

May 2008

Retirement System for Employees of The City of Cincinnati

Actuarial Valuation Report as of December 31, 2007

The City of Cincinnati

MERCER



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Highlights

This report has been prepared by Mercer for the City of Cincinnati to:

- Present the results of a valuation of the Retirement System for Employees of the City of Cincinnati as of December 31, 2007;
- Review experience under the Plan for the year ended December 31, 2007;
- Provide to the plan sponsor the recommended level of contributions under the Plan for the year ending December 31, 2009; and
- Provide reporting and disclosure information for financial statements, governmental agencies and other interested parties.

Comments

The funding method is the Individual Entry Age Normal method. This method spreads the total cost of benefits over each individual's working career as a level percent of pay. The current year's cost, or normal cost, is that level percentage times the expected pay for the year. The accrued liability for an active participant is the accumulated value of their past normal costs. The actuarial accrued liability for an inactive participant is just the present value of benefits payable to them.

The recommended employer contribution is calculated as follows:

	<u>Cost</u>	<u>Percentage of Pay</u>
▪ <i>Amortization of the Unfunded Actuarial Accrued Liability:</i>	\$29,301,420	19.71%
▪ <i>Normal Cost: This is the cost of benefits accruing this year:</i>	\$32,569,388	21.91%
▪ <i>Less Expected Employee Contributions this year:</i>	<u>\$10,848,052</u>	<u>7.30%</u>
▪ <i>Net Employer Contribution:</i>	\$51,022,756	34.32%
▪ <i>Amortization of the 2007 Early Retirement Window:</i>	\$ 2,353,816	1.58%

This method shows both the long-term cost of the plan as well as the short-term cost. The long-term cost is the normal cost rate, which is 14.61% of pay for the employer. The short-term cost is the normal cost rate reduced or increased by the amortization of any surplus or shortfall in the funded status. As of December 31, 2007, a shortfall exists that increases the employer cost to 34.32%. Under the policy adopted by the Board, the net employer contribution rate is applied to the second following year, or 2009 in this case.

Highlights (continued)

The City offered an Early Retirement Window (ERW) in 2007. The additional liability associated with the window was identified and the City will contribute to the trust a separate contribution to fund the additional liability. As of December 31, 2007 the unfunded 2007 Early Retirement Window liability was \$42,271,108.

Gain/Loss and Other Change Information

The gain/loss analysis is done using the Individual Entry Age Normal funding method which was in effect for both 2006 and 2007. Under this method, we compare actual plan liabilities at December 31, 2007 to the expected liability had all assumptions been exactly realized. The plan experienced a net gain of \$85,333,000 last year, due primarily to a plan change and the recognition of prior asset gains. The increase in liability attributable to the ERW is not included in this gain.

- *Assets experience:* The market value of assets at December 31, 2007 was about \$12.1 million less than the expected value of assets assuming the 8.00% expected return. However, because of the smoothing technique used for the actuarial value of assets, \$9.6 million of this loss will be deferred and recognized in future years. However, a net gain of \$30 million is being recognized in this valuation from prior years. The net effect for this valuation is a gain of \$27.4 million.
- *Salary increases:* Overall, this year's salary increases for participants who were active last year and this year was greater than expected. This generated a loss of \$3 million for the plan.
- *New entrants:* Each year's valuation is based solely on the current participants of the plan, with no provision made for new participants in the future. As a result, every year the accrued liability differs from the prior year since there are, in fact, new participants every year. This year, the new participants generated a loss of approximately \$4 million.
- *Demographic considerations:* When participants retire later or earlier than expected or terminate at rates more or less than expected, they generate gains and losses in the liabilities. The net changes in status generated a loss of approximately \$0.2 million for the year.
- *Post-retirement health benefits:* In the 2007 calendar year claims for medical, dental, and vision were less than expected. As a result, a gain of approximately \$35 million was generated for the year. Assumptions regarding the future rates of increase in health costs were changed to extend the time period until the ultimate increase is reached resulting in an increase in liabilities of \$34 million.
- *Other Changes:* The post retirement medical plan for participants retiring on or after January 1, 2008 was changed to the same plan for actives (the 80/20 plan). This generated a decrease of \$64.5 million in the accrued liability.

SUMMARY OF VALUATION RESULTS

The summary presented on the following page provides a comparison of the principal valuation results for each of the last five plan years. Its purpose is to provide the Board with a concise summary of past plan operations which - when combined with estimates regarding future economic, legislative and financial factors affecting the plan - can give insight into anticipated future contribution requirements under the plan.

SUMMARY OF VALUATION RESULTS

	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	Percentage (Decrease) Increase 2006/2007
Participants						
Active	3,710	3,475	3,374	3,286	2,990	(9.0)%
Inactive	4,522	4,551	4,567	4,541	4,766	5.0%
Total Payroll	\$ 166,037,875	\$ 161,752,655	\$ 164,479,762	\$ 158,945,909	\$ 148,682,892	(6.5)%
Employer Normal Cost						
Contribution as a Percent of Payroll	13.5%	14.4%	13.50%	14.23%	14.61%	
Employer Contribution as a Percent of Payroll						
	23.00%	24.87%	21.77%	38.71%	34.32%	
Actual Contribution						
Employer	\$ 12,619,671	\$ 19,336,221	\$ 19,062,028	\$ 28,639,830	\$ 33,308,046	16.3%
Members	13,311,001	13,153,510	12,792,674	12,781,241	12,847,407	0.5%
Assets						
Market Value	\$2,279,721,027	\$2,384,920,618	\$2,412,211,828	\$2,614,618,397	\$2,685,339,891	2.7%
Actuarial Value	2,279,721,027	2,360,549,572	2,429,695,503	2,526,672,130	2,629,891,707	4.1%
Return (MV)	21.8%	10.1%	6.8%	14.2%	7.50%	
Present Value of Benefits	\$2,615,230,743	\$2,704,181,858	\$2,734,779,585	\$3,147,525,265	\$3,186,954,717	1.3%
Actuarial Accrued Liability	\$2,419,503,174	\$2,519,582,204	\$2,557,099,044	\$2,873,098,740	\$2,937,345,480	2.2%
Value of Accrued Benefits						
Vested	\$2,183,365,541	\$2,305,848,283	\$2,346,062,722	\$2,616,590,569	\$2,733,656,619	4.5%
Non-Vested	67,802,198	57,741,942	44,883,651	48,582,303	40,755,170	(16.1)%
Total	2,251,167,739	2,363,590,225	2,390,946,373	2,665,172,872	2,774,411,789	4.1%
Funding Progress (Actuarial Value of Assets/Actuarial Accrued Liability)						
	94.2%	93.7%	95.0%	87.9%	89.5%	

Note: Percent of payroll numbers are based upon the expected payroll for the following year.

Summary of Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Changes in plan provisions, assumptions, and actuarial funding methods between the two valuations are described on the following page.

Summary of Costs	Actuarial Valuation as of	
	December 31, 2007	December 31, 2006
Employer Normal Cost (<i>Beginning of Year</i>)	\$ 20,839,812	\$ 21,693,824
Employer Normal Cost (<i>Payable throughout the year</i>)	\$ 21,721,336	\$ 22,611,474
As a percentage of expected payroll	14.61%	14.23%
Employer Contribution (<i>Payable throughout the year</i>)	\$ 51,022,756	\$ 61,534,297
As a percentage of expected payroll	34.32%	38.71%
2007 Early Retirement Window Contribution	\$ 2,353,816	N/A
As a percentage of expected payroll	1.58%	N/A
Assets and Actuarial Present Values		
Market Value of Assets	\$ 2,685,339,891	\$ 2,614,618,397
Actuarial Value of Assets	\$ 2,629,891,707	\$ 2,526,672,130
Entry Age Actuarial Accrued Liability	\$ 2,937,345,480	\$ 2,873,098,740
Unfunded Actuarial Accrued Liability *	\$ 307,453,773	\$ 346,426,610
Actuarial Present Value of Accumulated Plan Benefits	\$ 2,774,411,789	\$ 2,665,172,872
Vested Present Value of Accumulated Plan Benefits	\$ 2,733,656,619	\$ 2,616,590,569
Summary of Data		
Number of Participants in Valuation		
Active Participants - Full Time	2,990	3,286
Active Participants - Part Time	1,493	1,540
Participants with Deferred Benefits	157	145
Participants Receiving Benefits	4,609	4,396
Total	9,249	9,367
Active Participant Statistics		
Total Expected Compensation	\$ 148,682,892	\$ 158,945,909
Average Compensation (limited) **	\$ 49,727	\$ 48,371
Average Age	46.4	46.7

* Includes \$42,271,108 for the 2007 Early Retirement Window

** Full-time employees

Certification

We have prepared an actuarial valuation of the Retirement System for Employees of the City of Cincinnati as of December 31, 2007. The results of the valuation are set forth in this report, which reflects the provisions of the Plan as amended through 2007.

The following changes to assumptions were made since the last valuation of the plan as of December 31, 2006.

Assumptions

- The medical trend rates were updated based on current market assessments and surveys.

The valuation is based on employee and financial data which were provided by the System and which are summarized in this report.

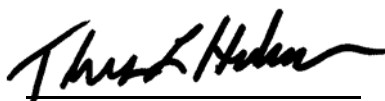
All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current federal statutes and regulations issued thereunder, using an actuarial cost method which we believe is appropriate. The assumptions are selected or approved by the Retirement Board. In our opinion, the actuarial assumptions are reasonable. This report fully and fairly discloses the actuarial position of the Plan on an ongoing basis.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate. We are employed as consultants for Mercer Inc. We are both members of the American Academy of Actuaries and/or the Society of Actuaries and meet the Qualifications Standards of the American Academy of Actuaries to reach the actuarial opinions contained herein.



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Funding Results

Present Value of Benefits and Actuarial Accrued Liability

The Present Value of Benefits is the present value of all benefits current employees are expected to receive. The Actuarial Accrued Liability is the portion of those benefits that have already been earned by virtue of past service. The normal cost is the portion of those benefits that is expected to be earned during the current year. The remaining benefits are expected to be earned by virtue of future service that current employees will provide. For inactive members, all benefits are already earned, so the Present Value of Benefits and the Actuarial Accrued Liability are equal.

Present Value of Benefits - Inactive Members	December 31, 2007	December 31, 2006
Retirees and Beneficiaries	\$1,529,262,648	\$1,321,222,239
Deferred Vested Participants and Survivors	21,960,738	18,936,401
Survivor Benefits	<u>9,785,907</u>	<u>9,469,908</u>
Total Non-medical Care Benefits	\$1,561,009,293	\$1,349,628,548
Medical Care Benefits	\$ 613,811,420	\$ 566,186,856
Dental Benefits	18,878,005	16,601,664
Vision Benefits	<u>1,605,852</u>	<u>1,529,391</u>
Total Medical Care Benefits	\$ 634,295,277	\$ 584,317,911
Total for Inactive Members	\$2,195,304,570	\$1,933,946,459
Present Value of Benefits - Active Members		
Retirement Benefits	\$ 638,038,599	\$ 739,682,396
Vesting Benefits	5,626,643	5,722,652
Survivor's Benefits	8,112,078	8,800,232
Disability Benefits	18,754,490	20,017,835
Return of Contributions	<u>25,367,309</u>	<u>26,029,680</u>
Total Non-medical Care Benefits	\$ 695,899,119	\$ 800,252,795
Medical Care Benefits	\$ 286,503,969	\$ 403,178,116
Dental Benefits	8,571,217	9,348,971
Vision Benefits	<u>675,842</u>	<u>798,924</u>
Total Medical Care Benefits	\$ 295,751,028	\$ 413,326,011
Total for Active Members	\$ 991,650,147	\$1,213,578,806
Total for All Members	\$3,186,954,717	\$3,147,525,265

Present Value of Benefits and Actuarial Accrued Liability

Actuarial Accrued Liability - Inactive Members	December 31, 2007	December 31, 2006
Retirees and Beneficiaries	\$1,529,262,648	\$1,321,222,239
Deferred Vested Participants and Survivors	21,960,738	18,936,401
Survivor Benefits	<u>9,785,907</u>	<u>9,469,908</u>
Total Non-medical Care Benefits	\$1,561,009,293	\$1,349,628,548
Medical Care Benefits	\$ 613,811,420	\$ 566,186,856
Dental Benefits	18,878,005	16,601,664
Vision Benefits	<u>1,605,852</u>	<u>1,529,391</u>
Total Medical Care Benefits	\$ 634,295,277	\$ 584,317,911
Total for Inactive Members	\$2,195,304,570	\$1,933,946,459
Actuarial Accrued Liability - Active Members		
Retirement Benefits	\$ 488,436,653	\$ 585,735,476
Vesting Benefits	3,454,585	3,481,402
Survivor's Benefits	5,256,921	5,886,990
Disability Benefits	10,827,080	11,877,840
Return of Contributions	<u>11,938,137</u>	<u>12,065,247</u>
Total Non-medical Care Benefits	\$ 519,913,376	\$ 619,046,955
Medical Care Benefits	\$ 214,977,393	\$ 312,070,502
Dental Benefits	6,627,332	7,401,758
Vision Benefits	<u>522,809</u>	<u>633,066</u>
Total Medical Care Benefits	\$ 222,127,534	\$ 320,105,326
Total for Active Members	\$ 742,040,910	\$ 939,152,281
Total for All Members	\$2,937,345,480	\$2,873,098,740

Normal Cost

The normal cost is annual cost assigned, under the Individual Entry Age Normal Cost Method, to benefits earned during the current year. The components are shown below as of the beginning of the year:

Normal Cost (Individual Entry Age Normal)	December 31, 2007	December 31, 2006
Retirement Benefits	\$ 19,097,340	\$ 18,458,955
Vesting Benefits	264,704	254,959
Survivor's Benefits	366,525	355,431
Disability Benefits	970,336	938,027
Return of Contributions	<u>1,663,583</u>	<u>1,613,918</u>
Total Non-medical Care Benefits	\$ 22,362,488	\$ 21,619,290
Medical Care Benefits	\$ 8,619,915	\$ 10,934,801
Dental Benefits	245,700	244,889
Vision Benefits	<u>19,511</u>	<u>21,058</u>
Total Medical Care Benefits	\$ 8,885,126	\$ 11,200,748
Expected Expenses	<u>0</u>	<u>0</u>
Total Normal Cost	\$ 31,247,614	\$ 32,820,038
Expected Employee Contributions	10,407,802	11,126,214
Employer Normal Cost	\$ 20,839,812	\$ 21,693,824

Determination of Contribution

	December 31, 2007	December 31, 2006
1. Present Value of Projected Benefits:		
(a.) Active Participants	\$ 991,650,147	\$ 1,213,578,806
(b.) Participants with Deferred Benefits	34,870,680	32,644,014
(c.) Participants Receiving Benefits	2,160,433,890	1,901,302,445
(d.) Total	\$ 3,186,954,717	\$ 3,147,525,265
2. Present Value of Future Employee Contributions	91,854,502	94,627,207
3. Present Value of Future Normal Costs	\$ 157,754,735	\$ 179,799,318
4. Entry Age Accrued Liability (1)(d) – (2) – (3)	2,937,345,480	2,873,098,740
5. Actuarial Value of Assets	2,629,891,707	2,526,672,130
6. Unfunded/(Surplus) (4) – (5)	307,453,773	346,426,610
7. Unfunded 2007 Early Retirement Window Liability	42,271,108	N/A
8. Net Unfunded (Surplus) to Amortize (6) – (7)	265,182,665	346,426,610
9. Amortization of Unfunded/(Surplus) Over 15 Years (at the beginning of the year)	28,112,272	37,343,206
10. Amortization of Unfunded/(Surplus) Over 15 Years (assuming monthly payments)	29,301,420	38,922,823
11. Total Normal Cost, including Expenses (at the beginning of the year)	31,247,614	32,820,038
12. Total Normal Cost, including Expenses (assuming monthly payments)	\$ 32,569,388	\$ 34,208,326
13. Employees' Expected Contributions to Normal Cost (assuming monthly payments)	10,848,052	11,596,852
14. Employer Normal Cost (12) – (13)	21,721,336	22,611,474
15. Employer Total Cost (10) + (14)	\$ 51,022,756	\$ 61,534,297

Actuarial (Gain) / Loss and Other Changes

The actuarial (gain)/loss is the amount by which the unfunded actuarial liability exceeds or falls short of expectations. It is developed below.

1. Unfunded Actuarial Accrued Liability as of December 31, 2006	\$346,426,610
2. Normal Cost for 2006, including expenses (at beginning of year)	32,820,038
3. Contributions	(46,155,453)
4. Interest	28,484,175
5. Contribution Variance for 2007	(11,486,481)
6. Expected Unfunded Actuarial Accrued Liability as of December 31, 2007 (1) + (2) + (3) + (4) + (5)	350,088,889
7. Assumption, Method, and Plan Changes	(30,446,117)
8. (Gain)/Loss	(54,460,107)
9. Actual Unfunded Actuarial Accrued Liability Excluding Early Retirement Window as of December 31, 2007 (6) + (7) + (8)	265,182,665

The actuarial (gain)/loss affects the plan shortfall, which, amortized over 15 years, increases the contribution rate. Contribution rates are shown before taking into account expected employee contributions.

The actuarial (gain)/loss and other changes are broken down into their component parts below.

Component	Increase in Unfunded	Change in Normal Cost Rate	Change in Contribution Rate
Asset experience	\$12,125,000	N/A	0.92%
Effect of asset smoothing	(39,533,000)	N/A	(3.00)%
Total asset impact	(27,408,000)	N/A	(2.08)%
Salary experience	3,398,000	(0.36)%	(0.10)%
New entrants	4,390,000	0.03%	0.37%
Participant demographics*	(218,000)	1.55%	3.87%
Medical claims experience	(34,622,000)	(0.16)%	(2.78)%
Medical assumptions	34,117,000	0.36%	2.95%
Total medical impact	(505,000)	0.20%	0.17%
Plan Changes	(64,563,000)	(1.69)%	(6.59)%
Employer Contributions	(427,000)	0.00%	(0.03)%
Total Change	(83,333,000)	(0.26)%	(4.39)%

* Includes impact of expense amount change and decrease in payroll base.

Gains are shown as negative numbers and losses are shown as positive numbers.

The following exhibit illustrates the changes in the contribution rate.

Amortization Schedule

Charges

Date Created	Original Amount	Years Remaining	Outstanding Balance	Beginning of Year Payment	Mid-Year Payment
12/31/2003	\$139,782,147	11	\$117,375,819	\$15,223,681	\$15,867,643
12/31/2004	3,769,278	12	3,333,340	409,553	426,877
12/31/2006	<u>228,665,372</u>	14	<u>220,243,730</u>	<u>24,735,992</u>	<u>25,782,324</u>
Total	\$372,216,797		\$340,952,889	\$40,369,226	\$42,076,844

Credits

Date Created	Original Amount	Years Remaining	Outstanding Balance	Beginning of Year Payment	Mid-Year Payment
12/31/2005	(27,912,515)	13	(25,830,346)	(3,026,020)	(3,154,021)
12/31/2007	<u>(85,332,939)</u>	15	<u>(85,332,939)</u>	<u>(9,230,934)</u>	<u>(9,621,403)</u>
Total	\$(113,245,454)		\$(111,163,285)	\$ (12,256,954)	\$ (12,775,424)

	Outstanding Balance	Beginning of Year Payment	Mid-Year Payment
Net Outstanding Balance	\$ 229,789,604	\$ 28,112,272	\$ 29,301,420
Contribution Lag Account	\$ 35,393,061		
2007 Early Retirement Window	\$ 42,271,108		
Unfunded Actuarial Accrued Liability	\$ 307,453,773		

Note: The City's funding policy uses the valuation contribution results to set the contribution rate for the second succeeding year. (E.g., the 12/31/2007 valuation sets the calendar 2009 rate.) The Contribution Lag Account prevents the recognition of contribution differences (if any) as gains or losses as a result of this policy until the end of the applicable calendar year.

Accounting Information

A. Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of vested and nonvested accumulated plan benefits was computed on an ongoing plan basis in order to provide required accounting information. In this calculation, a determination is made of all benefits earned by current participants as of the valuation date, and the actuarial present value is then computed using demographic assumptions and an assumed interest rate. Assumptions with respect to future salary increases and accrual of future benefit service are not necessary for this purpose.

Accumulated Benefits	December 31, 2007	Number of Vested Participants
Vested Benefits		
Participants Currently Receiving Payments	\$ 2,610,433,890	4,608
Participants with Deferred Benefits	34,870,680	157
Active Participants	538,352,049	2,500
Nonvested Benefits *	\$ 40,755,170	1,983
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 2,774,411,789	
Market Value of Assets	\$ 2,685,339,891	

* Includes 1,493 part-time employees, and medical benefits for participants with between 5 and 15 years of service.

We reserve the right to review any materials in which the actuarial calculations shown above are reproduced and credited to Mercer Inc.

B. Statement of Changes in Accumulated Plan Benefits

A statement of changes in the actuarial present value of accumulated plan benefits follows. This statement shows the effect of certain events on the actuarial present value shown on the previous page.

Actuarial Present Value of Accumulated Plan Benefits as of December 31, 2006	\$ 2,665,172,872
Increase (decrease) during the year attributable to:	
Plan amendment	\$ (7,903,342)
Change in Actuarial Assumptions	34,116,611
Benefits Accumulated and Gains and Losses	44,145,485
Increase for interest due to the decrease in the discount period	205,973,134
Benefits Paid and Transfers to other Systems	(167,092,971)
Net increase (decrease)	\$ 109,238,917
Actuarial Present Value of Accumulated Plan Benefits as of December 31, 2007	\$ 2,774,411,789

The benefits valued include all benefits – retirement, preretirement death, and vested termination and medical benefits – payable from the Plan for employee service prior to the valuation date. Benefits are assumed to accrue (accumulate) in accordance with the plan provisions.

The actuarial present value of accumulated plan benefits shown in this report is calculated using the same actuarial assumptions used for funding purposes.

We reserve the right to review any materials in which the actuarial calculations shown above are reproduced and credited to Mercer Inc..

Plan Assets

Summary of Assets

December 31, 2007

Market Value

Cash, Cash Equivalents	\$ 88,897,075
Corporate Bonds	292,409,006
State and Local Obligations	1,008,670
Government Asset and Mortgage Backed	262,771,136
Derivative Instruments	1,636,380
Other Fixed Income	16,280,113
Venture Capital	47,394,380
Real Estate	67,212,788
U.S. Government Bonds	20,080,988
Common Stock – Domestic	1,392,050,930
Common Stock – International	485,442,995
Loans to Members	18,017,963
Accrued Interest on Investments and Dividends Receivable	7,942,380
Total Assets	\$ 2,701,144,804
Plus: Accounts Receivable	242,474,764
Less: Accounts Payable	258,279,677
Assets for Valuation	\$ 2,685,339,891

Reconciliation of Assets

	Market Value
Assets as of 12/31/2006	\$ 2,614,618,397
Receipts	
Investment income	80,891,930
Employer contributions	33,308,046
Employee contributions	12,847,407
Net appreciation	117,829,127
Transfers from other systems	370,196
Disbursements	
Benefit payments	166,249,092
Transfers to other systems	1,214,075
Expenses	7,062,045
Assets as of 12/31/2007	\$ 2,685,339,891

Development of Actuarial Value of Assets

1. Market Value of Assets 12/31/2006				\$ 2,614,618,397
2. Contributions during 2007				46,155,453
3. Benefit Payments and net transfers out during 2007				(167,092,971)
4. Expected Return on Assets				203,784,334
5. Expected Market Value of Assets 12/31/2007				2,697,465,213
6. Market Value of Assets 12/31/2007				\$ 2,685,339,891
7. Asset Gain/(Loss)				(12,125,321)
8. Year	Gain/(Loss)	Factor	Unrecognized Amount	
a. 2007	\$(12,125,321)	0.8	\$ (9,700,257)	
b. 2006	128,227,776	0.6	\$ 76,936,660	
c. 2005	(44,702,449)	0.4	(17,880,980)	
d. 2004	30,463,807	0.2	6,092,761	
9. Total Adjustment (a+b+c+d)				\$ 55,448,184
10. Preliminary Actuarial Value of Assets (6-9)				\$ 2,629,891,707
11.				
a. 120% of Market Value				3,222,407,869
b. 80% of Market Value				2,148,271,913
12. Actuarial Value of Assets (11, but not more than 11.a nor less than 11.b)				\$ 2,629,891,707

Basis of Valuation

Plan Participants

A. Reconciliation of Participants From December 31, 2006 to December 31, 2007

	Active Full-time Participants	Inactive Participants		Total
		With Deferred Benefits	Receiving Benefits	
Beginning of Year	3,286	145	4,396	7,827
Contribution Refund Cash-outs	(27)	0	N/A	(27)
Vested Terminations	(21)	21	N/A	0
Age Retirements	(344)	(7)	351	0
Disabilities	(5)	N/A	5	0
Deaths	(9)	(2)	(193)	(204)
Survivors	N/A	1	49	50
New Entrants	102	N/A	N/A	102
Rehires	11	(1)	N/A	10
Net Part Time Change	28	N/A	N/A	28
Data Corrections	(31)	0	1	(30)
Net Change	(296)	12	213	(71)
End of Year	2,990	157	4,609	7,756

There were 1,493 part-time employees at December 31, 2007 compared to 1,540 part-time employees at December 31, 2006.

B. Average Compensation for Full-Time Participants

AGE GROUP	SERVICE GROUP									TOTAL
	< 5	5 -9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
<25	28 26,293	6								34 27,119
25-29	72 32,350	56 39,739	6							134 35,963
30-34	65 35,557	86 44,865	32 47,128	3						186 41,926
35-39	82 40,987	110 45,297	68 45,895	53 52,131	3					316 45,478
40-44	64 36,526	94 47,345	86 53,954	204 53,502	68 53,667	1	1			518 50,330
45-49	53 38,937	76 46,479	77 49,132	200 52,706	163 57,219	63 57,219				632 51,976
50-54	37 42,357	62 46,263	63 48,656	154 51,069	150 56,379	97 62,954	20 54,440	1		584 53,210
55-59	25 49,007	42 47,338	41 53,659	112 49,531	88 51,499	49 59,220	24 55,936	7	1	389 52,064
60-64	12	22 47,582	18	43 50,339	33 45,949	9	5	5	2	149 52,912
65-69		4	5	12	5	4		2	7	39 57,634
70-74			2	3	1				1	7
75+							1		1	2
TOTAL	438 38,505	558 45,336	398 50,217	784 51,852	511 54,924	223 60,024	51 55,483	15	12	2,990 49,727

Compensation shown above is 2007 compensation and has been limited to \$225,000. There are also 1,493 part-time participants.

C. Inactive Participants – Pension Benefits

AGE	Deferred		Pensioner	
	COUNT	MONTHLY BENEFIT	COUNT	MONTHLY BENEFIT
<40	1	2,284	7	4,512
40-44	13	17,257	12	10,515
45-49	22	33,226	47	120,316
50-54	36	59,967	253	875,339
55-59	60	86,705	600	1,960,494
60-64	25	22,725	702	1,994,407
65-69	0	0	583	1,440,921
70-74	0	0	652	1,392,738
75-79	0	0	590	1,231,759
80-84	0	0	555	932,018
85-89	0	0	392	563,210
90-94	0	0	150	194,266
95+	0	0	66	66,834
TOTAL	157	222,163	4,609	10,787,327

Actuarial Basis

A. Individual Entry Age Normal Cost Method

Liabilities and contributions shown in this report are computed using the individual entry age normal method of funding. The objective under this method is to fund each participant's benefits under the plan as payments which are level as a percentage of salary, starting at original participation date (or employment date), and continuing until the assumed retirement, termination, disability or death.

At the time the funding method is introduced, there will be a liability which represents the contributions which would have been accumulated if this method of funding had always been used. The difference between this liability and the assets (if any) which are held in the fund is the unfunded liability, which is typically funded over a chosen period in accordance with an amortization schedule.

A detailed description of the calculation follows:

- The **normal cost** for each active participant under the assumed retirement age is determined by applying to compensation the level percentage of salary which, if contributed each year from date of entry into the plan until the assumed retirement (termination, disability or death) date, is sufficient to provide the full value of the benefits expected to be payable.
- The **present value of future normal costs** is the total of the discounted values of all active participants' normal costs, assuming these to be paid in each case from the valuation date until retirement (termination, disability or death) date.
- The **present value of projected benefits** is calculated as the value of all benefit payments expected to be paid to the plan's current participants, including active and retired members, beneficiaries, and terminated members with vested rights.
- The **accrued liability** is the excess of the present value of projected benefits over the present value of future normal costs.
- The **unfunded liability** is the excess of the accrued liability over the actuarial asset value of the fund, and represents that part of the accrued liability which has not been funded by accumulated past contributions.
- The **past service cost** is the level annual payment over a stipulated number of years which is required to amortize the unfunded liability.

There have been no changes to the cost method.

B. Asset Valuation Method

The actuarial value of assets is based on a five-year moving average of gains and losses recognized at 20% per year. The investment gain/(loss) is taken as the excess of the actual return on assets over the expected return on assets. The investment gain/(loss) is then recognized at 20% per year until fully recognized. The actuarial value of assets is the market value minus the sum of the deferred investment gains/(losses) during the preceding five plan years.

In addition, the actuarial value is restricted to be no less than 80% of the market value or no more than 120% of the market value.

The actuarial value of assets was reset to the market value at December 31, 2003.

C. Valuation Procedures

The limitations of Internal Revenue code Section 415(b) have been incorporated into our calculations.

The plan was amended July 1, 1991 to include part-time employees who were previously excluded. These participants do not exhibit the same turnover pattern as full-time employees. Consequently, the liabilities and costs in this valuation are based upon full-time participants only, except to include the accumulated contributions for part-time employees. The city is contributing at a rate of 3.00% of pay based on the 1995 analysis of experience.

For participants who terminate prior to retirement with less than 15 years of service, the liability held is the value of employee contributions with interest. Seventy-five percent of participants who terminate prior to retirement with 15 years of service or more are assumed to elect a return of employee contributions with interest, while 25% are assumed to elect annuity benefits.

The 2007 Early Retirement Window (ERW) is being funded through separate contributions which amortize the change in the actuarial accrued liability due to the ERW over 15 years. However, the ERW contributions for the first four years have been reduced to reflect the reduction in Normal Cost relating to participants retiring sooner than anticipated. The period of reduction was determined by computing the average present value of future salary factor for the ERW participants (factor of 3.59).

D. Actuarial Assumptions

- (1) The actuarial assumptions used to determine employer contributions to the plan are as follows:

Investment Return: 8.00% per year compounded annually (assumes expenses of approximately 35 basis points)

Mortality:

Non-disabled lives: Uninsured Pensioner 1994 Mortality Table projected to 2009.
 Disabled retirees: Pension Benefit Guarantee Corporation Disabled Mortality Table.

Turnover:

2006 City of Cincinnati Rate of Termination Experience Table. The turnover assumption during the first three years of service is as follows:

Years of Service	Current Rate
1	.20
2	.065
3	.065

Specimen rates after the first three years of service are as follows:

Attained Age	Current Rate
25	.060
30	.038
40	.018
50	.015
60	.015

Disability:

The 2006 City of Cincinnati Disability Retirement Experience Table. Specimen rates are as follows:

Attained Age	Rate per 1,000 Lives
25	0.6
30	0.7
40	1.4
50	3.3
60	0.0

D. Actuarial Assumptions (Continued)

Salary: Salary increases are assumed to vary by service. Specimen rates based on 2006 experience study are as follows:

<u>Service</u>	<u>Annual Increase</u>
0	.075
5	.050
10	.045
20	.045
30	.040

Other Salary Assumptions: For those participants who had not elected the 2.50% formula an additional 10% increase in average salary is used to reflect final lump sum payments.

Salary for valuation purposes is total pay for year multiplied by:

- (1) 1.0027 if year has 26 pay periods
- (2) 0.9656 if year has 27 pay periods.

Retirement Age: Rates of retirement are assumed to be in accordance with the following table for participants who are age 60 with 5 years of service or are any age with 30 years of service (those eligible for unreduced benefits). Rates based on 2006 experience study.

<u>Age</u>	<u>Current Rate</u>
45-60	30%
61-69	25%
70 and above	100%

Early Retirement: Twenty-three percent (23%) of those eligible for reduced early retirement are assumed to retire.

D. Actuarial Assumptions (Continued)

Medical Benefits: The City offers medical benefits (including outpatient prescription drug coverage) to retirees before and during Medicare eligibility. As of January 1, 2008, all future retirees will be covered by an 80/20 PPO. Retirees who retired prior to 2008 can retain their old coverage (HMO, PPO, or traditional indemnity) with the exception of a few hundred retirees who retired under a special retirement incentive program in 2007 and have coverage under the 80/20 plan. Sample plan provisions are shown in Summary of Plan Provisions.

Starting claim costs were developed based on historical retiree claims and enrollment experience data projected forward to the valuation period with trend and adjusted for the demographics of the historical vs. current retiree population. Costs for the 80/20 plan are based on claim cost for current retirees adjusted for relative plan value factors developed by Mercer with input from Anthem. Historical claims experience was reviewed from January 2003 through December 2007, with data split separately by plan, by medical and prescription drug coverage, and by Medicare status.

The City's medical plans integrate secondary to Medicare (Parts A & B) for those individuals enrolled in Medicare. Typically, retired individuals (and their dependents) age 65 and over are eligible for Medicare Parts A & B. However, the City only began paying into Medicare on March 31, 1986. Therefore, a portion of retirees hired prior to that date are not eligible for Medicare Part A coverage. All City retirees and dependents over age 65 are assumed to be eligible for Medicare Part B. The projected costs take into account the historical and anticipated percentage of retirees and dependents eligible for both Medicare Parts A&B and those eligible for only Part B.

Claims information was analyzed by plan (Traditional, PPO and HMO), by type of benefit (medical/prescription drug) and by age group (pre 65 and post 65). Administrative fees (e.g. claims administration and management, stop-loss, prescription drug, etc.) charged to the plan are included in the costs developed.

Some retirees may have dependent children covered under the retiree health plan. Their cost is included in the historical claims experience used to estimate the adult per capita rate.

Costs are determined on a per capita basis, adjusted to age 65, and annualized for presentation. Costs are developed by plan (Traditional, PPO and HMO), and blended based on the current and expected enrollment among plans.

For health plan projection/valuation purposes, the City's valuation is split into two "Groups". Group 1 refers to current inactive (retiree) participants and active participants hired prior to 1997. Group 2 refers to active participants hired in 1997 or later. The reason for this distinction is that the contribution methodology is materially different for those employees hired after January 8, 1997.

D. Actuarial Assumptions (Continued)

The starting costs have been updated based on the analysis described above. A summary of Group 1 annual starting costs (including administrative fees) at age 65 is displayed below:

***Annual average age 65 adult per capita medical
& prescription drug claims cost***

	<i>2008 Cost Projected in 12/31/07 valuation</i>		<i>2007 Cost Projected in 12/31/06 valuation</i>	
	<u>Old Plans Blended</u>	<u>New 80/20 Plan</u>	<u>Current Plans</u>	<u>New 80/20 Plan</u>
Pre-Medicare	\$13,273	\$10,605	\$12,958	N/A
Medicare eligible	\$5,143	\$3,719	\$4,888	N/A

Group 2 employees (those hired after January 8, 1997) are expected to have costs that are 4-5% higher on average. This is based on the fact that the contribution methodology is materially different for those employees and some adverse selection is expected.

There is also an adjustment for those hired after March 31, 1986 (when the City began paying into Medicare) to reflect the fact that anyone hired after that date is assumed to be eligible for both Medicare Parts A & B.

Future projections of costs are estimates. All estimates, based upon the information available at a point in time, are subject to unforeseen and random events. Therefore any projection must be interpreted as having a likely range of variability from the estimate.

Medical Trend Rates: Starting costs are expected to increase each year with trend.

Trend rates are established separately for medical and prescription drug claims, and split by Medicare eligibility.

The trend assumptions are comprised of three elements: the initial trend rate, the ultimate trend rate, and the grade-down period. Trend rates exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation.

The initial trend rate is the expected increase in health care costs into the second year of the valuation (i.e., the first assumed annual increase in starting per capita rates). Expected trend rates are based on market assessments and surveys, and take into account City historical experience, expected unit cost information, changes in utilization, plan design leveraging, cost shifting, and new technology.

D. Actuarial Assumptions (Continued)

The assumed ultimate trend rate and grade-down period are based on macroeconomic principles. These assumptions reflect assumed long term general information, nominal gross domestic product growth rates, the excess of national health expenditures over other goods and services, and an adjustment for an assumed impact of population growth.

Trends are developed independently for each plan. For valuation purposes, these trend rates are blended together where applicable based on weighted average enrollment and cost (e.g. medical and administrative fees, trend rates across plans). Trends for Group 1 and Group 2 are the same.

The result of the updated analysis for this valuation is slightly higher initial rates of increase in medical and prescription drug costs than anticipated in last year's valuation, as well as slightly longer grade-down periods to the ultimate trend rate than last year.

Medical and Prescription Drug Trend assumed in this valuation:

Period	<u>Medical and Admin Fees Only</u>		<u>Prescription Drug Only</u>	
	Pre-Medicare	Medicare Eligible	Pre-Medicare	Medicare Eligible
2008 to 2009	8.0%	6.0%	11.0%	12.0%
2009 to 2010	7.6%	5.9%	10.2%	11.1%
2010 to 2011	7.2%	5.8%	9.4%	10.2%
2011 to 2012	6.8%	5.7%	8.6%	9.3%
2012 to 2013	6.4%	5.6%	7.8%	8.4%
2013 to 2014	6.0%	5.4%	7.0%	7.5%
2014 to 2015	5.6%	5.3%	6.2%	6.6%
2015 to 2016	5.2%	5.2%	5.4%	5.7%
2016 to 2017	5.0%	5.1%	5.0%	5.0%
2017 and onward	5.0%	5.0%	5.0%	5.0%

Medical and Prescription Drug Trend assumed in last valuation:

Period	<u>Medical and Admin Fees Only</u>		<u>Prescription Drug Only</u>	
	Pre-Medicare	Medicare Eligible	Pre-Medicare	Medicare Eligible
2007 to 2008	7.4%	5.9%	12.0%	12.0%
2008 to 2009	6.9%	5.7%	11.0%	11.0%
2009 to 2010	6.5%	5.5%	10.0%	10.0%
2010 to 2011	6.0%	5.3%	9.0%	9.0%
2011 to 2012	5.5%	5.2%	8.0%	8.0%
2012 to 2013	5.0%	5.0%	7.0%	7.0%
2013 to 2014	5.0%	5.0%	6.0%	6.0%
2014 and onward	5.0%	5.0%	5.0%	5.0%

D. Actuarial Assumptions (Continued)

Medical & Rx Aging: Independent of other factors (e.g. Medicare) overall medical costs are assumed to increase with age, as follows:

Age	Medical Increase Per Year	Prescription Drug Increase Per Year
40 – 44	2.0%	4.5%
45 – 46	3.0%	4.5%
47 – 49	3.0%	4.0%
50 – 51	3.0%	3.5%
52 – 54	3.0%	3.0%
55 – 58	4.0%	3.0%
59 – 64	4.0%	2.5%
65 – 66	3.5%	2.5%
67 – 69	3.5%	1.5%
70 – 71	2.5%	1.5%
72 – 76	2.5%	0.0%
77 – 78	2.5%	-1.0%
79 – 81	0.0%	-1.0%
82 – 86	0.0%	-2.5%
87+	0.0%	0.0%

There were no changes to the aging assumptions this year.

Retiree Contributions: Current retirees only contribute towards the cost of coverage in the HMO plan. Contribution amounts are \$64.20 per year Pre-Medicare and \$62.40 per year Medicare eligible. For retirees with dependent(s) covered, contributions are double the amounts above. Group 1 future retirees under the 80/20 plan pay the active contribution rate (in 2008, \$13.84 monthly for single coverage). Group 2 future retirees (hired after January 8, 1997) will pay the higher of the active employee contribution or the point system contribution (see section 4.3). Contributions do not increase with aging, but are assumed to increase with medical trend.

Participation: All eligible retirees and dependents in Group 1 are assumed to elect coverage. Group 2 retirees will have to pay some portion of their expected medical costs, so assumed participation rates are reduced in line with the level of cost sharing.

<u>Retiree Contribution Percentage</u>	<u>Assumed Participation Rate</u>
0%	100%
25%	80%
50%	60%
75%	40%

No material amount of participation experience is yet available for Group 2 participants. Therefore, these rates are based on participation guidelines/other employer experience for corresponding contribution levels. These rates will be updated over time as actual credible experience of the group evolves.

D. Actuarial Assumptions (Continued)

Medicare Reform Impact: The projected savings estimate due to Medicare Part D coverage was updated based on the new retiree prescription drug experience data. The savings reflect the City’s decision to continue providing prescription drug coverage to Medicare eligible participants on a primary basis and receive the subsidy provided by Medicare. This is the same approach used in last year’s valuation. The estimates shown below are calculated using the Medicare Reform Prescription Drug Model, a proprietary model developed by Mercer.

Annual Subsidy to the City per Medicare Eligible Participant at Age 65 Due to Medicare Reform Provisions		
	<i>2008 Subsidy Projected in 12/31/07 valuation</i>	<i>2007 Subsidy Projected in 12/31/06 valuation</i>
Group 1 Current Retirees	\$600	\$570
Group 1 Actives*	\$550	\$560
Group 2*	\$550	\$560

* note that these participants are retiring under the 80/20 plan as of 1/1/08.

Medicare Part D savings are assumed to increase at prescription drug trend rates.

Other Health Benefits: Medicare Part B: The City reimburses the Medicare Part B premiums for retirees and dependents. Medicare Part B premiums are assumed to increase in accordance with estimates from the 2008 Annual Report of the Board of Trustees Report until the year 2017 (2007 Annual Report of the Board of Trustees Report used in last year’s valuation) and then increase at 5.0% per year thereafter. 2008 Part B Premiums are \$1,157 (\$1,122 in 2007).

	2008 Annual Report of the Board of Trustees Report Medicare Part B Premium Trend	2007 Annual Report of the Board of Trustees Report Medicare Part B Premium Trend
2008 to 2009	0.00%	0.93%
2009 to 2010	0.00%	4.52%
2010 to 2011	2.18%	4.13%
2011 to 2012	3.55%	3.87%
2012 to 2013	6.86%	4.00%
2013 to 2014	0.64%	4.02%
2014 to 2015	3.74%	4.20%
2015 to 2016	4.22%	4.35%
2016 to 2017	6.58%	Not provided

D. Actuarial Assumptions (Continued)

Dental: One traditional dental indemnity plan is provided to all current and future retirees. The plan includes a \$1,000 annual maximum on plan benefits. 2008 projected starting cost is \$258 per adult per year (\$239 for the 2007 estimate). Costs are assumed to increase at a decreasing rate, starting at 5.75% for 2008, then decreasing by 0.25% per year to 4.25% and remaining there for 16 years, then decreasing gradually over 16 years to no material trend. This takes the \$1,000 annual maximum on annual dental claims into account. Dental aging assumptions are a 1.0% increase per year up to age 65, then 0%. There was no change in either the trend or aging assumptions from the prior valuation.

Vision: One indemnity design plan is provided to all current and future retirees. The plan has fixed benefits with a \$100 annual maximum benefit. The 2008 projected starting cost is \$25 per adult per year (same as the 2007 estimate). Although the claims benefit level is fixed, we anticipate a 3.0% annual trend increase in costs to account for increases in utilization/administrative costs. No aging impact is assumed in the vision coverage. There was no change in either the trend or aging assumptions from the prior valuation

Option Electives: 75% of male participants and 25% of female participants will have a spouse who is covered under the medical, dental and vision benefits portions of the plan. Of these participants with a covered spouse, 85% will elect a Joint & Survivor option.

Expenses: The investment return is set based on an implicit expense assumption of approximately 35 basis points.

(2) For computing the value of vested and non-vested benefits, the following modifications were made to the above assumptions:

No future increases in salaries were assumed. Accumulated plan benefits were calculated using estimated Average Monthly Earnings in effect on the valuation date.

Changes in Assumptions:

Medical and prescription drug trend rates were updated.

Summary of Plan Provisions

Average Compensation:

The average compensation used in the calculation of benefits depends on whether the participant elects the 2.50% formula which uses the average highest base compensation or the 2.22% formula which uses the average highest total compensation.

Average Highest Base Compensation:

The term “average highest base compensation” means the average annual compensation earned by a member during his most highly compensated period of three consecutive years of service. It excludes overtime pay, payment for compensatory time, earnings from any additional part-time employment in City service, and lump sum terminal leave pay.

Average Highest Total Compensation:

The term “average highest total compensation” means the average annual compensation earned by a member during his most highly compensated period of three consecutive years of service. It includes that portion of lump sum terminal leave pay which could be accumulated in the final three years of active service, except that the payment for unused sick leave shall not exceed an amount equal to the compensation at the hourly rate last earned by a member for 312 hours.

Service Retirement Allowance:

Condition for Allowance: Any member in service may retire upon:

- a. attaining age 60, regardless of length of creditable service if he was enrolled prior to January 1, 1969, or with at least 5 years of creditable service if he was enrolled January 1, 1969 or later, or
- b. completing 30 or more years of creditable service at any age, with a retirement allowance commencing immediately; or
- c. completing 5 years of creditable service before age 60 and then may retire with a retirement allowance commencing at age 60, provided, however, at the time of election of the deferred annuity there is no loan outstanding against his contributions.

Amount of Allowance: The annual retirement allowance consists of:

- a. An annuity provided by the number equal in value to his contributions with interest at the time of his retirement; and
- b. A pension which together with his annuity produces a total annual retirement allowance equal to 2.50% of his average highest base compensation or 2.22% of his average highest total compensation multiplied by the number of years of his membership service, whichever is applicable.

- c. For members with credit for service rendered prior to the establishment of the System, an additional pension of 2.50% of his average highest base compensation or 2.22% of his average highest total compensation multiplied by the number of years of such prior service, whichever is applicable.
- d. Annual increases of 3% compounded annually commencing 1 year after retirement.

In no event shall the retirement allowance be less than \$4.00 per month multiplied by his years of credited service not in excess of 25 years.

In no event shall the retirement allowance be greater than that permitted by Section 415 of the Internal Revenue Code.

Advanced Service Retirement Allowance:

Condition for Allowance: Any member who has attained age 55 and has 25 but less than 30 years of membership service may retire on an advanced service retirement allowance.

Amount of Allowance: The annual retirement allowance consists of:

- a. An annuity provided by the number equal in value to his contributions with interest at the time of his retirement.
- b. A pension which shall be the actuarial equivalent at his age at the date of retirement, of the pension which would have been payable had he attained the age of sixty on said date.

Disability Retirement Allowance:

Condition for Allowance: Any member in service who (1) is disabled as the result of an accident which occurs in the performance of his duties as an employee regardless of age or length of service, or (2) having completed five years of service, is disabled by reason of either accidental or non-accidental cause, may be retired on a disability retirement allowance, provided he is found to be permanently incapacitated, either mentally or physically, for the further performance of duty.

Amount of Allowance: Upon disability retirement a member receives a service retirement allowance if he has attained age 60 or any age with 30 years of creditable service, otherwise he receives a disability retirement annual allowance which consists of:

- a. An annuity provided by the number equal in value to his contributions with interest at the time of his retirement.

- b. A pension which together with his annuity produces a total annual retirement allowance equal to 90% of the sum of 2.50% of his average highest base compensation or 2.22% of his average highest total compensation, whichever is applicable, multiplied by the number of years of his creditable service, except that such allowance shall not be less than smaller of:
 - (1) 25% of his average highest compensation; or
 - (2) 90% of the service retirement allowance to which he would have become entitled had he continued in service to age 60 without further change in average highest compensation but in any event not less than \$43.20 for each year of his service not in excess of 25.
- c. Annual increases of 3% compounded annually commencing 1 year after retirement.

Ordinary Death Benefit:

Condition for Benefit: Upon the death of a member in service, a benefit is paid to the designated beneficiary, if living, otherwise to the surviving spouse, children or certain other dependents.

Amount of Benefit: In the event of death, all contributions made by the member with interest are returned to the estate or designated beneficiary. In addition, a lump sum payment is made from the contributions of the City equal to 50% of the compensation received by the member during the year immediately preceding his death provided the member had at least eighteen months of service.

Survivor Death Benefits:

Condition for Benefit: Upon the death of a member in service with survivors, including a member on leave of absence without pay for a period of not more than one year, with eighteen months or more of service, a monthly benefit is paid unless the member is in the building crafts. Building crafts participants are not entitled to Survivor Death Benefits.

<u>Amount of Monthly Benefit:</u>	<u>2008</u>	<u>2007</u>
Unmarried widow (or widower) and one child under 18	\$587.14	\$570.04
Unmarried widow (or widower) and two or more unmarried children under 18	\$795.91	\$772.73
Widow (or widower) at age 50 (if spouse had 15 or more years of service)	\$293.58	\$285.03
Widow (or widower) at age 62 (if spouse had less than 15 years of service)	\$293.58	\$285.03
One unmarried orphan under 18	\$293.58	\$285.03
Two unmarried orphans under 18	\$587.14	\$570.04
Three or more unmarried orphans under 18	\$795.91	\$772.73
One dependent parent	\$208.74	\$202.66
	\$293.58	\$285.03
Two dependent parents	\$293.58	\$285.03
	\$587.14	\$570.04

Beginning in 2000 the survivor benefits are indexed annually by 3% per year.

Retirement Death Benefit:

Upon the death of a retired member, a lump sum benefit of \$7,500 is paid to the designated beneficiary, if living, otherwise to the surviving spouse, children or certain other dependents.

In addition, all contributions made by the member together with interest prior to retirement, in excess of retirement allowance payments received prior to death, are paid to such beneficiary, provided, however, the member has not elected an optional retirement allowance as hereinafter described.

Return of Contribution:

Upon the withdrawal of a member prior to retirement, the entire amount of the employee contributions with interest at 2% per annum is returned to him upon the participant's election.

Special Privileges:

Upon retirement a member may elect to receive the actuarial equivalent of the retirement allowance in any one of the optional forms described below. Effective December 22, 1971 members over age 60 and members who have completed 20 years of service, including members on deferred retirement, may elect, prior to retirement, any one of the optional forms. In the event of death before retirement the person designated shall receive the same benefit as would have been received if the member had retired the day before death. However, in event of such death, the optionee will not be entitled to an optional allowance until the date the deceased member would have reached age 55 with 25 years of service or age 60 with 20 years of service.

Option 1: Reduced retirement allowance payment with the provisions that, at death, the amount of the allowance shall be continued throughout the life of the designated beneficiary at the time of this election of the option.

Option 2: Reduced retirement allowance payments with the provision that, at death, one-half of the amount of the allowance shall be continued throughout the life of the designated beneficiary at the time of the election of this option.

Option 3: Reduced retirement allowance payments with the provision that, at the first death of the member or the designated beneficiary at the time of the election of this option, two-thirds of the amount of the allowance shall be continued throughout the life of the survivor.

Option 4: Reduced retirement allowance payments with the provisions that, at the first death of the member or designated beneficiary at the time of the election of this option, 80% of the amount of the allowance shall be continued throughout the life of the survivor.

In the event of the death of a member in service who was eligible to retire and who is survived by a spouse who was designated as sole primary beneficiary, such spouse may elect to receive the Option 1 allowance described above.

Medical, Prescription Drug, Dental, and Vision Benefits:

All retired members and those who are receiving survivor benefits are entitled to have their Anthem Blue Cross-Blue Shield benefits, including dental and vision coverage paid by the System. Sample plan provisions of the current benefits are shown below:

	Current/Old Plans			New Plan
	Traditional	PPO*	HMO	80/20 PPO*
Plan Design				
Individual Deductible	\$50	\$0/\$100	\$0	\$300//\$600
Office Visit, Therapy Copayment	20%	\$10//30%	\$0	20%//50%
Inpatient Hospital Member Copayment, then Plan Coinsurance	\$0, then 100% coverage	\$100//30%	\$0, then 100% coverage	20%//50%
General Plan Coinsurance	100%	100%//70%	100%	80%//50%
Annual Out of Pocket Maximum	\$450	\$300//\$700	\$500	\$1,500//\$3,000
Retail Prescription Drug Copayment	\$5 (non-network 50%)	\$5 generic/\$12 brand//50%	\$3	\$10 generic/ \$20 brand/ \$30 non-formulary // 50%

* “//” signifies the difference between in-network and out of network benefit levels

Upon the death of a retired member for whom an option 1, 2, 3, or 4 is in effect, the designated beneficiary shall continue to be covered for such hospital and surgical benefits. Dental and Vision benefits are subject to a cap of \$1,000 per year for dental benefits and \$100 per year for vision.

Moreover, when benefits under this coverage would be reduced by reason of the retired member's eligibility for hospital and medical benefits under federal Social Security laws, the System will pay the federal Medicare Part B premium. (This valuation does not include reimbursement of additional premiums to be charged to high income retirees by Medicare in 2008 and later.)

To be eligible for these benefits, the member must have earned 15 years credited service at the time of termination, or terminate after age 60 with 5 years credited service.

For members who are hired after January 8, 1997, the plan will provide medical benefits in accordance with the following schedule:

- 100% of full cost if age plus service at termination exceeds 90
- 75% of full cost if age plus service at termination exceeds 80 but is less than 90
- 50% of full cost if age plus service at termination exceeds 70 but is less than 80
- 25% of full cost if age plus service at termination exceeds 60 but is less than 70
- 0% of full cost (i.e. no liability) if age plus service at termination is less than 60

Contributions:

By Member: Each member, commencing January 1, 1978, contributes at a rate of 7% of the salary used to compute retirement benefits until his retirement.

By Employers: The sponsoring employer makes annual contributions based on members' salaries so that, when members become eligible for benefits, reserves will have been accumulated adequate to provide the pension and other benefits payable by the plan on account of creditable service.

2007 Early Retirement Window City employees who have 28 years or more of service credit prior to January 1, 2008 were eligible. Those electing to retire prior to January 1, 2008 were credited with two more years of service.

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