Current Contributions Policy
- City Contribution Requirement in 2009, various conditions (\$ millions)
- Replacement Ratios for Sample Retirees
- Replacement Ratios for New Annuities Granted in 2007
- Replacement Ratios - Compare Employee Contribution Rates with Private Sector
- Replacement Ratios - Compare Benefits under Plans vs. OASDI + 401(k) as per Table AA-1-E, above

TABLE TA-3 - Analysis Presented at Dec. 12, 2008 Meeting of Annuity Benefits Committee - City Contribution Requirement (\$ millions)

TABLE TA-4 - Consolidated Committee Reports presented April 20, 2009

TABLE TA-5 - Definition of Scenarios, September 2009 Commission Meeting

TABLE TA-6 - Total Contributions for Scenarios, Selected Years (\$ millions), and Charts

TABLE TA-7 -- "Lifelines" Reports Presented to the Commission

TABLE TA-1 - Commission Suggestions for Committee Consideration

| | |
|------------|---|
| respondent | CSCP Suggestions Compendium |
| | 7-Aug-08 |
| | ITEM |
| | GENERAL |
| C | In general, the overall formulae are OK, it is the extras such as early retirement incentives and ways to "game" the system that create the problems. |
| E | The core question we need to ask about the pension systems before recommending how to change them is: <u>what is the purpose of a pension?</u> Is it to provide income security to people when they are no longer able to physically perform their job duties (as was originally intended) or is it to provide a deferred compensation package? Once we know the answer to that question we can fashion the solution to how we maintain a viable and economically feasible benefit program for future city workers and taxpayers. |
| E | Do not provide additional City or taxpayer resources (including asset sales) to the pension funds unless they are accompanied by benefit reforms and reductions for new hires. |
| I | Move quickly to lower cost |
| I | Goals: |
| I | a. Work in partnership |
| I | b. Restore financial health of the Fund |
| I | c. Achieve sustainable solvency |
| I | d. Over a specified period |
| I | e. Funded Ratio is the measure to use |
| I | f. Use all available current and potential sources of funding |
| J | After changes are made, freeze benefits for 10-15 years. |
| | |
| | STRUCTURE |
| | 1-DC Plan as replacement or alternative for new hires, option for current employees |
| A | Allow new employees to choose either the DB plan, a DC plan, or cash balance plan. Choices are fixed. |
| B | New employees go into a new, defined contribution plan |
| C | 2-tier system, consisting of a smaller DB plan plus a DC component, perhaps with a matching employer contribution, for all new hires and optional for current employees. |
| D | Give new employees the choice of joining the DB plan or a new DC plan. |
| F | Create a 2-tier system with new employees receiving a DC benefit (§403(b) or similar). |
| G | Maintain DB Plan for current employees, but new employees go into a new, cheaper DC plan. |
| H | Offer optional DC plan to future employees. |
| I | Complementary defined contributions |
| L | Move all possible employees into new, DC Plans. |
| L | Hybrid DB/DC structure for new employees. |
| N | Do NOT move to a DC Plan as many City employees "do not possess the financial wherewithal necessary to make effective retirement-related financial decisions." |
| O | DC plan for new hires. |
| Q | DC program for future hires. |
| Q | a. Will initial cost to City increase or decrease? |
| Q | b. Which major public (peer) systems now provide DC plans? |
| Q | c. How successful have such plans been? |
| Q | d. Do DC plans work for employees not in Social Security? Does this transfer too much risk to the employee? |
| Q | Hybrid DB/DC programs where the employee can choose. |
| Q | a. Do hybrids have a good track record? |

| | |
|---|---|
| Q | b. Would this allow members to "select against" the retirement system? |
| R | Defined contribution plan. |
| S | Close DB Plans for new entrants; offer new hires a DC plan along the lines of Sec. 457/401(k). |
| | |
| | 2-Other structural changes |
| E | Consolidate pension funds. |
| E | a. At a minimum, merge Laborers and Municipal |
| E | b. Put all new employees in IMRF |
| E | c. Seek legislation to merge all police and fire funds statewide into IMRF (sheriffs are already in IMRF, so there is a public safety precedent) |
| E | Put new employees in IMRF |
| E | Adopt funding model of IMRF |
| M | Enter Social Security for new hires |
| | |
| | 3-Governance Issues |
| C | Significant taxpayer or general public representation on pension boards, because they are the people who pay the pensions, in the end. |
| E | Reform pension boards of trustees to ensure boards focus on safeguarding assets and efficiently administering benefits, NOT lobbying for benefit enhancements. |
| E | a. Balance employee and management representation so that employees and retirees do not hold the majority of seats. |
| E | b. Develop a tripartite structure that includes independent citizen representation because taxpayers are on the hook for pension payments. |
| E | c. Include financial experts on the board and require financial training for non-experts to ensure that the board can make informed decisions on investments. |
| G | Establish independent third-party reviewer to ensure the Plans comply with benefit and contribution requirements. |
| | |
| | BENEFITS |
| E | We must reduce benefits for new hires in order to maintain current employee/retiree benefit levels. |
| H | Modify benefits for future employees. |
| I | Parity of benefits for all fire pension participants |
| M | Reduce benefits for new hires. |
| L | Review benefits to ensure they are no more generous than other plans in the Chicago area that serve comparable purposes, for new employees. |
| O | Review current plans for benefits that may be considered "luxury items" when compared to other plans, and freeze or phase them out. |
| O | Compare benefits to those of other large municipal plans and communicate the up-to-date results to Labor on an ongoing basis. Establish a goal of median or average benefits relative to an agreed-upon peer group. |
| Q | Provide a money purchase benefit plus a "safety net" defined benefit. For example, a money purchase benefit based on the member's accumulated contributions with interest, plus a defined benefit based on years of service but at a low rate such as 1%. |
| Q | Review overall retirement benefits, including pension, OPEB, savings programs such as §457. |
| T | Benefit reductions are of little use due to State Constitutional requirements. |
| | |
| | 1-Limit benefit increases |
| A | Similar to private plans, disallow any benefit increases or contribution reductions - for employees or the City - when the plan has a Funded Ratio of less than 80%. |

| | |
|---|---|
| C | Whenever a benefit change is made, there should be an actuarially-based adjustment to contribution rates. This can get very complicated, and benefits and costs will be distributed differently across the membership, but it is important that it be done. |
| E | Prohibit benefit enhancements if plan is less than 90% funded |
| E | Require any benefit enhancements (only allowed for funds over 90% funded) to be paid for by employee and employer contribution increases |
| E | Require any benefit enhancement to automatically expire after 5 years, subject to renewal |
| F | Ensure that no other benefit increases can be made to the pension plans that would cause the funds to go below 100% in the future |
| H | Prohibit benefit increases when a Plan's Funded Ratio is below a set figure. |
| L | Prohibit benefit enhancements for Plans less than 90% funded. Any enhancements must be fully paid for by increasing employee and employer contributions. |
| O | Establish strict rules governing benefit enhancements. |
| S | No enhancement of benefits unless qualified 3rd-party actuary certifies "No adverse impact," which means there must be a compensating funding source (contributions or give-backs). |
| | |
| | 2-Years of service, vesting, years of age |
| A | Reduce the number of years of service required for vesting from ten years to five years; |
| D | Increase the minimum retirement age. |
| E | Raise retirement age |
| E | Increase years of service required for full benefits. |
| I | Extended vesting schedules |
| J | Look at vesting age. |
| J | Increase retirement age from 50 to 55. |
| K | Increase retirement age along these lines: 30yos/55yos--25/60--10/65 |
| K | Request Federal government increase current mandatory retirement age for Police. |
| L | For new hires, full pension only at 30 years service and 60 years of age (compare to 20 and 55, now) |
| M | Delay retirement age |
| M | Reduce years of service needed to vest |
| N | Increase mandatory retirement age for Police and Fire |
| P | Increase eligibility age and decrease accrual rate for new hires. |
| P | Indexing eligibility age to mortality tables. |
| Q | Increase age and years of service for unreduced pension; provide for reduced early retirement benefits |
| S | Increase years of service (to vest? For full benefits?) |
| S | Higher age (to take annuity?) |
| | |
| | 3-Multipliers (accrual rate), etc. |
| A | Reduce the basic benefit accrual rates (multipliers) from 2.4% (M & L) and 2.5% (P & F) by 0.1% each |
| D | Tiered benefit multiplier schedule. |
| E | Reduce maximum annuity |
| E | Reduce benefit formula multiplier |
| E | Adjust the funding multiple every 3 to 5 years to reflect actuarially determined funding needs of the plan. |
| Q | Decrease benefit accrual rate, OR create a 2-step benefit formula with a higher accrual rate after a given number of years. Benefit accrual rate could be based on a targeted replacement ratio at normal retirement age. |
| R | Reduce benefit accrual rate. |
| R | Flat benefit (such as, \$X/mo. for each year of service). |
| R | Career average formula (such as 2.0% of annual compensation for each year of service). |

| | |
|---|---|
| | |
| | 4-COLA |
| A | Reduce the COLA by 1%, from 3% to 2% |
| E | Limit increases to lesser of 3% or CPI |
| I | Make COLA consistent with other state/municipal public service plans |
| J | Limit COLA to be consistent with other plans, but no more than the lesser of CPI or a cap rate. |
| L | Limit COLA to the lesser of CPI or 3% |
| P | Index minimum benefits to CPI. |
| P | COLA on widow's pension. |
| Q | Extend the period before COLA starts, for example, a 5-year delay. |
| Q | Cap COLA at the lesser of CPI or a fixed percent such as 2.5% |
| Q | With reduced COLA, define "purchasing power adjustments" if overall cumulative COLAs are less than a targeted percentage, for example 80%. |
| R | Reduce COLA by tying it to inflation. |
| R | Make COLA adjustments ad hoc rather than automatic. |
| | |
| | 5-Disability |
| J | Review disability benefits for Police and Fire. Establish a maximum period of time to collect disability benefits, after which employee must either be retrained into a different job, or retire. Review whether changes can be made for current employees not now on disability. |
| K | Time limit on duty disability payments. |
| N | Introduce a finite duty disability period of 3-5 years |
| N | Classify certain Fire Dept. positions as "light duty" positions that can be performed by injured firefighters |
| N | Retrain disabled Police and Fire personnel that are unable to return to their current positions, to perform less rigorous duties (possibly with other City departments). To be paid for by the respective Fund. |
| Q | Review disability and retirement experience |
| Q | Evaluate conditions used to grant disability benefits |
| S | Modify handling of long-term disability to cap exposure on everything except "total and permanent" disability from [performing] any job. |
| S | Hire outside administrator(s) to handle applications and medical review for new and existing claims |
| S | Hire outside investigator to review existing claims |
| S | Change "same job" to "any job" disability provision, as needed. |
| | |
| | 6-Pensionable average compensation |
| A | Lengthen the number of years used in the calculation of final average salary to 10 years. |
| A | Limit calculation of final average salary to base salary (anti-spiking provision) |
| C | Review "end of career" enhancements that unreasonably enlarge the payout and circumvent the intent of the legislation. An example would be pay for accumulated sick days that increases final average salary and adds service credit. |
| R | Limit what is included in pensionable compensation--e.g., only base pay & overtime |
| R | a. Eliminate consideration of large compensation increases in the last years prior to retirement. |
| R | b. Tighten overly generous sick leave policies that allow employees to spike final earnings amounts. |
| R | c. Change definition of "final average compensation," as with a longer averaging period. |
| | |
| | 7-Early Retirement & ancillary provisions, incl. medical |
| A | Require "full actuarial reductions" for any benefits that commence prior to age 60 for M & L. |
| L | Make retiree medical coverage less generous, more comparable to private sector practice |

| | |
|---|--|
| Q | Would changes in pre-Medicare OPEB change retirement patterns, as by employees delaying retirement? How would this affect the pension and OPEB programs? |
| R | Limit eligibility for "special risk" or public safety benefits to "real risk" positions. |
| R | Limit purchase of additional service credits. |
| R | Consider changing ancillary plan provisions: |
| R | Eliminate special grandfather or minimum benefit formulae. |
| R | Revise early retirement eligibility and reduce subsidy. |
| S | Eliminate medical coverage or "set the bar higher" to qualify. |
| S | Put health benefits in a VEBA, to be administered by employee/retiree representatives with no City obligation. |
| S | Improve coordination with Medicare for people under 65 but Medicare-eligible due to disability (if this applies to any City employees) |
| S | Ban ERIs [statutory ban?] |
| S | Review medical coverages and change plan(s) to limit exposure, as needed. |
| T | ERIs are poor public policy for a variety of reasons, and should be strictly limited or banned. |
| | |
| | CONTRIBUTIONS & INFUSIONS |
| R | Are projected contributions affordable--today and in the future? |
| | |
| | 1-POBs, Proceeds of Financial Transactions, 1-time infusions |
| A | Consider Sale or lease of assets |
| A | Consider Pension Obligation Bonds |
| B | a. Statutory change to permit City to forego contributions when FR > 90% |
| B | b. Sell Pension Obligation Bonds sufficient to bring all 4 funds to FR >= 95% |
| B | c. Segregate POB proceeds for special investment treatment to ensure that they earn a return greater than their debt service, to the extent possible |
| B | d. Combined with previous item, this anticipates that for some years City will pay POB debt service but not pension contributions. |
| B | e. Expect the City's cost for POB debt service to be greater than statutory contributions would have been, by a "reasonable" amount |
| D | Consider POBs where the expected rate of return on the invested proceeds would exceed the cost of funds. |
| F | Fund the pension liability of existing employees to 100% using Midway proceeds; determine if some other minor changes need to be done such as changing retirement eligibility criteria to achieve this. |
| I | Provide a lump sum cash infusion from asset sales or debt (Pension Obligation Bond) |
| K | Increase Real Estate Transfer Tax to \$4/\$1,000 on Seller, should generate approx. \$125 million annually; add to that \$25 million of real property tax for an annual total of \$150 million, and float Pension bonds (\$1.5 billion for 15 years or \$2.0 billion for 30 years. |
| K | Contribute as much as possible from Midway sale |
| Q | Consider how near-term special revenue sources such as Midway lease or a POB wuld impact long-term funding. |
| R | Consider POB where interest arbitrage is beneficial. |
| R | Identify untapped revenue sources; e.g. license sales, sale of unused property, sale of toll roads, sale of lotteries |
| | |
| | 2-Tie Contributions to actuarial need (ARC &/or target Funded Ratio) |
| A | Amend the statutes that currently govern the City's funding policy, moving away from the formula based upon a fixed multiple of employee contributions to one based upon contributing the ARC. |
| C | Link contribution rates to actuarial need, based on benefits and investment returns. Consider doing this with a lag to allow time for the City and employees to anticipate and adjust. |

| | |
|---|---|
| E | Increase employee contributions by at least 1% to reflect the increased cost of benefits and longer life spans. |
| E | Require employer contributions to relate to actuarial funding level. |
| E | Fund the ARC, and require additional contributions if funded ratio drops below 90%. |
| G | Require Funded Ratio of at least 90% every year. |
| I | Develop short-term goals for Funded Ratio |
| J | Eventually, identify a date after which the City will fund the ARC. |
| K | Gradually increase City contribution until it equals the ARC. |
| L | Require the sum of employee and employer contributions to equal the ARC, including amortizing the unfunded balance over a set period of years, no less than 30. |
| M | Implement statutory requirement to fund the ARC. |
| O | Establish minimum City contributions based on the ARC. |
| P | Track finances actuarially and develop corrective actions that involve cost-sharing by employees and City. |
| P | Change statutory employer contribution to be more tied to the ARC, but with less volatility. |
| Q | Define a contribution policy that tracks actuarial and investment experience, for example 30-year ARC funding. |
| Q | Increase fixed contribution rate for current and future members. |
| Q | Define a finding structure to bring the funded ratio to a minimally acceptable level fairly quickly; for example, 75% in 7-10 years. |
| Q | Define a long-term target such as 90% funded after 30 years, for all plans. |
| R | Is contribution policy consistent with and sufficiently related to actuarial needs of plans? |
| R | Must the plan be 100% funded; would a lower Funded Ratio be appropriate? |
| R | How fast should the Plan reach its funding goals? |
| T | City should fund the ARC. |
| | |
| | 3-Increase Contributions |
| A | Increase the rate of employee contributions by 1% of pay. |
| B | Increase employee contribution rate to DB plans. |
| D | Increase total contributions by 1%, 2%, and 3%. Consider how the cost would be shared between employee and employer, after this analysis is done. |
| D | Look at the above scenarios, assuming a phase-in period of 5 to 7 years. |
| G | Increased contributions, equitably shared by employees and City, maybe similar to current proportions. |
| H | Increase employer contributions from new revenue sources, to contribute a higher percentage of the ARC. |
| I | Raise Employee contributions |
| I | Raise Employer contributions |
| J | Increase both employee and employer contributions. |
| J | Chicago Public Schools should assist in Municipal. |
| L | Increase employee contributions by 1%. |
| K | Increase employee contribution by 1-2%, which City matches. |
| N | Increase contributions, both employer and employee |
| O | Establish minimum employee contributions consistent with industry standards and peers |
| P | Increase contributions, both employee and employer. |
| R | Shift contributions to employees (plan doesn't change but employer's share of contributions is reduced). |
| R | a. Eliminate any employer "pick-up." |
| R | b. Such changes should be the subject of collective bargaining. |
| R | c. Trade-off could be between loss of jobs and higher employee contributions. |
| R | d. One way is to link employee contributions to total plan costs; i.e., employee contributions increase as total plan costs rise |

| | |
|---|---|
| S | Increase employee contribution rates, for annuities. |
| S | Increase employee contribution rates, for medical coverage. |
| | |
| | 4-Peg Contribution holidays to funded status (Funded Ratio or UAAL) |
| A | Similar to private plans, disallow any benefit increases or contribution reductions - for employees or the City - when the plan has a Funded Ratio of less than 80%. |
| G | Require contributions based on maintaining 90% Funded ratio. |
| S | Ban contribution "holidays." |
| | |
| | 5-Revenue sources for increased City contribution |
| B | A portion of future raises should directly fund the Pension funds, over and above the required City and employee contributions (what Colorado did) |
| I | Develop annual Annuity Streams from new Revenue Sources, Escrow/Interest accounts, or brokered Swap transactions |
| J | City should look for a new revenue source for funding; perhaps gaming. |
| K | Consider using gaming revenues for pension contributions |
| K | In MEAB, CPS should pick up employer contributions, rather than the City |
| O | Determine other sources of funding via one-time initiatives, or setting aside a specific source in the City's Budget (for example, X% of a certain revenue stream would be dedicated to pension funding). |
| | |
| | INVESTMENT PRACTICES & RETURNS |
| A | Goal: Put Chicago Plans into the top quartile for long term returns. Hire an independent, third-party investment advisor to analyze current investment practices, benchmarking those practices against the top quartile of funds, and make appropriate changes. Some areas of review would include: |
| A | a. Selection, performance and value of fund managers; |
| A | b. Investment strategy; |
| A | c. Asset allocation; |
| A | d. etc. |
| A | Merge assets and management of City's four plans to achieve benefits and economies of scale. |
| E | Re-evaluate investment allocations. |
| E | Closely examine fund manager performance. |
| E | a. Compare monthly performance to relevant indices and consider reducing active management. |
| E | b. Instead, invest in index funds matching investment policy in order not to lose money trying to beat the market. |
| I | Raise assumed Return on Investments |
| O | Expand use of "Alternatives/Absolute Return" investment vehicles |
| O | Consider Liability Driven investment programs that tie asset allocation to the volatility of the pension liabilities (corporate practice) |
| O | Start a "Best Practice Sharing" program. For example, Fire has made consistently better returns than the other funds. Use an outside consultant to facilitate this and guide its implementation. |
| O | Use performance based contracts for investment managers. Establish clear benchmarks, expected returns, consider "claw-back" provisions for underperformance. Manager relationships should be driven by performance, not non-investment considerations such as tenure and contacts. |
| O | Consider consolidating the 4 funds into one investment pool, to reduce fees and provide greater focus. |
| P | Improve investment returns through asset/liability studies and asset allocation reviews every 3-5 years. |

| | |
|---|---|
| Q | Review current investment policies to determine if long-term returns can be improved, after benefit and funding policies are changed. |
| Q | Evaluate risk to each Plan if targeted investment return is not met. |
| R | Increase allocation to riskier investments that have historically produced higher returns. |
| R | Consider alternative investments with higher historical expected returns. |
| | |
| | COST CONTROL |
| R | Review all service providers and vendors. |
| R | a. Services provided. |
| R | b. Fees. |
| R | c. Vendor search. |
| R | d. Contract negotiations. |
| R | Merge systems to gain administrative efficiencies. |
| R | Consider outsourcing to generate operational savings. |
| R | Consider new technologies and services that may generate savings. |
| | |
| | ACTUARIAL ASSUMPTIONS--Non-cash items that affect accounting statistics |
| R | Actuarial assumptions. |
| R | a. Interest rate |
| R | b. Salary scale. |
| R | c. Demographics (turnover, mortality, disability) |
| R | Actuarial funding method. |
| R | a. Consider more aggressive "projected unit credit" method. |
| R | Actuarial asset valuation method. |
| R | a. Market value vs. smoothed value of assets. |

TABLE TA-2 - Analysis Presented at Dec. 1, 2008 Meeting of Annuity Benefits Committee

A. Hypothetical Reduction in Current Benefits Based on Current Contributions Policy

| PLAN | 1/1/09 Funded Ratio (est.) | Accrual Reduction to Maintain Funded Ratio | Accrual Reduction to Reach 80% Funded Ratio in 30 Yrs. |
|--------------|---|---|---|
| FABF | 26% | 35% | 43% |
| LABF | 64% | 26% | 29% |
| MEABF | 45% | 30% | 36% |
| PABF | 34% | 29% | 37% |

B. City Contribution Requirement in 2009, various conditions (\$ millions)

| CONDITION | 2009 Contribution | Change |
|--|------------------------------|---------------|
| Current Funding Policy | \$452 | |
| 80% Funded Ratio in 30 yrs., Level % of Pay | \$1,271 | \$819 |
| Change COLA (automatic increase) to 1.5% | \$1,259 | \$-12 |
| Change Eligibility for Unreduced Early Retirement to earlier of 55/30 or 63/10 | \$1,257 | \$-14 |
| 20% Reduction in Benefit Accrual Rate | \$1,216 | \$-55 |
| Change to Career Average Pay Formula | \$1,161 | \$-110 |

C. Replacement Ratios for Sample Retirees

| Employee | Years of Service at Retirement | Target Replacement ratio | FABF/PABF Replacement Ratio | FABF/PA BF Shortfall | LABF/MEABF Replacement Ratio | LABF/ MEABF Shortfall |
|-----------------|---|---|--|-------------------------------------|---|--------------------------------------|
| 1 | 40 | 78% | 72% | 6% | 77% | 1% |
| 2 | 35 | 78% | 72% | 6% | 77% | 1% |
| 3 | 30 | 78% | 72% | 6% | 69% | 9% |
| 4 | 25 | 78% | 60% | 18% | 57% | 21% |
| 5 | 20 | 78% | 48% | 30% | 46% | 32% |

D. Replacement Ratios for New Annuities Granted in 2007

| EMPLOYEE CHARACTERISTICS | LABF Males | LABF Females | MEABF Males | MEABF Females | FABF | PABF |
|-------------------------------------|-----------------------|-------------------------|------------------------|--------------------------|-------------|-------------|
| Number | 90 | 4 | 299 | 462 | 126 | 336 |
| Average Age | 56.8 | 60.8 | 62.0 | 63.7 | 58.1 | 58.1 |
| Average Service | 30.1 | 24.5 | 25.2 | 24.2 | 30.0 | 29.3 |
| Average Final Pay | \$67,250 | \$66,176 | - | - | \$95,697 | \$89,351 |
| Average FAC | - | - | \$67,060 | \$47,339 | \$89,621 | \$78,155 |
| Average Annual Annuity | \$42,492 | \$36,426 | \$34,391 | \$22,068 | \$64,076 | \$55,475 |

E. Replacement Ratios - Compare Employee Contribution Rates with Private Sector

| ITEM | LABF/ MEABF | FABF | PABF |
|------------------------------------|----------------|--------|--------|
| OASDI Tax Rate | 6.20% | 6.20% | 6.20% |
| Average Annual 401(k) Deferral* | 5.36% | 5.36% | 5.36% |
| Total Annual Employee Contribution | 11.56% | 11.56% | 11.56% |
| City Pension, Member Contribution | 8.50% | 9.125% | 9.00% |
| Difference in Contributions | 3.06% | 2.435% | 2.56% |
| Equivalent % of Final Pay** | 14.78% | 11.76% | 12.36% |

Assumes 401(k) earns 6% annual return.

* From Deloitte 401(k) Survey, 2008.

** Annual difference accumulated to retirement, converted to an annuity and compared to final pay.

F. Replacement Ratios - Compare Benefits under Plans vs. OASDI + 401(k) as per Table TA-1-E, above

| ITEM | LABF/ MEABF | FABF | PABF |
|--|----------------|--------|--------|
| Target Replacement Ratio | 78% | 78% | 78% |
| Contribution Difference Equivalence | 14.78% | 11.76% | 12.36% |
| Adjusted Target Replacement Rate | 63.22% | 66.24% | 66.64% |
| Member Replacement Rate | 69% | 72% | 72% |
| Excess over target | 5.78% | 5.76% | 5.36% |
| Current accrual rate | 2.40% | 2.50% | 2.50% |
| Accrual Rate supported by adjusted replacement ratio | 2.20% | 2.30% | 2.31% |

TABLE TA-3 - Analysis Presented at Dec. 12, 2008 Meeting of Annuity Benefits Committee - City Contribution Requirement (\$ millions)

| ITEM | City Contribution in 2009 | Change |
|--|--------------------------------------|--------------------|
| Current Funding Policy | \$452 | |
| 80% in 30 yrs, Level % of Pay | \$1,100 - 1,300 | \$648 - 848 |
| CTA Changes | | |
| • Change unreduced Early Retirement to 63/10 | | -\$ (40 - 60) |
| • Additional 3% Employee Contribution beginning 2010 | | -\$ (95 - 105) |
| • Net City Contribution after Funding Policy and CTA Changes | \$965 - \$1,135 | \$513 - 683 |
| Final Average Pay Changes | | |
| • 10-yr FAP Formula | | -\$ (20 - 30) |
| • Career Average Pay Formula | | -\$ (90 - 130) |
| Unreduced Early Retirement Changes | | |
| • Change unreduced ER to 63/10 | | -\$ (40 - 60) |
| • Change unreduced ER to earlier of 55/30 or 63/10 | | -\$ (10 - 20) |
| Other Changes | | |
| • 20% reduction in benefit accrual rate | | -\$ (45 - 65) |
| • Change COLA (automatic increase) to 1.5% | | -\$ (10 - 15) |
| • Funding Goal 70%/40 yrs | | -\$ (70 - 90) |
| • Additional 3% Employee Contribution, beginning 2010 | | -\$ (95 - 105) |

TABLE TA-4 - Consolidated Committee Reports presented April 20, 2009

Consolidated Committee Reports

4-20-2009

Structure

1. DB should be primary structure [MINORITY in S/FP COMM: DB is sole method.]
2. Consider employee-option DC supplements for employees who may receive significantly reduced DB benefits [MINORITY in S/FP COMM: Do not consider DC supplements.]

Funding Policy (Relates only to DB; these recommendations come from both the Structure/Funding Policy and the Contributions Committees)

1. Enact actuarial funding policies
2. Establish goals of no less than 80% funded in no more than 50 years; typical goals are 80%/30yrs and 90%/50yrs. Contributions Committee leaned towards 90% in 50 years, as has been done for the State and CTA.
3. Consider whether the same targets should apply to all funds; specifically, whether Police and Fire Funds have different needs than Municipal and Laborers. Some members
4. Prohibit increases in benefits and reductions in contributions unless the Fund is "adequately" funded AND the change is certified by the Fund's actuaries as "actuarially sound" ("adequately" and "actuarially sound" need to be defined) [MINORITY in S/FP COMM: do not state this, it is implicit in an actuarial funding policy]

Benefits - Annuity (Applies to DB; reductions would apply to new hires, only; est. savings are for 2010 if the plans convert to a funding policy targeting 80% funded in 30 years, with contributions at level % of payroll)

1. Consider increased Age and/or YoS for unreduced pension. 55/30 & 63/10 would save \$10-20M annually; 63/10 would save \$40-60M.
2. Consider increase age for any pension.
3. Consider increased years of service for any pension.
4. Consider actuarial basis for penalty for early, reduced pension.
5. Consider reduced maximum pension; i.e., change replacement ratio target. Maybe pair with #6, below.
6. Consider reduced benefit accrual rate. 20% reduction saves \$10-15M annually. Maybe pair with #5, above.
7. Consider basing FAP (final average pay) on a longer period (now, average of high 4 out of last 10 years). Example: a 10-year FAP would save \$20-30M annually.
8. Consider reducing COLA/annual adjustment. Various ways to do this. Annual adjustment of 1.5% would save \$10-15M annually.
9. Review and consider removing provisions that narrowly benefit a small number of members.
10. Remove or reform provisions that have the potential for abuse.

Benefits - Disability

1. Create central agency to manage all disability programs; Will include reps of City, employee groups and the Plans; will have more flexibility regarding return to work options, and reduce administrative costs.
2. Consider reinstating limited offset of Plan disability benefits against outside earned income.
3. DO NOT reduce disability benefits for new hires.
4. Consider having Plan pay only the difference between Plan benefits and other benefits available to the employee (e.g., worker's comp, long-term disability benefits)
5. Seek to subrogate costs of disability benefits when others are potentially responsible (e.g., accidents caused by others)

6. Evaluate potential for Police and Fire to eliminate restrictions on light duty, if light duty opportunities exist.
7. Standardize ordinary disability benefits for all new hires (disabled firefighters continue to pay pension contributions, others do not)
8. Create a Return to Work program where employees work for City but are paid by their Plan with City paying the Plan. This would be voluntary to the employee, in return for a higher disability benefit.

Contributions

1. Overall contributions should be increased.
 - a. Employee contributions MAY be increased by 33-50%.
 - b. Employer (City) contribution SHOULD be increased.
 - c. Members raised various exceptions to these principles: that employee contributions should only increase if City contributions increased, that Laborers is well-funded and doesn't need an increase, that the City contribution should not increase unless there are significant savings from benefit reductions for future hires.
2. Total Contributions should be increased to fund the Actuarially Required Contribution (ARC) based on a new Funding Policy (which see, above)
3. The ratio of Employer to Employee contributions MAY be in the range of the CTA reform, which is 2:1 for the CTA Pension plan, alone, or 3:2 when social Security is included in the calculation. But this is only a rough starting point.
4. The additional contributions should be paired with increased City revenues through now or increased taxes and/or fees. No specific recommendation is made, but possibilities include:
 - a. an \$80M increase in property taxes every 3-5 years,
 - b. ensuring the State distributes any increased income tax revenue through the current formula,
 - c. a new City income tax which would have to be implemented in a fashion that did not impair our distribution from the State income tax
 - d. unspecified fees or charges to help fund public safety pensions
 - e. Some member objection to any new revenues and increased City contributions unless there are significant savings through benefit reductions for new hires
5. Consider a POB, if market conditions warrant
 - a. POB debt service payments MIGHT offset an appropriate portion of normal City pension contributions
 - b. There are different options as to how POB proceeds would be distributed across the Funds.
 - c. Some Contributions Comm members very skeptical of this.
6. The City should use some proceeds from asset sales to benefit the pension funds, but the Committee does not specify how those funds should be distributed.

Investments

1. Create an Investment Board.
 - a. 9 trustees: Chief Investment Officer, City Comptroller, City Treasurer, 1 representative from each Fund, 2 private investment industry experts
 - b. Appropriate staff
 - c. Structure options:
 - d. Two separately allocated funds, one for Police/Fire, other for Municipal/Laborers
 - e. Investment pools DO NOT remain separate
 - f. One large pool for all four Funds is also REJECTED
2. IF do not create Investment Board, assure that each Fund has 2 external investment experts on its Board, expand Boards if necessary
3. DO NOT create a separate Investment Board to deal with "One-Time Infusions."

4. Under current structure, combine bargaining power when an investment manager is used by multiple Funds.

Actuarial

EXPERIENCE STUDIES

1. Conduct experience studies every 5 years
2. Conduct Asset Liability Model study every 2-3 years, or sooner is necessary
3. Review treatment of salary increases:
 - a. Review salary history and bargaining agreements
 - b. Separate salary increases among general inflation, wage inflation and seniority/promotion/merit increase components
4. Review disability, termination and mortality rates
 - a. Review historical patterns
 - b. Evaluate how special events such as early retirement windows affect demographic patterns
5. Continue to follow GFOA best practices

ASSUMED RATE OF RETURN

1. DO NOT use rate indicative of most current market experience
2. Review historical returns, investment policy and asset allocation
3. Obtain capital market assumptions and perform forward looking projection of nominal and real returns
4. Per GASB, have a long-term view tied to the strategic needs of each Fund

ACTUARIAL METHODS

1. Define objectives of funding and accounting policies
2. Select GASB-approved actuarial methods that best meet those objectives

ASSET SMOOTHING METHOD

1. Adopt "20% Corridor" method

INTEGRATION OF ACTUARIAL, FUNDING & ACCOUNTING POLICIES

1. Ensure funding and accounting practices are consistent with industry standards
2. Evaluate policies and practices through long-term projections and stress-testing against significant adverse investment and demographic trends and events

Administrative

1. DO NOT require the Funds to outsource administration of benefit payments. Leave this to each Fund's discretion

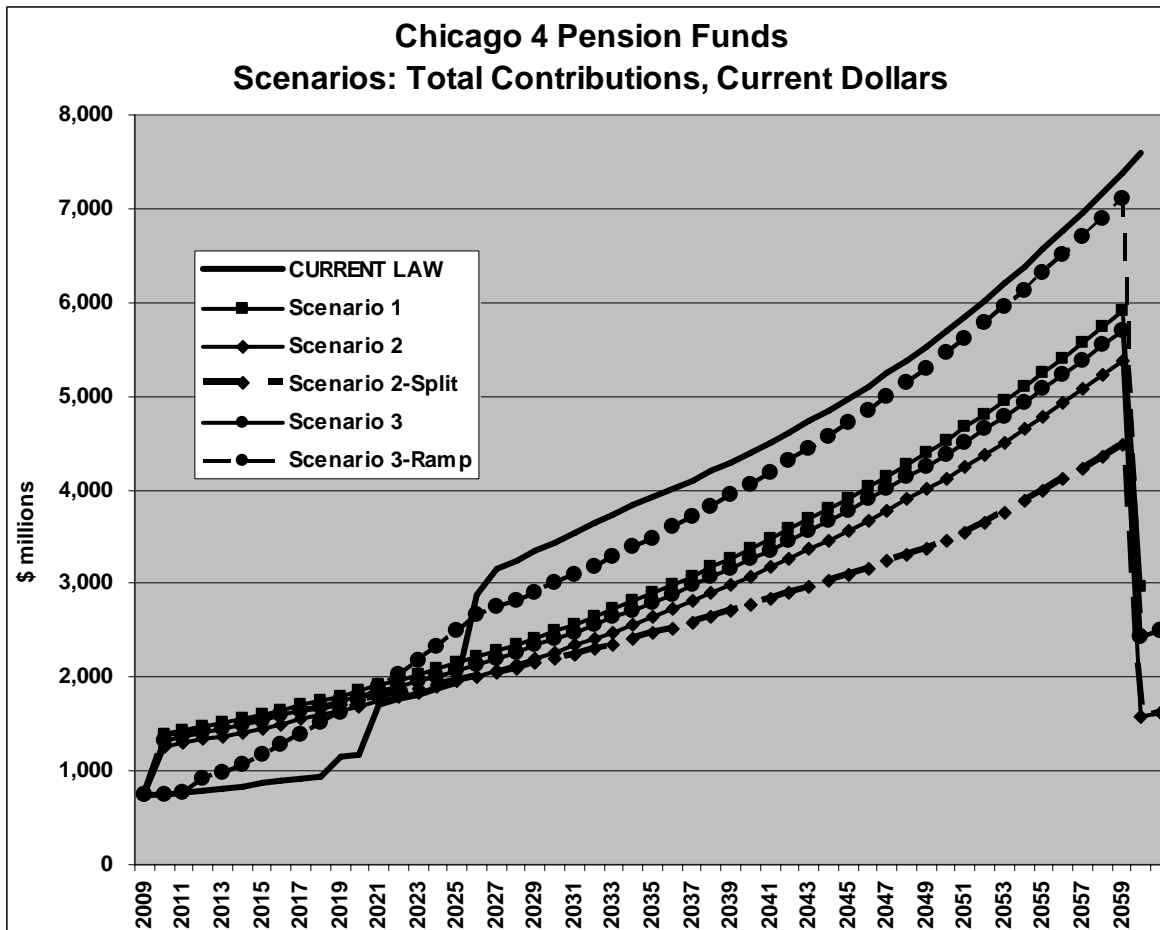
TABLE TA-5 - Definition of Scenarios, September 2009 Commission Meeting

| Scenario # | Scenario Concept | Funding Policy | Benefit Changes (new hires, only) | Increase in Member Contributions as % of Pay |
|-------------------|--|---|---|---|
| Current | No Changes | Current Funding Policy | No changes | No increase |
| 1 | Actuarially based funding policy, no benefit changes | 90% Funded in 50 yrs, Level % of Pay | No changes | 7.625% |
| 2 | Actuarially based funding policy, aggressive benefit changes for new hires | 90% Funded in 50 yrs, Level % of Pay | 10YR FAS, 20% reduction in service accrual benefit, unreduced early retirement at 63&10 for Fire and Police, and SS Ret. Age for Municipal and Laborers | 6.125% |
| 2 Split | Same as Scenario 2, but new hires pay less than current members | Same as Scenario 2 | Same as Scenario 2 | 7.625% current members 4.000% new hires |
| 3 | Actuarially based funding policy, modest benefit changes for new hires | 90% Funded in 50 yrs, Level % of Pay | Unreduced early retirement at 63&10 for Police and Fire and 64&10 for Laborers and Municipal | 7.000% |
| 3 Ramp-Up | Same as Scenario 3, 15-yr Ramp for City Contributions | 90% Funded in 50 yrs, 15-yr Ramp, then Level % of Pay | Same as Scenario 3 | 4.50% |

TABLE TA-6 - Total Contributions for Scenarios, September 2009 Commission Meeting, Selected Years (\$ millions), and Charts

| SCENARIO | 2010 | 2015 | 2020 | 2030 | 2040 | 2050 | 2059 | 2060 | TOTAL, 2010- 2059 | Contribution as % of Pay, 2060 |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------------------------|--------------------------------------|
| Current | 756 | 866 | 1,179 | 3,444 | 4,396 | 5,692 | 7,381 | 7,599 | 184,692 | 51.6% |
| 1 | 1,380 | 1,600 | 1,855 | 2,490 | 3,373 | 4,529 | 5,901 | 2,974 | 156,267 | 19.9% |
| 2 | 1,256 | 1,458 | 1,689 | 2,270 | 3,075 | 4,128 | 5,378 | 1,577 | 142,412 | 11.1% |
| 2-Split | 1,384 | 1,557 | 1,748 | 2,197 | 2,772 | 3,446 | 4,490 | 1,585 | 129,418 | 10.7% |
| 3 | 1,333 | 1,547 | 1,792 | 2,407 | 3,260 | 4,377 | 5,703 | 2,423 | 151,017 | 16.4% |
| 3-Ramp | 899 | 1,547 | 1,718 | 2,969 | 4,021 | 5,406 | 7,053 | 2,443 | 177,325 | 16.4% |

Assumes goal of 90% funded in 50 years, total contributions at level percent of pay, actuarial rate of return is 8%



Chicago 4 Pension Funds Scenarios: Total Contributions, % of Payroll

