Los Angeles Fire and Police Pension Plan

Actuarial Valuation and Review of Pension and Other Postemployment Benefits (OPEB) as of June 30, 2008

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October 24, 2008

Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012

Re: June 30, 2008 Actuarial Valuations

Dear Board Members:

Enclosed please find the June 30, 2008 actuarial valuations for the retirement and the health programs.

As requested by LAFPP, we have attached the following supplemental schedules:

- Exhibit A - Summary of significant results for the two programs.
- Exhibit B - History of computed contribution rates for the two programs.

We look forward to discussing the reports and the enclosed schedules with the Board.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

AB/hy
Enclosure

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Benefits, Compensation and HR Consulting ATLANTA BOSTON CALGARY CHICAGO CLEVELAND DENVER HARTFORD HOUSTON LOS ANGELES MINNEAPOLIS NEW ORLEANS NEW YORK PHILADELPHIA PHOENIX SAN FRANCISCO SEATTLE TORONTO WASHINGTON, D.C.

Multinational Group of Actuaries and Consultants AMSTERDAM BARCELONA GENEVA HAMBURG JOHANNESBURG LONDON MELBOURNE MEXICO CITY OSLO PARIS

Exhibit A

City of Los Angeles Fire and Police Pension Plan
Summary of Significant Valuation Results

		June 30, 2008	June 30, 2007	Percent Change
I.	**Total Membership**			
	A. Current Active Members	13,495	13,218	2.10%
	B. Current Retirees, Beneficiaries, and Dependents	12,182	11,974	1.74%
II.	**Valuation Salary**			
	A. Total Annual Payroll	$1,206,589,277	$1,135,591,951	6.25%
	B. Average Monthly Salary	7,451	7,159	4.08%
III.	**Benefits to Current Retirees and Beneficiaries***			
	A. Total Annual Benefits	$655,753,895	$616,766,136	6.32%
	B. Average Monthly Benefit Amount	4,486	4,292	4.52%
IV.	**Total System Assets****			
	A. Actuarial Value	$14,920,943,683	$13,902,764,838	7.32%
	B. Market Value	14,357,134,724	15,529,850,010	-7.55%
V.	**Unfunded Actuarial Accrued Liability (UAAL)**			
	A. Retirement Benefits	$125,819,620	$108,421,170	16.05%
	B. Health Subsidy Benefits	1,069,192,775	969,556,769	10.28%

* *Includes July COLA.*

** *Includes assets for Retirement and Health Benefits. The June 30, 2007 assets include $6,058,515 of discounted Harbor Port Police assets transferred in October 2007.*

Exhibit A (continued)

City of Los Angeles Fire and Police Pension Plan
Summary of Significant Valuation Results

		FY 2009-2010		FY 2008-2009		Change	
VI.	**Budget Items**	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods	Beginning of Year	End of Pay Periods
	A. Retirement Benefits						
	1. Normal Cost as a Percent of Pay	19.21%	19.99%	18.65%	19.41%	0.56%	0.58%
	2. Amortization of UAAL	0.57%	0.59%	0.41%	0.42%	0.16%	0.17%
	3. Total Retirement Contribution	19.78%	20.58%	19.06%	19.83%	0.72%	0.75%
	B. Health Subsidy Contribution[1]						
	1. Normal Cost as a Percent of Pay	3.47%	3.61%	3.21%	3.34%	0.26%	0.27%
	2. Amortization of UAAL	4.95%	5.15%	4.68%	4.86%	0.27%	0.29%
	3. Total Retirement Contribution	8.42%	8.76%	7.89%	8.20%	0.53%	0.56%
	C. Total Contribution (A+B)	28.20%	29.34%	26.95%	28.03%	1.25%	1.31%

		June 30, 2008	June 30, 2007	Change
VII	**Funded Ratio**			
	(Based on Valuation Value of Assets)[2]			
	A. Retirement Benefits	99.1%	99.2%	-0.1%
	B. Health Subsidy Benefits	41.8%	41.5%	0.3%
	C. Total	92.6%	92.8%	-0.2%

(1) *Before reflecting phase-in policy for FY 2008-2009 rates.*

(2) *Includes assets for Retirement and Health Benefits. The June 30, 2007 assets include $6,058,515 of discounted Harbor Port Police assets transferred in October 2007.*

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Exhibit B

City of Los Angeles Fire and Police Pension Plan
Computed Contribution Rates* – Historical Comparison

Valuation Date	Retirement	Health	Total	Valuation Payroll (thousands)
06/30/2000	8.68%	3.60%	12.29%	$845,426
06/30/2001	3.74%	3.32%	7.06%	882,758
06/30/2002	11.00%	2.98%	13.98%	946,037
06/30/2003	13.79%	3.09%	16.88%	970,727
06/30/2004	12.86%	2.83%	15.69%	1,001,004
06/30/2005	20.56%	5.03%	25.59%	1,037,445
06/30/2006	22.12%	8.48%**	30.65%	1,092,815
06/30/2007	19.95%***	8.20%**,***	28.15%***	1,135,592
06/30/2008	20.58%	8.76%	29.34%	1,206,589

** Contributions are assumed to be made at the end of the pay period.*

*** Before reflecting phase-in policy.*

**** Revised to recognize payment of Harbor Port Police June 30, 2007 UAAL during 2007-2008 fiscal year. This reduced the UAAL rate by 0.02% and 0.00% for the retirement plan and health plan, respectively.*

City of Los Angeles Fire and Police Pension Plan

Actuarial Valuation and Review as of June 30, 2008

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October 24, 2008

Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of June 30, 2008. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2009/2010 and analyzes the preceding year's experience.

The census information on which our calculations were based and the financial information were provided by LAFPP. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Theodore J. Shively, ASA, MAAA, Enrolled Actuary.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Commissioners are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

By:

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President and Actuary

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

AB/kek:hy

SECTION 1

VALUATION SUMMARY

SECTION 2

VALUATION RESULTS

SECTION 3

SUPPLEMENTAL INFORMATION

SECTION 4

REPORTING INFORMATION

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Los Angeles Fire and Police Pension Plan as of June 30, 2008. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board of Commissioners;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2008, provided by LAFPP;
- The assets of the Plan as of June 30, 2008, provided by LAFPP;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The ratio of the valuation value of assets to actuarial accrued liabilities decreased from 99.2% to 99.1%. The unfunded actuarial accrued liability has increased from $108 million to $126 million. A complete reconciliation of the System's unfunded actuarial accrued liability is provided in Section 3, Exhibit G.
- Under the Board's funding policy, the 2007-2008 experience gain for Tiers 3, 4 and 5 would be amortized over a 15 year period. When combined with the amortization amounts from prior years, that would produce a net amortization amount which is less than the minimum required by GASB for calculating the "Annual Required Contribution" (ARC). In order for the employer contribution rate to meet the GASB ARC requirements, we recommend that the 2007-2008 experience gain for Tiers 3, 4 and 5 be amortized over 17 years instead of 15 years. We have incorporated that recommendation into the results in this report.

- The aggregate beginning-of-year employer rate calculated in this valuation has increased from 19.06% of payroll to 19.78% of payroll. The increase was due to changes in actuarial assumptions to explicitly recognize the DROP, offset somewhat by higher than expected return on the valuation value of assets and other actuarial experience. The June 30, 2007 rate includes an adjustment in the Harbor Port Police employer rate to recognize the payment during the 2007-2008 fiscal year of an amount sufficient to fund the June 30, 2007 unfunded actuarial accrued liability.
- With this valuation, we have applied the DROP-related assumptions and methods approved by the Board to explicitly reflect the expected cash flows under the DROP. Those assumptions and methods were discussed in our letter dated April 11, 2008 and are summarized in Exhibit V of this report.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2008 is $563.8 million for the assets for Retirement and Health Subsidy Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.
- The employer contribution rates provided in this report have been developed assuming that they will be made by the City at either: (1) the beginning of the fiscal year, (2) on July 15, or (3) throughout the year (i.e., the City will pay contributions at the end of every pay period).
- The actuarial valuation report as of June 30, 2008 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they have occurred, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan.

Summary of Key Valuation Results

	2008	2007
Contributions calculated as of June 30:		
Recommended as a percent of pay (note there is a 12-month delay until the rate is effective)		
At the beginning of year	19.78%	19.06%[1]
On July 15	19.85%	19.12%[1]
At the end of each biweekly pay period	20.58%	19.83%[1]
Funding elements for plan year beginning July 1:		
Normal cost	$334,273,797	$326,952,112[1]
Market value of assets[2]	14,357,134,724	15,529,850,010[3]
Actuarial value of assets[2]	14,920,943,683	13,902,764,838[3]
Valuation value of retirement assets	14,153,296,122	13,215,668,458
Actuarial accrued liability	14,279,115,742	13,324,089,628
Unfunded actuarial accrued liability	125,819,620	108,421,170
Funded ratio	99.1%[4]	99.2%[4]
GASB 25/27 for fiscal year ending June 30:		
Annual required contributions	$261,635,491[5]	$224,946,082
Actual contributions	261,635,491[5]	$224,946,082
Percentage contributed	100.0%	100.0%
Demographic data for plan year beginning July 1:		
Number of retired members and beneficiaries	12,182	11,974
Number of vested former members	81	85
Number of active members (including members in the DROP)	13,495	13,218
Projected total payroll	$1,206,589,277	$1,135,591,951
Projected average payroll	89,410	85,913

(1) *Revised to reflect payroll as of June 30, 2008 and to recognize HPP payment of June 30, 2007 UAAL during the 2007-2008 fiscal year.*
(2) *Includes all assets for Retirement and Health Subsidy Benefits.*
(3) *Includes $6,058,515 of discounted Harbor Port Police assets transferred in October, 2007.*
(4) *99.1% and 99.2% for 2008 and 2007, respectively, excluding Harbor Port Police.*
(5) *Figures for 2008 include amounts transferred and contributed during the fiscal year that were related to the transfer of certain Harbor Port Police members from the Los Angeles City Employees' Retirement System.*

Actuarial Certification

October 24, 2008

This is to certify that The Segal Company has conducted an actuarial valuation of the City of Los Angeles Fire and Police Pension Plan retirement program as of June 30, 2008, in accordance with generally accepted actuarial principles and practices. Actuarial valuations are performed annually for this retirement program with the last valuation completed on June 30, 2007. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of the historical funding methods used in determination of the liability for retirement benefits.

The actuarial valuation is based on the plan of benefits summarized in Exhibit VI and on participant and financial data provided by LAFPP.

The actuarial computations made are for funding plan benefits and for satisfying the financial accounting requirements under GASB Statements No. 25 and 27. Accordingly, additional determinations will be needed for other purposes, such as judging benefit security at termination.

In addition to all schedules that are shown in the actuarial section of the CAFR, a listing of supporting schedules included in the statistical and financial sections of the System's CAFR prepared by Segal is provided below:

1) Schedule of funding progress
2) Schedule of employer contributions
3) Supplementary Information Required by the GASB (Exhibit IV)

To the best of our knowledge, this report is complete and accurate and in our opinion presents the plan's current funding information. The undersigned is a member of the American Academy of Actuaries and meets the qualifications to provide the actuarial opinion herein.

Theodore J. Shively, ASA, MAAA, EA
Vice President and Actuary

A. MEMBER DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered members, including active members, non-vested members (entitled to a refund of member contributions) and vested terminated members, retired members and beneficiaries. Members in the DROP are included as active members in this valuation and are included in all active members counts and demographics provided in this report.

This section presents a summary of significant statistical data on these member groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the member population has changed over the past five valuations can be seen in this chart.

CHART 1

Member Population: 2004 – 2008

Year Ended June 30	Active Members[1]	Vested Terminated Members	Retired Members and Beneficiaries	Ratio of Non-Actives to Actives
2004	12,649	0	11,782	0.93
2005	12,656	0	11,746	0.93
2006	12,903	59	11,815	0.92
2007	13,218	85	11,974	0.91
2008	13,495	81	12,182	0.91

[1] Includes 928, 1,178, 1,206, 1,226, and 1,144 DROP members for years ended June 30, 2004, 2005, 2006, 2007, and 2008, respectively.

Active Members (Including DROP)
Plan costs are affected by the age, years of service and payroll of active members. In this year's valuation, there were 13,495 active members with an average age of 40.3, average years of service of 13.4 years and average payroll of $89,410. The 13,218 active members in the prior valuation had an average age of 40.5, average service of 13.7 years and average payroll of $85,913.

Inactive Members
In this year's valuation, there were a total of 81 members with a vested right to a deferred or immediate vested benefit versus 85 in the prior valuation.

These graphs show a distribution of active members by age and by years of service.

CHART 2

Distribution of Active Members (Including DROP) by Age as of June 30, 2008

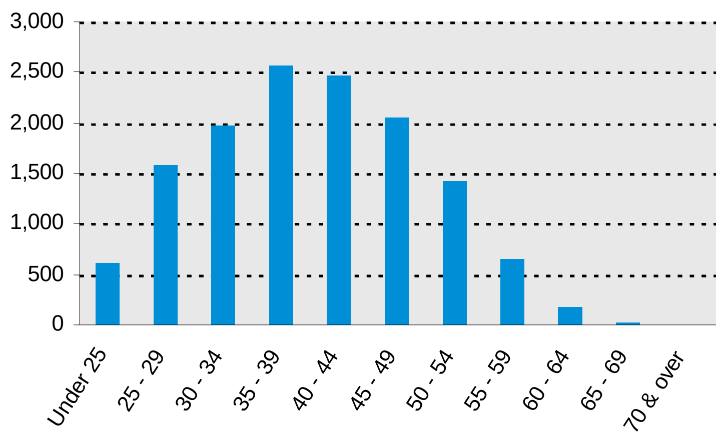
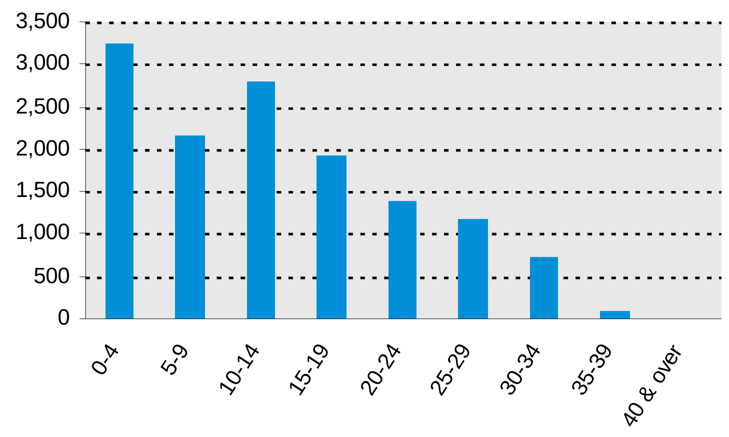


CHART 3

Distribution of Active Members (Including DROP) by Years of Service as of June 30, 2008



Retired Members and Beneficiaries
As of June 30, 2008, 9,763 retired members and 2,419 beneficiaries were receiving total monthly benefits of $54,646,158. For comparison, in the previous valuation, there were 9,604 retired members and 2,370 beneficiaries receiving monthly benefits of $51,397,178.

Please note that the monthly benefits provided have been adjusted for the COLA granted effective for the month of July.

These graphs show a distribution of the current retired members based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Members by Type and by Monthly Amount as of June 30, 2008

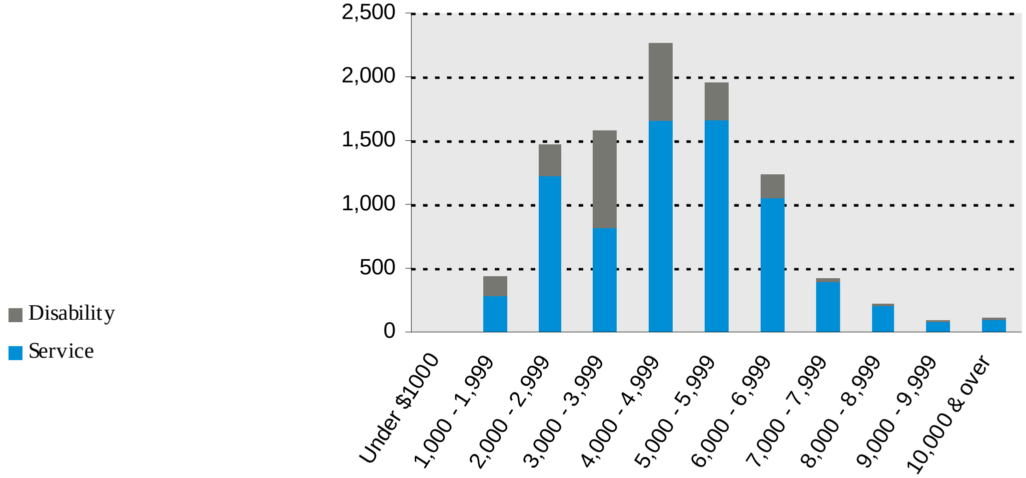
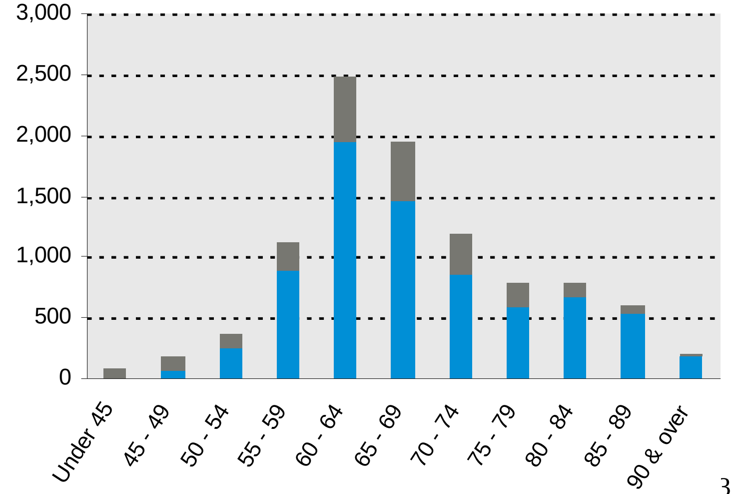


CHART 5

Distribution of Retired Members and by Type and by Age as of June 30, 2008



B. FINANCIAL INFORMATION

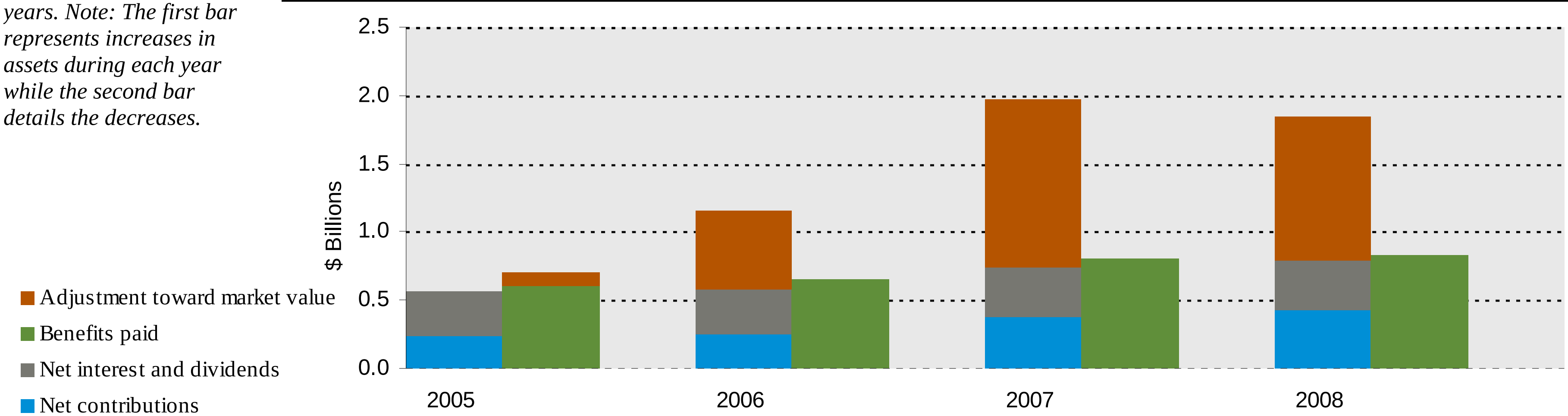
Retirement plan funding anticipates that, over the long term, both net contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last four years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2005 – 2008



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Commissioners has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2008

1.	Market value of assets				$14,357,134,724
2.	Calculation of unrecognized return[1]	Original Amount	Percent Not Recognized	Amount Not Recognized	
	(a) Year ended June 30, 2008	-$2,015,976,509	80%	-$1,612,781,207	
	(b) Year ended June 30, 2007	1,375,798,329	60%	825,478,997	
	(c) Year ended June 30, 2006	477,862,344	40%	191,144,938	
	(d) Year ended June 30, 2005	161,741,566	20%	32,348,313	
	(e) Total unrecognized return				-563,808,959
3.	Preliminary actuarial value: (1) - (2e)				14,920,943,683
4.	Adjustment to be within 20% corridor				0
5.	Final actuarial value of assets: (3) + (4)				$14,920,943,683
6.	Actuarial value as a percentage of market value: (5) ÷ (1)				103.9%
7.	Valuation value of retirement assets				$14,153,296,122

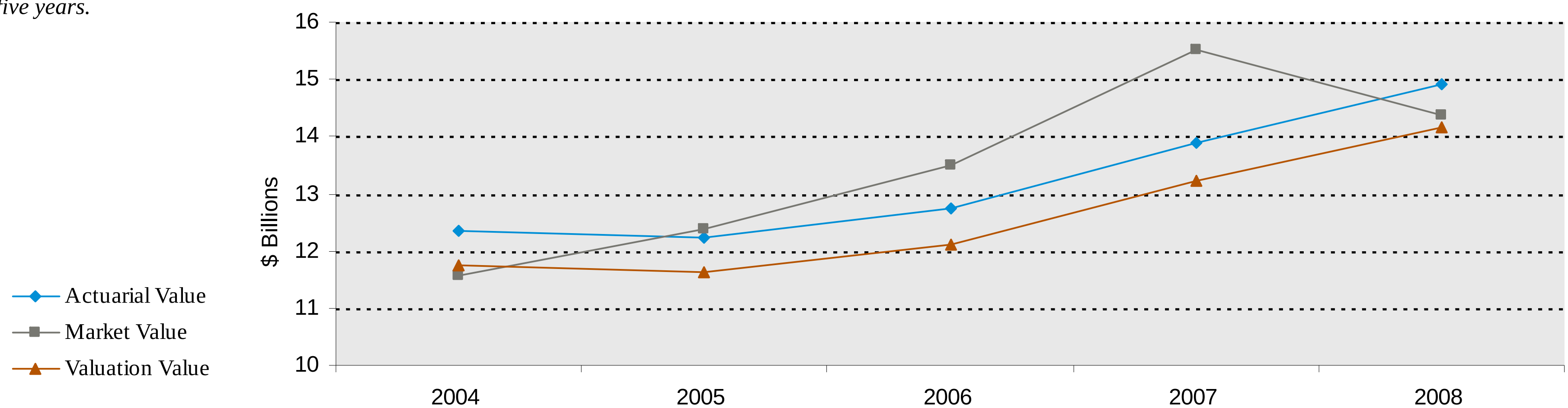
[1] *Total return minus expected return on a market value basis*

The actuarial value, market value and valuation value of assets are representations of LAFPP's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The portion of the total actuarial value of assets allocated for retirement benefits, based on a prorated share of market value, is shown as the valuation value of assets. The valuation value of assets is significant because LAFPP's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past five years.

CHART 8

Market, Actuarial, and Valuation Value of Assets as of June 30, 2004 – 2008



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total net gain of $347,636,836 was due mainly to an investment gain of $289,388,558. The net experience variation from all sources was 2.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended June 30, 2008

1.	Net gain/(loss) from investments[1]	$289,388,558
2.	Net gain/(loss) from other experience[2]	23,380,289
3.	Net gain/(loss) from contributions more/(less) than anticipated due to one-year lag for new rate	34,867,989
4.	Net experience gain/(loss): (1) + (2) + (3)	$347,636,836

(1) *Details in Chart 10.*

(2) *Details in Chart 13. The net gain is attributed to actual liability experience from June 30, 2007 through June 30, 2008, compared to the projected experience predicted by the actuarial assumptions as of June 30, 2007.*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on LAFPP's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00% (based on the June 30, 2007 valuation). The actual rate of return on the valuation value of assets basis for the 2008 plan year was 10.20%.

Since the actual return for the year was higher than the assumed return, LAFPP experienced an actuarial gain during the year ended June 30, 2008 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2008

	All Assets[1]	Assets for Retirement Only
1. Actual return	$1,414,391,128	$1,340,407,942
2. Average value of assets	13,866,303,656	13,137,742,303
3. Actual rate of return: (1) ÷ (2)	10.20%	10.20%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	$1,109,306,692	$1,051,019,384
6. Actuarial gain/(loss): (1) – (5)	$305,084,436	$289,388,558

[1] *Includes all assets for Retirement and Health Subsidy Benefits.*

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for all Retirement and Health Subsidy Benefits assets.

Based on the assumptions adopted by the Board for the June 30, 2008 valuation, we have maintained the investment return assumption at 8.00%.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2005 – 2008

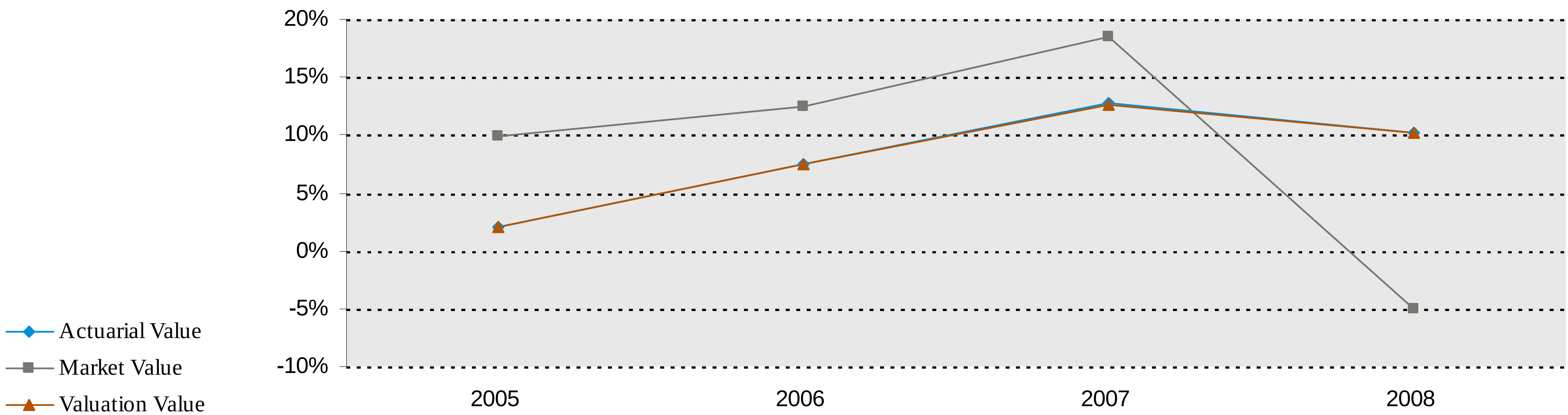
	Actuarial Value Investment Return		Market Value Investment Return	
Year Ended June 30	**Amount**	**Percent**	**Amount**	**Percent**
2005	$259,388,778	2.12%	$1,131,871,641	9.83%
2006	901,268,460	7.44%	1,520,383,435	12.40%
2007	1,590,968,304	12.57%	2,450,077,668	18.25%
2008	1,414,391,128	10.20%	-776,503,003	-5.01%

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2005 - 2008.

CHART 12

Market, Actuarial, and Valuation Rates of Return for Years Ended June 30, 2005 - 2008



Other Experience
There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the year ended June 30, 2008 amounted to $23,380,829, which is 0.2% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the LAFPP for the year ended June 30, 2008 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2008

1.	Loss due to higher than expected salary increases for continuing actives	-$13,364,921
2.	Miscellaneous losses	36,745,210
3.	Net gain/(loss)	$23,380,289

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability, separately for each Tier. The total amount is then divided by the projected payroll for active members to determine the funding rate of 19.78%% of payroll at beginning of year.

CHART 14
Recommended Contribution

The chart compares this valuation's recommended contribution with the prior valuation.

	Year Beginning July 1			
	2008		2007	
	Amount	% of Payroll	Amount[1]	% of Payroll
Tier 1 Members				
1. Total normal cost	$ 0	N/A	$ 0	N/A
2. Expected employee contributions	0	N/A	0	N/A
3. Employer normal cost: (1) - (2)	0	N/A	0	N/A
4. Actuarial accrued liability	180,287,862		199,146,299	
5. Valuation value of assets	-38,422,748		-29,145,150	
6. Unfunded actuarial accrued liability: (4) – (5)	218,710,610		228,291,449	
7. Amortization of unfunded accrued liability	18,148,634	N/A	18,776,429	N/A
8. Total recommended contribution, beginning of year	18,148,634	N/A	18,776,429	N/A
9. Total recommended contribution, July 15	18,206,925	N/A	18,836,736	N/A
10. Total recommended contribution, biweekly	18,883,895	N/A	19,537,124	N/A
11. Projected payroll used for developing normal cost rate	N/A		N/A	
Tier 2 Members				
1. Total normal cost	$5,427,833	26.72%	$5,264,903	25.92%
2. Expected employee contributions	705,414	3.47%	814,516	4.01%
3. Employer normal cost: (1) - (2)	4,722,419	23.25%	4,450,387	21.91%
4. Actuarial accrued liability	6,140,234,115		6,188,348,000	
5. Valuation value of assets	6,772,479,634		6,609,642,656	
6. Unfunded/(surplus) actuarial accrued liability: (4) – (5)	-632,245,519		-421,294,656	
7. Amortization of unfunded accrued liability	-34,240,166	-2.84%[2]	-23,769,809	-1.97%[2]
8. Total recommended contribution, beginning of year	-29,517,747	N/A	-19,319,422	N/A
9. Total recommended contribution, July 15	-29,612,554	N/A	-19,381,473	N/A
10. Total recommended contribution, biweekly	-30,713,608	N/A	20,102,115	N/A
11. Projected payroll used for developing normal cost rate	20,312,124		N/A	

[1] *For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2008.*

[2] *Percent of TOTAL payroll.*

CHART 14

Recommended Contribution (Continued)

	Year Beginning July 1			
	2008		2007	
	Amount	% of Payroll	Amount[1]	% of Payroll
Tier 3 Members				
1. Total normal cost	$23,539,797	25.74%	$23,037,906	25.19%
2. Expected employee contributions	7,316,524	8.00%	7,307,379	7.99%
3. Employer normal cost: (1) - (2)	16,223,273	17.74%	15,730,527	17.20%
4. Actuarial accrued liability	629,348,734		573,570,400	
5. Valuation value of assets	533,571,769		472,136,099	
6. Unfunded actuarial accrued liability: (4) – (5)	95,776,965		101,434,301	
7. Amortization of unfunded accrued liability	4,810,167	5.26%	3,301,582	3.61%
8. Total recommended contribution, beginning of year	21,033,440	23.00%	19,032,109	20.80%
9. Total recommended contribution, July 15	21,100,996	23.07%	19,086,983	20.87%
10. Total recommended contribution, biweekly	21,885,574	23.93%	19,800,344	21.65%
11. Projected payroll used for developing normal cost rate	91,456,553		N/A	
Tier 4 Members				
1. Total normal cost	$10,407,958	24.16%	$10,087,981	23.42%
2. Expected employee contributions	3,445,937	8.00%	3,445,937	8.00%
3. Employer normal cost: (1) - (2)	6,962,021	16.16%	6,642,044	15.42%
4. Actuarial accrued liability	320,113,204		281,902,777	
5. Valuation value of assets	268,651,252		239,031,929	
6. Unfunded actuarial accrued liability: (4) – (5)	51,461,952		42,870,848	
7. Amortization of unfunded accrued liability	2,135,667	4.96%	943,325	2.19%
8. Total recommended contribution, beginning of year	9,097,688	21.12%	7,585,369	17.61%
9. Total recommended contribution, July 15	9,126,908	21.19%	7,611,214	17.67%
10. Total recommended contribution, biweekly	9,466,265	21.98%	7,895,503	18.33%
11. Projected payroll used for developing normal cost rate	43,074,214		N/A	

[1] *For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2008.*

CHART 14

Recommended Contribution (Continued)

	Year Beginning July 1			
	2008		2007	
	Amount	% of Payroll	Amount[1]	% of Payroll
Tier 5 Members (without Harbor Port Police)				
1. Total normal cost	$292,969,404	28.03%	$286,648,322	27.43%
2. Expected employee contributions	90,412,251	8.65%	89,767,010	8.59%
3. Employer normal cost: (1) - (2)	202,557,153	19.38%	196,881,312	18.84%
4. Actuarial accrued liability	6,995,473,518		6,070,122,794	
5. Valuation value of assets	6,603,315,235		5,917,652,327	
6. Unfunded actuarial accrued liability: (4) – (5)	392,158,283		152,470,467	
7. Amortization of unfunded accrued liability	16,047,217	1.54%	5,747,597	0.55%
8. Total recommended contribution, beginning of year	218,604,370	20.92%	202,628,909	19.39%
9. Total recommended contribution, July 15	219,306,496	20.99%	203,255,919	19.45%
10. Total recommended contribution, biweekly	227,460,749	21.77%	210,780,046	20.17%
11. Projected payroll used for developing normal cost rate	1,045,017,580		N/A	
Harbor Port Police (Tier 5)				
1. Total normal cost	$1,928,805	28.66%	$1,913,000	28.43%
2. Expected employee contributions	605,593	9.00%	605,593	9.00%
3. Employer normal cost: (1) - (2)	1,323,212	19.66%	1,307,407	19.43%
4. Actuarial accrued liability	13,658,309		10,999,358	
5. Valuation value of assets	13,700,980		10,999,358[2]	
6. Unfunded/(surplus) actuarial accrued liability: (4) – (5)	-42,671		0[2]	
7. Amortization of unfunded accrued liability	-6,285	-0.09%	0[2]	0.00%[2]
8. Total recommended contribution, beginning of year	1,316,927	19.57%	1,307,407[2]	19.43%[2]
9. Total recommended contribution, July 15	1,321,157	19.63%	1,311,606[2]	19.49%[2]
10. Total recommended contribution, biweekly	1,370,280	20.36%	1,360,374[2]	20.22%[2]
11. Projected payroll used for developing normal cost rate	6,728,806		N/A	

(1) *For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2008.*

(2) *Revised to recognize payment of June 30, 2007 UAAL during the 2007-2008 fiscal year.*

CHART 14

Recommended Contribution (Continued)

	Year Beginning July 1			
	2008		2007(2)	
	Amount	% of Payroll	Amount(1)	% of Payroll
All Tiers Combined				
1. Total normal cost	$334,273,797	27.70%	$326,952,112	27.10%
2. Expected employee contributions	102,485,719	8.49%	101,940,435	8.45%
3. Employer normal cost: (1) - (2)	231,788,078	19.21%	225,011,677	18.65%
4. Actuarial accrued liability	14,279,115,742		13,324,089,628	
5. Valuation value of assets	14,153,296,122		13,215,668,458	
6. Unfunded/(surplus) actuarial accrued liability: (4) – (5)	125,819,620		108,421,170	
7. Amortization of unfunded accrued liability	6,895,234	0.57%	4,999,124	0.41%
8. Total recommended contribution, beginning of year	238,683,312	19.78%	230,010,801	19.06%
9. Total recommended contribution, July 15	239,449,929	19.85%	230,720,985	19.12%
10. Total recommended contribution, biweekly	248,353,155	20.58%	239,271,276	19.83%
11. Projected payroll used for developing normal cost rate	1,206,589,277		N/A	

(1) *For Tiers 2 through 5, amounts are revised to reflect payroll as of June 30, 2008.*
(2) *Revised to recognize payment of Harbor Port Police June 30, 2007 UAAL during the 2007-2008 fiscal year.*

If paid by the City at the beginning of the year, the calculated normal cost is 19.21% payroll. The remaining 0.57% of payroll will amortize the unfunded actuarial accrued liability over an equivalent single amortization period of 29.2 years.

The contribution rates as of June 30, 2008 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15

Reconciliation of Recommended Contribution from June 30, 2007 to June 30, 2008

Recommended Contribution as of June 30, 2007	$230,010,801[1]
Increase on prior year amortization dollar amounts due to percentage of payroll amortization	$2,789,884
Effect of contributions (more)/less than recommended contribution	-2,306,485
Effect of investment (gain)/loss	-19,097,566
Effect of other (gains) and losses	33,454
Effect of change in actuarial assumptions and methods for anticipating the DROP-related cash flows	19,574,187
Effect of payroll and demographic changes	7,679,037
Total change	$8,672,511
Recommended Contribution as of June 30, 2008	$238,683,312

[1] *Revised using payroll as of June 30, 2008.*

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using the actuarial value of assets.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16

Required Versus Actual Contributions

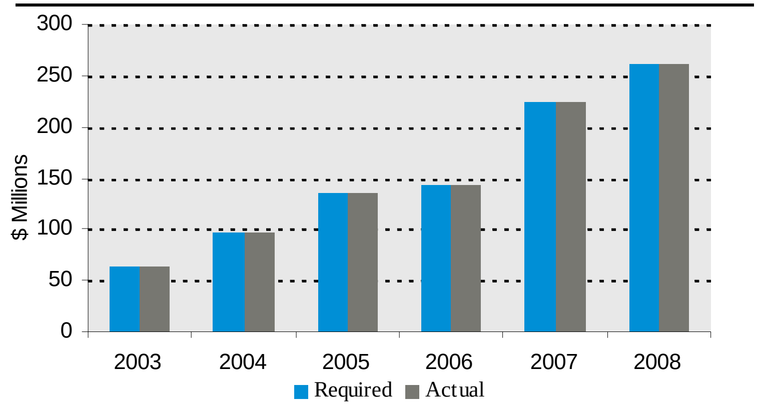


CHART 17

Funded Ratio

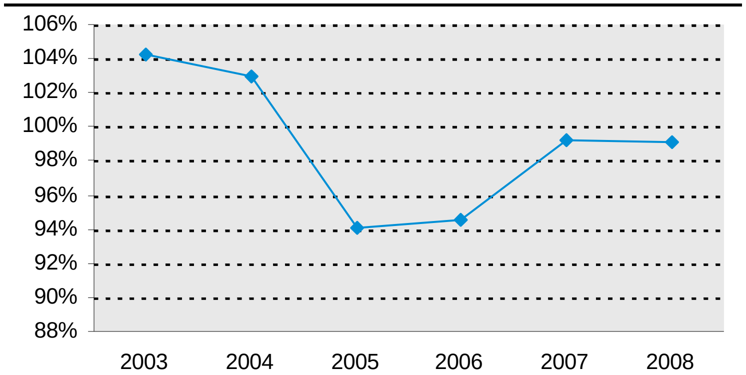


EXHIBIT A
Table of Plan Coverage
Total

Category	Year Ended June 30 2008	2007	Change From Prior Year
Active members in valuation:			
Number (including 1,144 and 1,226 DROP members in 2008 and 2007, respectively)	13,495	13,218	2.1%
Average age	40.3	40.5	N/A
Average service	13.4	13.7	N/A
Projected total payroll	$1,206,589,277	$1,135,591,951	6.3%
Projected average payroll	$89,410	$85,913	4.1%
Account balances	$1,287,893,924	$1,236,583,314	4.1%
Total active vested members	4,289	4,128	3.9%
Vested terminated members:			
Number	81	85	-4.7%
Average age	43.8	43.5	N/A
Average monthly benefit	$1,797	$1,873	-4.1%
Retired members:			
Number in pay status	7,438	7,273	2.3%
Average age at retirement	51.3	51.2	N/A
Average age	68.5	68.4	N/A
Average monthly benefit (includes July COLA)	$4,869	$4,646	4.8%
Disabled members:			
Number in pay status	2,325	2,331	-0.3%
Average age at retirement	44.2	44.2	N/A
Average age	65.5	65.0	N/A
Average monthly benefit (includes July COLA)	$4,209	$4,073	3.3%
Beneficiaries:			
Number in pay status	2,419	2,370	2.1%
Average age	76.5	76.2	N/A
Average monthly benefit (includes July COLA)	$3,573	$3,424	4.4%

EXHIBIT A

Table of Plan Coverage

i. Tier 1

Category	Year Ended June 30 2008	Year Ended June 30 2007	Change From Prior Year
Active members in valuation:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average service	N/A	N/A	N/A
Projected total payroll	N/A	N/A	N/A
Projected average payroll	N/A	N/A	N/A
Account balances	N/A	N/A	N/A
Total active vested members	N/A	N/A	N/A
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Retired members:			
Number in pay status	162	178	-9.0%
Average age at retirement	46.2	46.2	N/A
Average age	83.1	82.9	N/A
Average monthly benefit (includes July COLA)	$2,140	$2,116	1.1%
Disabled members:			
Number in pay status	167	182	-8.2%
Average age at retirement	37.5	37.7	N/A
Average age	79.4	78.9	N/A
Average monthly benefit (includes July COLA)	$2,622	$2,519	4.1%
Beneficiaries:			
Number in pay status	539	569	-5.3%
Average age	83.8	83.5	N/A
Average monthly benefit (includes July COLA)	$2,420	$2,339	3.5%

EXHIBIT A

Table of Plan Coverage
ii. Tier 2

Category	Year Ended June 30 2008	Year Ended June 30 2007	Change From Prior Year
Active members in valuation:			
Number (including 117 and 120 DROP members in 2008 and 2007, respectively)	182	225	-19.1%
Average age	52.7	52.4	N/A
Average service	29.8	29.3	N/A
Projected total payroll	$20,312,124	$23,771,730	-14.6%
Projected average payroll	$111,605	$105,652	5.6%
Account balances	$37,675,684	$44,523,512	-15.4%
Total active vested members	182	225	-19.1%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Retired members:			
Number in pay status	5,671	5,813	-2.4%
Average age at retirement	50.6	50.6	N/A
Average age	70.6	70.0	N/A
Average monthly benefit (includes July COLA)	$4,544	$4,404	3.2%
Disabled members:			
Number in pay status	1,819	1,838	-1.0%
Average age at retirement	45.5	45.5	N/A
Average age	67.2	66.4	N/A
Average monthly benefit (includes July COLA)	$4,501	$4,359	3.3%
Beneficiaries:			
Number in pay status	1,750	1,690	3.6%
Average age	76.2	75.5	N/A
Average monthly benefit (includes July COLA)	$3,857	$3,727	3.5%

EXHIBIT A

Table of Plan Coverage

iii. Tier 3

Category	Year Ended June 30 2008	Year Ended June 30 2007	Change From Prior Year
Active members in valuation:			
Number (including 1 DROP member in 2008 and 2007, respectively)	996	1,030	-3.3%
Average age	42.5	41.7	N/A
Average service	14.3	13.2	N/A
Projected total payroll	$91,456,553	$90,248,421	1.3%
Projected average payroll	$91,824	$87,620	4.8%
Account balances	$91,166,171	$83,750,076	8.9%
Total active vested members	976	863	13.1%
Vested terminated members:			
Number	74	76	-2.6%
Average age	43.5	43.0	N/A
Average monthly benefit	$1,619	1,651	-1.9%
Retired members:			
Number in pay status	103	89	15.7%
Average age at retirement	52.5	52.3	N/A
Average age	58.4	58.1	N/A
Average monthly benefit (includes July COLA)	$2,507	$2,567	-2.3%
Disabled members:			
Number in pay status	238	230	3.5%
Average age at retirement	39.5	39.3	N/A
Average age	50.0	49.2	N/A
Average monthly benefit (includes July COLA)	$3,160	$3,034	4.2%
Beneficiaries:			
Number in pay status	73	69	5.8%
Average age	47.3	46.5	N/A
Average monthly benefit (includes July COLA)	$3,673	$3,635	1.0%

EXHIBIT A

Table of Plan Coverage

iv. Tier 4

Category	Year Ended June 30 2008	Year Ended June 30 2007	Change From Prior Year
Active members in valuation:			
Number (including 30 and 20 DROP members in 2008 and 2007, respectively)	452	470	-3.8%
Average age	40.4	39.6	N/A
Average service	15.9	15.2	N/A
Projected total payroll	$43,074,214	$42,664,786	1.0%
Projected average payroll	$95,297	$90,776	5.0%
Account balances	$50,072,553	$48,057,378	4.2%
Total active vested members	155	139	11.5%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Retired members:			
Number in pay status	94	77	22.1%
Average age at retirement	45.1	44.8	N/A
Average age	48.8	48.2	N/A
Average monthly benefit (includes July COLA)	$3,733	$3,502	6.6%
Disabled members:			
Number in pay status	38	37	2.7%
Average age at retirement	42.1	42.0	N/A
Average age	47.2	46.3	N/A
Average monthly benefit (includes July COLA)	$4,123	$3,975	3.7%
Beneficiaries:			
Number in pay status	3	3	0.0%
Average age	45.6	44.6	N/A
Average monthly benefit (includes July COLA)	$7,202	$7,126	1.1%

EXHIBIT A

Table of Plan Coverage

v. Tier 5 (without Harbor Port Police)

Category	Year Ended June 30 2008	Year Ended June 30 2007	Change From Prior Year
Active members in valuation:			
Number (including 995 and 1,085 DROP members in 2008 and 2007, respectively)	11,777	11,431	3.0%
Average age	39.9	40.2	N/A
Average service	13.0	13.4	N/A
Projected total payroll	$1,045,017,580	$974,307,994	7.3%
Projected average payroll	$88,734	$85,234	4.1%
Account balances	$1,106,371,364	$1,058,429,833	4.5%
Total active vested members	2,969	2,894	2.6%
Vested terminated members:			
Number	7	9	-22.2%
Average age	47.0	47.9	N/A
Average monthly benefit	$3,675	$3,744	-1.8%
Retired members:			
Number in pay status	1,407	1,115	26.2%
Average age at retirement	55.3	55.6	N/A
Average age	60.5	60.0	N/A
Average monthly benefit (includes July COLA)	$6,740	$6,554	2.8%
Disabled members:			
Number in pay status	62	43	44.2%
Average age at retirement	43.3	43.7	N/A
Average age	46.0	45.9	N/A
Average monthly benefit (includes July COLA)	$4,031	$4,085	-1.3%
Beneficiaries:			
Number in pay status	54	39	38.5%
Average age	54.8	52.5	N/A
Average monthly benefit (includes July COLA)	$5,550	$5,466	1.5%

EXHIBIT A

Table of Plan Coverage

vi. Harbor Port Police (Tier 5)

Category	Year Ended June 30: 2008	Year Ended June 30: 2007	Change From Prior Year
Active members in valuation:			
Number (including 1 and 0 DROP members in 2008 and 2007, respectively)	88	62	41.9%
Average age	35.1	36.6	N/A
Average service	4.6	4.9	N/A
Projected total payroll	$6,728,806	$4,599,020	46.3%
Projected average payroll	$76,464	$74,178	3.1%
Account balances	$2,608,151	$1,822,515	43.1%
Total active vested members	7	7	0.0%
Vested terminated members:			
Number	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit	N/A	N/A	N/A
Retired members:			
Number in pay status	1	1	0.0%
Average age at retirement	57.0	57.0	N/A
Average age	59.0	58.0	N/A
Average monthly benefit (includes July COLA)	$5,844	$5,674	3.0%
Disabled members:			
Number in pay status	1	1	0.0%
Average age at retirement	32.0	32.0	N/A
Average age	38.5	37.5	N/A
Average monthly benefit (includes July COLA)	$2,892	$2,808	3.0%
Beneficiaries:			
Number in pay status	0	0	N/A
Average age	N/A	N/A	N/A
Average monthly benefit (includes July COLA)	N/A	N/A	N/A

EXHIBIT B

Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll
Total

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	602	602	- -	- -	- -	- -	- -	- -	- -	- -
	$58,938	$58,938	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	1,583	1,382	201	- -	- -	- -	- -	- -	- -	- -
	67,958	65,812	$82,715	- -	- -	- -	- -	- -	- -	- -
30 - 34	1,972	774	929	269	- -	- -	- -	- -	- -	- -
	79,339	68,851	84,942	$90,167	- -	- -	- -	- -	- -	- -
35 - 39	2,560	346	703	1,379	132	- -	- -	- -	- -	- -
	88,109	69,536	86,635	92,403	$99,792	- -	- -	- -	- -	- -
40 - 44	2,465	119	245	781	1,024	295	1	- -	- -	- -
	95,021	69,649	86,152	92,155	99,548	$104,419	$117,535	- -	- -	- -
45 - 49	2,053	15	63	265	613	710	378	9	- -	- -
	101,187	67,677	87,357	92,537	99,544	103,511	108,704	$121,391	- -	- -
50 - 54	1,423	6	12	76	133	312	595	288	1	- -
	106,081	82,205	86,785	92,671	99,206	102,043	108,168	113,932	$171,806	- -
55 - 59	646	- -	1	19	11	59	177	332	47	- -
	106,301	- -	91,146	91,762	100,164	99,818	103,835	108,676	114,585	- -
60 - 64	172	- -	- -	8	3	10	23	84	40	4
	104,518	- -	- -	97,810	116,353	99,933	101,252	105,497	103,839	$125,546
65 - 69	17	- -	- -	- -	- -	1	1	6	7	2
	103,924	- -	- -	- -	- -	88,080	94,999	97,743	99,732	149,527
70 & over	2	- -	- -	1	- -	- -	- -	1	- -	- -
	91,759	- -	- -	88,518	- -	- -	- -	94,999	- -	- -
Total	13,495	3,244	2,154	2,798	1,916	1,387	1,175	720	95	6
	$89,410	$65,838	$85,508	$92,148	$99,570	$103,180	$107,549	$110,456	$109,568	$133,540

EXHIBIT B

Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll
i. Tier 1

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
50 - 54	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
55 - 59	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
60 - 64	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -

EXHIBIT B

Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll
ii. Tier 2

		Years of Service								
Age	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
40 - 44	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
45 - 49	32	- -	- -	- -	- -	- -	28	4	- -	- -
	$109,425	- -	- -	- -	- -	- -	$109,379	$109,744	- -	- -
50 - 54	115	- -	- -	- -	- -	- -	65	50	- -	- -
	112,661	- -	- -	- -	- -	- -	112,741	112,559	- -	- -
55 - 59	28	- -	- -	- -	- -	- -	6	19	3	- -
	109,594	- -	- -	- -	- -	- -	101,701	109,930	$123,252	- -
60 - 64	6	- -	- -	- -	- -	- -	- -	6	- -	- -
	114,037	- -	- -	- -	- -	- -	- -	114,036	- -	- -
65 - 69	1	- -	- -	- -	- -	- -	- -	- -	1	- -
	101,616	- -	- -	- -	- -	- -	- -	- -	101,616	- -
70 & over	-	- -	- -	- -	- -	- -	- -	- -	- -	- -
	-	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	182	- -	- -	- -	- -	- -	99	79	4	- -
	$111,605	- -	- -	- -	- -	- -	$111,121	$111,896	$117,843	- -

EXHIBIT B

Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll
iii. Tier 3

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	57	- -	1	56	- -	- -	- -	- -	- -	- -
	$89,686	- -	$81,587	$89,831	- -	- -	- -	- -	- -	- -
35 - 39	316	- -	9	292	15	- -	- -	- -	- -	- -
	89,456	- -	83,133	89,514	$92,124	- -	- -	- -	- -	- -
40 - 44	331	2	7	169	141	12	- -	- -	- -	- -
	92,275	65,815	82,094	89,906	95,699	$95,735	- -	- -	- -	- -
45 - 49	179	- -	1	65	78	32	3	- -	- -	- -
	94,062	- -	90,952	92,250	94,706	95,883	$98,223	- -	- -	- -
50 - 54	77	- -	- -	38	25	12	2	- -	- -	- -
	94,055	- -	- -	91,780	94,795	99,691	94,222	- -	- -	- -
55 - 59	24	- -	- -	15	3	5	1	- -	- -	- -
	94,389	- -	- -	91,119	103,182	97,508	101,453	- -	- -	- -
60 - 64	10	- -	- -	7	1	2	- -	- -	- -	- -
	101,216	- -	- -	99,804	126,144	93,690	- -	- -	- -	- -
65 - 69	1	- -	- -	- -	- -	1	- -	- -	- -	- -
	88,080	- -	- -	- -	- -	88,080	- -	- -	- -	- -
70 & over	1	- -	- -	1	- -	- -	- -	- -	- -	- -
	88,518	- -	- -	88,518	- -	- -	- -	- -	- -	- -
Total	996	2	18	643	263	64	6	- -	- -	- -
	$91,824	$65,815	$83,077	$90,203	$95,316	$96,506	$97,428	- -	- -	- -

EXHIBIT B

Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll
iv. Tier 4

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	10	- -	10	- -	- -	- -	- -	- -	- -	- -
	$82,406	- -	$82,406	- -	- -	- -	- -	- -	- -	- -
30 - 34	125	- -	113	12	- -	- -	- -	- -	- -	- -
	84,747	- -	84,149	$90,378	- -	- -	- -	- -	- -	- -
35 - 39	61	1	30	18	12	- -	- -	- -	- -	- -
	89,652	$75,253	83,745	92,323	$101,610	- -	- -	- -	- -	- -
40 - 44	132	- -	12	2	76	42	- -	- -	- -	- -
	100,064	- -	85,569	82,652	100,689	$103,903	- -	- -	- -	- -
45 - 49	104	- -	5	- -	6	52	41	- -	- -	- -
	103,978	- -	86,231	- -	104,735	103,096	$107,150	- -	- -	- -
50 - 54	19	- -	- -	- -	- -	2	17	- -	- -	- -
	108,905	- -	- -	- -	- -	98,518	110,127	- -	- -	- -
55 - 59	1	- -	- -	- -	- -	- -	1	- -	- -	- -
	96,772	- -	- -	- -	- -	- -	96,772	- -	- -	- -
60 - 64	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -
Total	452	1	170	32	94	96	59	- -	- -	- -
	$95,297	$75,253	$84,136	$90,989	$101,065	$103,353	$107,832	- -	- -	- -

EXHIBIT B

Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll
v. Tier 5 (without Harbor Port Police)

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	594	594	- -	- -	- -	- -	- -	- -	- -	- -
	$58,913	$58,913	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	1,544	1,353	191	- -	- -	- -	- -	- -	- -	- -
	67,907	65,815	$82,731	- -	- -	- -	- -	- -	- -	- -
30 - 34	1,776	760	815	201	- -	- -	- -	- -	- -	- -
	78,691	68,810	85,056	$90,249	- -	- -	- -	- -	- -	- -
35 - 39	2,170	335	662	1,068	105	- -	- -	- -	- -	- -
	87,939	69,350	86,830	93,204	$100,680	- -	- -	- -	- -	- -
40 - 44	1,994	112	224	609	807	241	1	- -	- -	- -
	95,139	68,409	86,341	92,784	100,113	$104,941	$117,535	- -	- -	- -
45 - 49	1,732	13	56	199	527	626	306	5	- -	- -
	101,645	65,876	87,029	92,705	100,218	103,935	108,953	$130,710	- -	- -
50 - 54	1,204	4	12	37	108	294	510	238	1	- -
	106,184	67,357	86,785	93,179	100,227	102,165	107,588	114,220	$171,806	- -
55 - 59	591	- -	1	4	8	54	168	312	44	- -
	106,660	- -	91,146	94,170	99,033	100,032	103,982	108,620	113,994	- -
60 - 64	156	- -	- -	1	2	8	23	78	40	4
	104,364	- -	- -	83,846	111,458	101,494	101,252	104,840	103,839	$125,546
65 - 69	15	- -	- -	- -	- -	- -	1	6	6	2
	105,135	- -	- -	- -	- -	- -	94,999	97,743	99,418	149,528
70 & over	1	- -	- -	- -	- -	- -	- -	1	- -	- -
	94,999	- -	- -	- -	- -	- -	- -	94,999	- -	- -
Total	11,777	3,171	1,961	2,119	1,557	1,223	1,009	640	91	6
	$88,734	$65,707	$85,645	$92,753	$100,204	$103,519	$107,254	$110,291	$109,204	$133,540

EXHIBIT B

Members in Active Service as of June 30, 2008
By Age, Years of Service, and Average Payroll
vi. Harbor Port Police (Tier 5)

		Years of Service								
Age	**Total**	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & over**
Under 25	8	8	- -	- -	- -	- -	- -	- -	- -	- -
	$60,777	$60,777	- -	- -	- -	- -	- -	- -	- -	- -
25 - 29	29	29	- -	- -	- -	- -	- -	- -	- -	- -
	65,675	65,675	- -	- -	- -	- -	- -	- -	- -	- -
30 - 34	14	14	- -	- -	- -	- -	- -	- -	- -	- -
	71,089	71,089	- -	- -	- -	- -	- -	- -	- -	- -
35 - 39	13	10	2	1	- -	- -	- -	- -	- -	- -
	76,585	75,199	$80,947	$81,718	- -	- -	- -	- -	- -	- -
40 - 44	8	5	2	1	- -	- -	- -	- -	- -	- -
	96,083	98,956	82,681	108,520	- -	- -	- -	- -	- -	- -
45 - 49	6	2	1	1	2	- -	- -	- -	- -	- -
	89,003	79,383	107,748	77,526	$94,990	- -	- -	- -	- -	- -
50 - 54	8	2	- -	1	- -	4	1	- -	- -	- -
	105,091	111,901	- -	107,748	- -	$101,886	$101,637	- -	- -	- -
55 - 59	2	0	- -	- -	- -	- -	1	1	- -	- -
	101,875	0	- -	- -	- -	- -	101,395	$102,355	- -	- -
60 - 64	- -	0	- -	- -	- -	- -	- -	- -	- -	- -
	- -	0	- -	- -	- -	- -	- -	- -	- -	- -
65 - 69	- -	0	- -	- -	- -	- -	- -	- -	- -	- -
	- -	0	- -	- -	- -	- -	- -	- -	- -	- -
70 & over	- -	0	- -	- -	- -	- -	- -	- -	- -	- -
	- -	0	- -	- -	- -	- -	- -	- -	- -	- -
Total	88	70	5	4	2	4	2	1	- -	- -
	$76,464	$71,648	$87,000	$93,878	$94,991	$101,886	$101,516	$102,355	- -	- -

EXHIBIT C
Reconciliation of Member Data

	Active Members[1]	Vested Former Members	Disableds	Retired Members	Beneficiaries	Total
Number as of June 30, 2007	13,218	85	2,331	7,273	2,370	25,277
New members	877	N/A	N/A	N/A	N/A	877
Terminations – with vested rights	-5	5	0	0	0	0
Retirements	-358	-8	N/A	366	N/A	0
New disabilities	-37	0	38	-1	N/A	0
Died with or without beneficiary	-13	-1	-46	-201	49	-212
Refund of member contributions	-189	0	0	0	0	-189
Rehired	2	-2	0	0	N/A	0
Data adjustments	0	2	2	1	0	5
Number as of June 30, 2008	13,495	81	2,325	7,438	2,419	25,758

(1) *Includes members in the DROP.*

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis for All Retirement and Health Subsidy Benefits Assets

	Year Ended June 30, 2008		Year Ended June 30, 2007[1]	
Contribution income:				
Employer contributions	$339,892,819[2]		$280,108,763	
Employee contributions	98,074,219		91,263,474	
Net contribution income		$437,967,038		$371,372,237
Investment income:				
Interest, dividends and other income	$427,413,537		$427,020,011	
Recognition of capital appreciation	1,058,101,014		1,223,337,528	
Less investment and administrative fees	71,123,423		59,389,235	
Net investment income		1,414,391,128		1,590,968,304
Total income available for benefits		$1,852,196,605		$1,962,340,541
Less benefit payments		$827,959,245		$800,819,286
Change in reserve for future benefits		$1,024,237,360		$1,161,521,255

[1] *Does not include $6,220,076 (discounted to $6,058,515) of Harbor Port Police assets transferred in October, 2007.*

[2] *Includes $6,220,076 of Harbor Port Police assets transferred and the $6,733,959 HPP payment of the June 30, 2007 UAAL.*

EXHIBIT E

Table of Financial Information for All Retirement and Health Subsidy Benefits Assets

	Year Ended June 30, 2008		Year Ended June 30, 2007[1]	
Cash equivalents		$686,712		$5,044,693
Accounts receivable:				
Accrued interest and dividends	$47,147,517		$52,399,617	
Contributions	6,526,522		5,797,976	
Due from brokers	275,114,543		269,370,711	
Total accounts receivable		328,788,582		327,568,304
Investments:				
Equities	$9,778,349,884		$10,660,124,425	
Fixed income investments	3,881,442,261		4,236,024,050	
Real estate	1,288,669,862		1,179,505,370	
Securities lending collateral	2,532,999,733		3,081,125,634	
Total investments at market value		17,481,461,740		19,156,779,479
Total assets		$17,810,937,034		$19,489,392,476
Less accounts payable:				
Accounts payable and benefits in process	$47,413,823		$45,225,183	
Due to brokers	569,750,784		499,127,569	
Mortgage payable	303,637,970		340,122,595	
Securities lending collateral	2,532,999,733		3,081,125,634	
Total accounts payable		$3,453,802,310		$3,965,600,981
Net assets at market value		$14,357,134,724		$15,523,791,495
Net assets at actuarial value		$14,920,943,683		$13,896,706,323
Net assets at valuation value (retirement benefits)		$14,153,296,122		$13,210,398,977

(1) *Does not include $6,220,076 (discounted to $6,058,515) of Harbor Port Police assets transferred in October, 2007.*

EXHIBIT F

Development of the Fund Through June 30, 2008 for All Retirement and Health Subsidy Benefits Assets

Year Ended June 30	Employer Contributions	Employee Contributions	Net Investment Return[1]	Benefit Payments	Actuarial Value of Assets at End of Year
2003	$98,529,049	$73,270,752	$563,234,852	$530,621,472	$12,283,289,393
2004	136,202,866	76,608,611	411,364,871	565,770,657	12,341,695,084
2005	167,364,751	75,652,949	251,274,616	604,674,609	12,231,312,791
2006	175,359,083	79,402,694	901,268,460	652,157,960	12,735,185,068
2007	286,167,278[2]	91,263,474	1,590,968,304	800,819,286	13,902,764,838
2008	333,672,743	98,074,219	1,414,391,128	827,959,245	14,920,943,683

[1] *Net of investment fees and administrative expenses*

[2] *Includes $6,220,076 (discounted to $6,058,515) of Harbor Port Police assets transferred in October, 2007.*

EXHIBIT G

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2008

1. Unfunded actuarial accrued liability at beginning of year[1]	$108,421,170
2. Normal cost at beginning of year	307,487,283
3. Total contributions[1]	354,299,709
4. Interest	9,223,569
5. Expected unfunded actuarial accrued liability: (1) + (2) – (3) + (4)	70,832,313
6. Changes due to experience gain[2]	-312,768,847
7. Changes in actuarial assumptions	367,756,154
8. Unfunded actuarial accrued liability at end of year: (5) + (6) + (7)	$125,819,620

[1] *Harbor Port Police assets transferred in October, 2007 ($6,220,076) included in June 30, 2007 valuation value of assets.*

[2] *Excludes gain from contributions more than anticipated due to one-year lag of new rates. That gain is already included in the development of item 5.*

EXHIBIT H

Table of Amortization Bases

Tier 1

Type	Date Established	Annual Payment[1]	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2008	$18,148,634	29	$218,710,610
Total		$18,148,634		$218,710,610

Tier 2

Type	Date Established	Annual Payment[2]	Years Remaining	Outstanding Balance
Unfunded Actuarial Accrued Liability	07/01/2008	-$34,240,166	29	-$632,245,519
Total		-$34,240,166		-$632,245,519

(1) *Level dollar amortization*

(2) *Level percentage of payroll amortization*

EXHIBIT H
Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Annual Payment[1]	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-$1,620,423	11	-$15,031,112
Plan Amendment	07/01/1990	26,898	12	267,742
Assumption Change	07/01/1990	-604,238	12	-6,014,559
Assumption Change	07/01/1992	215,149	14	2,418,268
Experience Loss	07/01/1994	465,201	1	465,201
Experience Gain	07/01/1995	-559,863	2	-1,100,286
Assumption Change	07/01/1995	-1,587,918	17	-20,653,061
Experience Gain	07/01/1996	-36,224	3	-104,943
Plan Amendment	07/01/1996	214,003	18	2,900,759
Asset Method Change	07/01/1996	-1,383,377	18	-18,751,349
Experience Gain	07/01/1997	-2,421,955	4	-9,194,825
Experience Gain	07/01/1998	-3,710,351	5	-17,307,399
Plan Amendment	07/01/1998	392,070	20	5,722,300
Assumption Change	07/01/1998	659,419	20	9,624,281
Experience Gain	07/01/1999	-5,628,149	6	-30,969,789
Experience Gain	07/01/2000	-6,455,737	7	-40,746,001
Plan Amendment	07/01/2000	64,095	22	997,602
Experience Gain	07/01/2001	-4,906,089	8	-34,796,159
Assumption Change	07/01/2001	-1,919,940	23	-30,765,078
Experience Loss	07/01/2002	12,598,372	9	98,849,064
Experience Loss	07/01/2003	16,298,670	10	139,740,575
Experience Loss	07/01/2004	1,024,764	11	9,505,750
Assumption Change	07/01/2004	-537,115	26	-9,297,002
Experience Loss	07/01/2005	2,078,464	12	20,688,940
Assumption Change	07/01/2005	1,650,766	27	29,231,974

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 3

Type	Date Established	Annual Payment[1]	Years Remaining	Outstanding Balance
Experience Loss	07/01/2006	1,504,163	13	15,956,666
Assumption Change	07/01/2006	1,693,967	28	30,649,392
Experience Gain	07/01/2007	-1,446,438	20	-21,110,885
Assumption Change	07/01/2007	-278,439	29	-5,141,385
Experience Gain	07/01/2008	-1,406,401	17	-18,292,189
Assumption Change	07/01/2008	426,823	30	8,034,472
Total		$4,810,167		$95,776,965

(1) *Level percentage of payroll amortization*

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Annual Payment[1]	Years Remaining	Outstanding Balance
Assumption Change	07/01/1989	-$635,113	11	-$5,891,334
Plan Amendment	07/01/1990	10,543	12	104,940
Assumption Change	07/01/1990	-236,826	12	-2,357,360
Assumption Change	07/01/1992	84,326	14	947,822
Experience Loss	07/01/1994	182,333	1	182,333
Experience Gain	07/01/1995	-219,434	2	-431,249
Assumption Change	07/01/1995	-622,373	17	-8,094,816
Experience Gain	07/01/1996	-14,198	3	-41,131
Plan Amendment	07/01/1996	83,877	18	1,136,932
Asset Method Change	07/01/1996	-542,204	18	-7,349,454
Experience Gain	07/01/1997	-949,268	4	-3,603,844
Experience Gain	07/01/1998	-1,454,244	5	-6,783,507
Plan Amendment	07/01/1998	153,669	20	2,242,814
Assumption Change	07/01/1998	258,455	20	3,772,168
Experience Gain	07/01/1999	-2,205,912	6	-12,138,382
Experience Gain	07/01/2000	-2,530,279	7	-15,970,097
Plan Amendment	07/01/2000	24,975	22	388,727
Experience Gain	07/01/2001	-1,134,374	8	-8,045,483
Assumption Change	07/01/2001	-321,349	23	-5,149,288
Experience Loss	07/01/2002	2,122,691	9	16,655,008
Experience Loss	07/01/2003	6,413,921	10	54,991,295
Experience Loss	07/01/2004	1,029,115	11	9,546,111
Assumption Change	07/01/2004	-322,376	26	-5,580,058
Experience Loss	07/01/2005	1,274,099	12	12,682,327
Assumption Change	07/01/2005	849,999	27	15,051,896

EXHIBIT H

Table of Amortization Bases (Continued)

Tier 4

Type	Date Established	Annual Payment[1]	Years Remaining	Outstanding Balance
Experience Loss	07/01/2006	556,128	13	5,899,593
Assumption Change	07/01/2006	840,730	28	15,211,547
Experience Gain	07/01/2007	-616,747	20	-9,001,481
Assumption Change	07/01/2007	-167,020	29	-3,084,025
Experience Gain	07/01/2008	-340,559	17	-4,429,445
Assumption Change	07/01/2008	563,082	30	10,599,393
Total		$2,135,667		$51,461,952

[1] *Level percentage of payroll amortization*

EXHIBIT H
Table of Amortization Bases (Continued)

Tier 5 (without Harbor Port Police)

Type	Date Established	Annual Payment[1]	Years Remaining	Outstanding Balance
Original Base	07/01/2002	-$10,144,609	24	-$167,057,279
Experience Gain	07/01/2003	-33,789,671	10	-289,703,877
Experience Loss	07/01/2004	10,800,893	11	100,189,527
Assumption Change	07/01/2004	-14,951,755	26	-258,802,032
Experience Loss	07/01/2005	23,266,131	12	231,590,064
Assumption Change	07/01/2005	25,500,678	27	451,569,290
Experience Loss	07/01/2006	5,872,241	13	62,294,686
Assumption Change	07/01/2006	16,823,437	28	304,390,885
Experience Gain	07/01/2007	-13,886,323	20	-202,672,061
Assumption Change	07/01/2007	-3,946,646	29	-72,874,913
Experience Gain	07/01/2008	-6,107,399	17	-79,435,149
Assumption Change	07/01/2008	16,610,240	30	312,669,142
Total		$16,047,217		$392,158,283

[1] *Level percentage of payroll amortization*

Harbor Port Police (Tier 5) [1]

Type	Date Established	Annual Payment[2]	Years Remaining	Outstanding Balance
Experience Gain	07/01/2008	-$13,002	17	-$169,104
Assumption Change	07/01/2008	6,717	30	126,433
Total		-$6,285		-$42,671

[1] *Base previously established at July 1, 2007 become fully amortized due to HPP payment of June 30, 2007 UAAL during the 2007-2008 fiscal year.*

[2] *Level percentage of payroll amortization*

EXHIBIT I

Section 415 Limitations

Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan.

A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for non-compliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $180,000 for 2007 and $185,000 for 2008. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions.

Benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

EXHIBIT J
Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial Assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age; and

(d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost: The amount of contributions required to fund the cost of benefits allocated to the current year of service.

Actuarial Accrued Liability For Actives: The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability For Pensioners: The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued Liability: The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the Unfunded Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return: The rate of earnings of the Plan from its investments, including interest, dividends and market gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the market gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I
Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1.	Retired members as of the valuation date (including 2,419 beneficiaries in pay status)		12,182
2.	Members inactive during year ended June 30, 2008 with vested rights		81
3.	Members active during the year ended June 30, 2008 (including 1,144 members in the DROP)		13,495
	Fully vested	4,289	
	Not vested	9,206	

The actuarial values as of the valuation date are as follows:

	Assets		
1.	Valuation value of retirement assets ($14,357,134,724 at market value[1] as reported by LAFPP and $14,920,943,683 at actuarial value[1])		$14,153,296,122
2.	Present value of future normal costs		
	Employee	$1,067,649,943	
	Employer	2,421,482,453	
	Total		$3,489,132,396
3.	Unfunded actuarial accrued liability		125,819,620
4.	Present value of current and future assets		$17,768,248,138
	Liabilities		
5.	Present value of future benefits		
	Retired members and beneficiaries	$8,183,755,499	
	Inactive members with vested rights	19,504,695	
	Active members	9,564,987,944	
	Total		$17,768,248,138

[1]*Includes all assets for Retirement and Health Subsidy Benefits.*

EXHIBIT I (continued)
Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1.	Total normal cost	$334,273,797
2.	Expected employee contributions	102,485,719
3.	Employer normal cost: (1) - (2)	$231,788,078
4.	Payment on projected unfunded actuarial accrued liability	6,895,234
5.	Total recommended contribution: (3) + (4), payable beginning of year	238,683,312
6.	Total recommended contribution: adjusted for July 15 payment	239,449,929
7.	Total recommended contribution: adjusted for biweekly payment	248,353,155
8.	Projected payroll	$1,206,589,277
9.	Item 5 as a percentage of projected payroll: (5) ÷ (8)	19.78%
10.	Item 6 as a percentage of projected payroll: (6) ÷ (8)	19.85%
11.	Item 7 as a percentage of projected payroll: (7) ÷ (8)	20.58%

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Retirement Benefits

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2003	$64,634,125	$64,634,125	100.00%
2004	97,465,612	97,465,612	100.00%
2005	135,853,688	135,853,688	100.00%
2006	143,945,802	143,945,802	100.00%
2007	224,946,082	224,946,082	100.00%
2008[1]	261,635,491	261,635,491	100.00%

(1) *Figures include amounts transferred and contributed during the fiscal year that were related to the transfer of certain Harbor Port Police members from the Los Angeles City Employees' Retirement System.*

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Retirement Benefits

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
06/30/2003	$11,690,750	$11,203,558	$(487,192)	104.3%	$970,727	(50.2%)
06/30/2004	11,735,696	11,389,981	(345,715)	103.0%	1,001,004	(34.5)%
06/30/2005	11,634,114	12,357,524	723,411	94.1%	1,037,445	69.7%
06/30/2006	12,121,403	12,811,384	689,981	94.6%	1,092,815	63.1%
06/30/2007	13,215,668	13,324,089	108,421	99.2%	1,135,592	9.5%
06/30/2008	14,153,296	14,279,116	125,820	99.1%	1,206,589	10.4%

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	June 30, 2008
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	For Tier 1, level dollar amortization is used ending on June 30, 2037. For Tier 2, level percent of payroll amortization is used ending on June 30, 2037 as a percent of TOTAL valuation payroll. For other Tiers, level percent of payroll with multiple layers. Actuarial gains/losses are amortized over 15 years (21 and 17 years for gains/losses at June 30, 2007 and June 30, 2008, respectively). Plan and assumption changes are amortized over 30 years.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period.
Actuarial assumptions:	
Investment rate of return	8.00%
Inflation rate	3.75%
Real across-the-board salary increase	0.50%
Projected salary increases[(1)]	Ranges from 4.90% to 10.09% based on age.
Cost of living adjustments	3.75% of Tiers 1 and 2 retirement income and 3.00% of Tiers 3, 4, and 5 retirement income.

Plan membership:	
Retired members and beneficiaries receiving benefits	12,182
Terminated members entitled to, but not yet receiving benefits	81
Active members (including 1,144 members in the DROP)	13,495
Total	25,758

[(1)] *See Exhibit V for these increases.*

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board based on the Actuarial Experience Study as of June 30, 2007 and the Economics Assumptions Study as of June 30, 2006.

Mortality Rates

Healthy: RP-2000 Combined Healthy Mortality Table (separate for males and females) set back two years for members.

RP-2000 Combined Healthy Mortality Table (separate for males and females) for beneficiaries.

Disabled: RP-2000 Combined Healthy Mortality Table (separate for males and females) set forward one year.

Termination Rates Before Retirement:

*Pre-Retirement Mortality***:**

	Rate (%)	
	Mortality	
Age	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39

All pre-retirement deaths are assumed to be service connected.

Termination Rates Before Retirement (continued):

Rate (%)		
Disability[1]		
Age	**Fire**	**Police**
20	0.02	0.01
25	0.02	0.04
30	0.03	0.11
35	0.06	0.17
40	0.15	0.31
45	0.29	0.49
50	0.56	0.58
55	2.08	1.14
60	6.00	1.59

(1) *90% of disabilities are assumed to be service connected.*

Termination Rates Before Retirement (continued):

Service	Rate (%) Withdrawal (< 5 Years of Service) Fire	Police
0 - 1	8.00	8.00
1 - 2	4.00	4.50
2 – 3	3.00	3.50
3 – 4	2.00	3.50
4 – 5	2.00	3.00

Age	Rate (%) Withdrawal (5+ Years of Service) [1] Fire	Police
20	2.00	3.00
25	2.00	3.00
30	1.52	2.70
35	0.90	2.20
40	0.55	1.70
45	0.30	1.20
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

[1] *No withdrawal is assumed after a member is eligible for retirement.*

Retirement Rates:

	Rate(%)			
	Fire		Police	
Age	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	1.00%	0.00%	6.00%	0.00%
42	1.00	0.00	6.00	0.00
43	1.00	0.00	10.00	0.00
44	1.00	0.00	10.00	0.00
45	1.00	0.00	8.00	0.00
46	1.00	0.00	8.00	0.00
47	1.00	0.00	8.00	0.00
48	2.00	0.00	9.00	0.00
49	2.00	0.00	9.00	0.00
50	2.00	8.00	8.00	15.00
51	2.00	8.00	8.00	15.00
52	4.00	8.00	8.00	15.00
53	4.00	8.00	15.00	15.00
54	4.00	8.00	15.00	15.00
55	6.00	10.00	15.00	15.00
56	10.00	10.00	15.00	15.00
57	10.00	10.00	15.00	18.00
58	10.00	12.00	25.00	20.00
59	10.00	15.00	25.00	25.00
60	20.00	20.00	25.00	25.00
61	20.00	20.00	25.00	25.00
62	20.00	20.00	25.00	25.00
63	25.00	25.00	25.00	25.00
64	30.00	30.00	30.00	30.00
65	100.00	100.00	100.00	100.00

Retirement Age and Benefit for Inactive Vested Participants:	For deferred vested members, retirement assumption is age 50.
	We assume that all deferred vested members receive a deferred vested benefit.
Unknown Data for Members:	Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.
Exclusion of Inactive Vesteds:	All inactive participants are included in the valuation.
Definition of Active Members:	First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.
Percent Married/Domestic Partner:	86%
Age of Spouse:	Wives are 3 years younger than their husbands.
Future Benefit Accruals:	1.0 year of service per year.
Consumer Price Index:	Increase of 3.75% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.
Member Contribution and Matching Account Crediting Rate:	5.00%
Net Investment Return:	8.00%, net of investment and administrative expenses

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.75% per year; plus 0.50% "across the board" salary increases; plus the following Merit and Longevity increases based on age.

Age	Additional Salary Increase
20	5.84%
25	4.99%
30	3.87%
35	2.75%
40	1.75%
45	1.17%
50	0.87%
55	0.69%
60	0.65%

DROP Program: For this valuation, of all members expected to retire with a service retirement benefit, we assume a 90% DROP utilization rate if they also satisfy the requirements for participating in the DROP. Members are assumed to remain in the DROP for 4 years.

Actuarial Value of Assets: The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets can not be less than 80% or greater than 120% of the market value of assets.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the current age minus Vesting Credit. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total of current salaries.

Funding Policy:	The City of Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amount to amortize any Surplus or Unfunded Actuarial Accrued Liability. Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. Any change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses are amortized over separate fifteen year periods as a level percentage of payroll. Any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes are amortized over separate thirty year periods as a level percentage of payroll. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service. For Tier 1, the Unfunded Actuarial Accrued Liability is amortized using level dollar amortization ending on June 30, 2037. For Tier 2, the Unfunded Actuarial Accrued Liability is amortized using level percent of payroll amortization ending on June 30, 2037 as a percent of total valuation payroll.
Changes in Assumptions:	Previously, because the DROP plan was designed to be cost neutral, DROP members were treated as active employees until the end of DROP period.

EXHIBIT VI
Summary of Plan Provisions

This exhibit summarizes the major provisions of the City of Los Angeles Fire & Police Pension Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions. For Tiers 1 through 4, the section codes are from the Los Angeles Charter. For Tier 5 and the DROP program, the section codes are from the Los Angeles Administrative Code.

Plan Year:	July 1 through June 30
Census Date:	June 30

Service Retirement Benefit:

Tier 1 (§ 1304)

Age & Service Requirement — 20 years of service

Amount

Years of Service	Benefit
20	40% of Normal Pension Base
20 to 25	Additional 2% for each year over 20 and under 25
25	50% of Normal Pension Base
25 to 35	Additional 1 2/3% for each year over 25 and under 35
35+	66 2/3% of Normal Pension Base

Tier 2 (§ 1408)

Age & Service Requirement 20 years of service

Amount

Years of Service	Benefit
Less than 25	2% of Normal Pension Base per year of service
25+	55% plus 3% per year over 25 to a maximum of 70% of Normal Pension Base

Tier 3 (§ 1504)

Age & Service Requirement Age 50 and 10 years of service

Amount

Years of Service	Benefit
Less than 20	2% of Final Average Salary per year of service
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 4 (§ 1604)

Age & Service Requirement 20 years of service

Amount

Years of Service	Benefit
20	40% of Final Average Salary
20+	For each additional year over 20, 3% of Final Average Salary per year over 20 to a maximum of 70% Final Average Salary

Tier 5 (§ 4.2004)

Age & Service Requirement Age 50 and 20 years of service

Amount

Years of Service	Benefit
20	50% of Final Average Salary
20+	For each additional year over 20, 3% of Final Average Salary per year over 20, except 30th year where 4% is provided, to a maximum of 90% Final Average Salary

Deferred Retirement Option Plan (DROP) (§4.2100 - 4.2109):		
Eligibility	Tier 2:	25 years of service
	Tier 3:	Age 50 and 25 years of service
	Tier 4:	25 years of service
	Tier 5:	Age 50 and 25 years of service
Benefits under DROP	DROP benefits (calculated using age, service, and salary at the commencement date of participation in DROP) will be credited to a DROP account with interest at 5% annually. Members are required to make normal member contributions. DROP benefits receive annual COLA while in DROP (limited to 3% for all Tiers). Members may participate in DROP for up to five years.	
Normal Pension Base:		
Tier 1, 2 (§ 1302, § 1406)	Final monthly salary rate	
Final Average Salary:		
Tier 3, 4, 5 (§1502, §1602, §4.2002)	Monthly average salary actually received during any 12 consecutive months of service	
Cost of Living Benefit:		
Tier 1 (§ 1328)	Based on changes to Los Angeles area consumer price index.	
Tier 2 (§ 1422)	Based on changes to Los Angeles area consumer price index.	
Tier 3 (§ 1516)	Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.	
Tier 4 (§ 1616)	Based on changes to Los Angeles area consumer price index to a maximum of 3% per year.	
Tier 5 (§ 4.2016)	Based on changes to Los Angeles area consumer price index to a maximum of 3% per year, excess banked.	

Death After Retirement:	
Tier 1 (§ 1314, § 1316)	
Service Retirement	Pension equal to the same percentage of the Member's Normal Pension Base to a maximum of 50%.
Service Connected Disability	50% of Member's Normal Pension Base.
Nonservice Connected Disability	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.
Tier 2 (§ 1414)	
Service Retirement	Pension equal to the same percentage of the Member's Normal Pension Base to a maximum of 55%.
Service Connected Disability	50% of the Member's Normal Pension Base, or 55% of the Member's Normal Pension Base if Member had at least 25 years of service at the date of death.
Nonservice Connected Disability	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).
Tier 3, 4 (§ 1508, § 1608)	
Service Retirement	Pension equal to 60% of the pension received by the deceased Member.
Service Connected Disability	If death occurs within three years of the Member's effective date of pension, then the eligible spouse or designated beneficiary shall receive 75% of the Final Average Salary. Otherwise, a pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.
Nonservice Connected Disability	Pension equal to 60% of the pension received by the deceased Member immediately preceding the date of death.
Tier 5 (§ 4.2008, § 4.2008.5)	If former Tier 2 member, see Tier 2. Otherwise, see Tier 3.

Death Before Retirement:

Tier 1 (§ 1314, § 1316)

Eligible for Service Retirement

Service Requirement	20 years of service.
Amount	100% of Member's accrued service retirement Member would have received, not to exceed 50% of Normal Pension Base.

Service Connected

Service Requirement	None.
Amount	50% of Member's Normal Pension Base.

Nonservice Connected

Service Requirement	5 years of service.
Amount	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.

Tier 2 (§ 1414)

Eligible for Service Retirement

Service Requirement	20 years of service.
Amount	100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base.

Service Connected

Service Requirement	None.
Amount	50% of the Member's Normal Pension Base, or 55% of the Member's Normal Pension Base if Member had at least 25 years of service at the date of death.

Nonservice Connected	
Service Requirement	5 years of service.
Amount	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay (nonservice connected pension base).
Tier 3, 4 (§ 1508, § 1608)	
Eligible for Service Retirement	
Service Requirement	10 years of service for Tier 3, 20 years of service for Tier 4.
Amount	Higher of 30% of Final Average Salary or, if eligible to retire based on years of service, 80% of the pension the Member would have received not to exceed 40% of Final Average Salary.
Service Connected	
Service Requirement	None.
Amount	75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.
Nonservice Connected	
Service Requirement	5 years of service.
Amount	30% of the Member's Final Average Salary, or 80% of the service pension if the Member was eligible to retire to a maximum of 40% of the Member's Final Average Salary.
Basic Death Benefit	If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

Tier 5 (§ 4.2008, § 4.2008.5)	
Eligible for Service Retirement	
Service Requirement	20 years of service.
Amount	For former Tier 2, 100% of Member's accrued service retirement Member would have received, not to exceed 55% of Normal Pension Base. For former Tier 3, 4, or 5, per section 1508(2), if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary, not to exceed 40% of Final Average Salary.
Service Connected	
Service Requirement	None.
Amount	75% of the Member's Final Average Salary payable to an eligible spouse or designated beneficiary.
Nonservice Connected	
Service Requirement	5 years of service.
Amount	For former Tier 2, 40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay. For former Tier 3, 4, or 5, if member was eligible to retire based on years of service, 80% of service retirement Member would have been entitled to or 30% of Member's Final Average Salary; not to exceed 40% of Final Average Salary.
Basic Death Benefit	If Member has at least one year of service, in addition to return of contributions, beneficiary receives the Member's one-year average monthly salary times years of completed service (not to exceed 6 years).

Disability:

Tier 1 (§ 1310, § 1312)	
Service Connected	
Service Requirement	None.
Amount	50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member's service pension percentage rate.
Nonservice Connected	
Service Requirement	5 years of service.
Amount	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.
Tier 2 (§ 1412)	
Service Connected	
Service Requirement	None.
Amount	50% to 90% of Normal Pension Base depending on severity of disability, with a minimum of Member's service pension percentage rate.
Nonservice Connected	
Service Requirement	5 years of service.
Amount	40% of highest monthly salary as of Member's retirement for basic rank of Police Officer III or Firefighter III, and the highest length of service pay.
Tier 3, 4, 5 (§ 1506, § 1606, § 4.2006)	
Service Connected	
Service Requirement	None.
Amount	30% to 90% of Final Average Salary depending on severity of disability with a minimum of 2% of Final Average Salary per year of service.
Nonservice Connected	
Service Requirement	5 years of service.
Amount	30% to 50% of Final Average Salary depending on severity of disability.

Deferred Withdrawal Retirement Benefit (Vested):	
Tier 3 (§ 1504)	
Age & Service Requirement	Age 50 with 10 years of service.
Amount	See Tier 3 Service Retirement.
Tier 5 (§ 4.2004)	
Age & Service Requirement	Age 50 and 20 years of service.
Amount	See Tier 5 Service Retirement. Member is entitled to receive a service pension using Tier 3 retirement formula.

Member Normal Contributions: Members are exempt from making contributions if their continuous service exceeds 30 years for Tiers 1 through 4, and 33 years for Tier 5.

Tier 1 (§ 1324)	Normal contribution rate of 6%.
Tier 2 (§ 1420)	Normal contribution rate of 6% plus half of the cost of the cost of living benefit to a maximum of 1%.
Tier 3 (§ 1514)	Normal contribution rate of 8%.
Tier 4 (§ 1614)	Normal contribution rate of 8%.
Tier 5 (§ 4.2014)	Normal contribution rate of 9% with the City of Los Angeles paying 1% provided that the LAFPP is at least 100% actuarially funded for pension benefits.

Changes in Plan Provisions:	There have been no changes in plan provisions, benefit amounts and eligibility requirements since the last valuation.

5008819v1/07916.002

City of Los Angeles Fire and Police
Pension Plan

Actuarial Valuation and Review of Other Postemployment Benefits (OPEB) as of June 30, 2008
In accordance with GASB Statements No. 43 and No. 45

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October 24, 2008

Board of Fire and Police Pension Commissioners
City of Los Angeles Fire and Police Pension Plan
360 East Second Street, Suite 400
Los Angeles, CA 90012-4203

Dear Board Members:

We are pleased to submit this report on our actuarial valuation of postemployment welfare benefits for the year ending June 30, 2008 under GASB Statements Number 43 and 45. It establishes the liabilities of the other postemployment benefits in accordance with GASB for the current year. It also summarizes the actuarial data used in this valuation.

This report is based on information received from the Fire and Police Pension Plan. The actuarial projections were based on the assumptions and methods described in Exhibit V and on the plan of benefits as summarized in Exhibit VI.

We look forward to discussing this material with you at your convenience.

Sincerely,

THE SEGAL COMPANY

By: ______________________

Paul Angelo, FSA, MAAA, FCA, EA
Senior Vice President & Actuary

TXB/dvb:hy

SECTION 1

INTRODUCTION

SECTION 2

VALUATION RESULTS

SECTION 3

VALUATION DETAILS

SECTION 4

SUPPORTING INFORMATION

SEGAL

PURPOSE

This report presents the results of our actuarial valuation of the City of Los Angeles Fire and Police Pension Plan post retirement medical and dental benefits as of June 30, 2008. The results are in accordance with the Governmental Accounting Standards, which prescribes an accrual methodology for accumulating the value of other postemployment benefits (OPEB) over participants' active working lifetimes.

Actuarial computations under GASB are for purposes of fulfilling certain welfare fund accounting requirements. The calculations reported in this report have been made on a basis consistent with our understanding of GASB. Determinations for purposes other than meeting the financial accounting requirements of GASB may differ significantly from the results reported here.

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of the valuation and on the pattern of sharing costs between the employer and plan members. The projection of benefits does not incorporate the potential effect of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial calculations reflect a long-term perspective, and the methods and assumptions use techniques designed to reduce short term volatility in accrued liabilities and the actuarial value of assets.

The calculation of an accounting obligation does not, in and of itself, imply that there is any legal liability to provide the benefits valued, nor is there any implication that the City of Los Angeles Fire and Police Pension Plan is required to implement a funding policy to satisfy the projected expense.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and the actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

ACCOUNTING REQUIREMENTS

The Governmental Accounting Standards Board (GASB) issued Statement Number 43 -- *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* Under this statement, all plans of state and local government entities that provide other post employment benefits (OPEB) are required to report the cost of these benefits on their financial statements.

The statement includes postemployment benefits of health, prescription drug, dental, vision and life insurance coverage for retirees; long-term care coverage, life insurance and death benefits that are *not* offered as part of a pension plan; and long-term disability insurance for employees. These benefits, referred to as OPEB, are typically financed on a pay-as-you-go basis. The standard introduces an accrual-basis accounting requirement; thereby, recognizing the employer cost of postemployment benefits over an employee's career. The standards also introduce a consistent accounting requirement for both pension and non-pension benefits.

The total cost of providing postemployment benefits is projected, taking into account assumptions about demographics, turnovers, mortality, disability, retirement, health care trends, and other actuarial assumptions. This amount is then discounted to determine the actuarial present value of the projected cost of these benefits (APB). The actuarial accrued liability (AAL) is the portion of the present value of the total projected benefits allocated to years of employment prior to the measurement date. The unfunded actuarial accrued liability (UAAL) is the difference between the AAL and actuarial value of assets in the Plan.

Once the UAAL is determined, the Annual Required Contribution (ARC) is determined as the normal cost (the APB allocated to the current year of service) and the amortization of the UAAL. This ARC is compared to actual contributions made and any difference is reported as the net OPEB obligation (NOO). In addition, required supplementary information (RSI) is required. This information includes historical information about the UAAL and the progress in funding the Plan.

HIGHLIGHTS OF THE VALUATION

- The recommended contribution rate has increased from 7.89% of payroll ($89.5 million) to 8.42% of payroll ($101.6 million), assuming contributions are made by the City at the beginning of the plan year. The increase in the recommended contribution amount is due to both an increase in payroll and an increase in the rate from the 2007/2008 actuarial experience.
- The employer contribution rates provided in this report have been developed, assuming that they will be made by the City at either (1) the beginning of the fiscal year (i.e. the City will prepay its contributions), (2) throughout the year (i.e. the City will pay contributions at the end of every pay period) or (3) July 15.
- **The Board adopted a 3-year phase-in policy for recognizing the contribution increases due to changes in assumptions for the June 30, 2006 valuation. As June 30, 2008 is the last year of the 3-year phase-in period, the contribution rates calculated in this report are the final contribution rates payable by the City.**
- The funded ratio has increased from 41.5% to 41.8% in this valuation. The unfunded actuarial accrued liability (UAAL) has increased from $969.5 million to $1,069.1 million. A reconciliation of the change in the UAAL is provided on page 6, Section 2.
- The City of Los Angeles Fire and Police Pension Plan is required to comply with GASB 43 effective with fiscal year 2006/2007. The City is required to include the GASB 45 results in its financial statements effective with fiscal year 2007/2008.
- The annual required contribution (ARC), if made at the beginning of the year, for fiscal year 2009/2010 is 8.42% of payroll. Once the actual contributions for 2008/2009 are known, the disclosure information in Chart 5 can be completed.
- The assumption for the discount rate is 8.00%, and is based on the assumption that in the long term the City is paying a contribution that equals the ARC and 100% of benefits will be paid from the trust.
- The funding method used to develop the actuarial required contribution (ARC) is Entry Age Normal, with the normal cost developed as a level percent of payroll. The contribution to amortize the unfunded actuarial accrued liability (UAAL) is developed as a level percent of payroll.
- Contributions will generally increase with payroll growth. Other factors such as gains or losses, or changes in trend assumptions will also change the ARC for future years.
- Two years ago, the Board adopted a policy of amortizing the entire Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2006 over a fixed period of 30 years beginning June 30, 2006. The Board has requested Segal to perform a review of its funding policy, including a recommendation for the amortization period for experience gains and losses, changes in per capita cost and changes in the healthcare trend rate. In this report, the entire June 30, 2008 UAAL is amortized over the 28 years remaining in the 2006 amortization schedule.

- As indicated in Section 3, Chart 3 of this report, the total unrecognized investment loss as of June 30, 2008 is $563.8 million for the assets for Retirement and Health Subsidy Benefits. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would increase in each of the next few years.

The key results for the current and prior years are shown.

SUMMARY OF VALUATION RESULTS

	June 30, 2008	June 30, 2007
Actuarial Accrued Liability by Participant Category		
Current retirees, beneficiaries and dependents	$1,114,590,122	$ 1,003,043,279
Current active members	722,250,215	653,609,870
Total	$1,836,840,337	$ 1,656,653,149
Actuarial Value of Assets(1)	$767,647,562	$687,096,380
Unfunded Actuarial Accrued Liability	$1,069,192,775	$969,556,769
Funded Ratio	41.8%	41.5%
Annual Required Contribution		
Normal cost	$41,847,725	$ 36,415,392
Amortization of the unfunded actuarial accrued liability	59,764,238	53,119,923
Total annual required contribution, beginning of the year	$101,611,963	$89,535,315
Adjustment for timing (payable throughout the year)	4,064,479	3,581,413
Total annual required contribution, including adjustment for timing	$105,676,442	$93,116,728

(1) The June 30, 2007 assets include $789,034 of discounted Harbor Port Police health assets transferred in October 2007.

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY FOR THE YEAR ENDED JUNE 30, 2008

1.	Unfunded actuarial accrued liability at beginning of year	$969,556,769
2.	Normal cost at beginning of year	36,415,392
3.	Total contributions, paid at the beginning of year	(77,447,253)
4.	Interest	74,281,993
5.	Expected unfunded actuarial accrued liability (1) + (2) + (3) + (4)	$1,002,806,901
6.	Gain from investment return*	(15,695,879)
7.	Gain from demographic changes and premium changes for current retirees*	(68,823,189)
8.	Unfunded actuarial accrued liability before assumption changes (5) + (6) + (7)	918,287,833
9.	Increase due to assumption changes**	150,904,942
10.	Unfunded actuarial accrued liability at end of year (8) + (9)	$1,069,192,775

* *Please refer to Section 4, Exhibit III for a detailed explanation of the experience (gain).*

** *The liability increased as a result of the following assumption changes:*

- *Future health care trend rates were updated.*
- *Projected premiums for future retirees and maximum subsidies were updated.*
- *Spouse coverage assumption was changed from 65% to 70%.*

October 24, 2008

ACTUARIAL CERTIFICATION

This is to certify that The Segal Company has conducted an actuarial valuation of certain benefit obligations of the City of Los Angeles Fire and Police Pension Plan other postemployment benefit programs as of June 30, 2008, in accordance with generally accepted actuarial principles and practices. The actuarial calculations presented in this report have been made on a basis consistent with our understanding of GASB for the determination of the liability for postemployment benefits other than pensions.

The actuarial valuation is based on the plan of benefits verified by the City of Los Angeles Fire and Police Pension Plan and on participant, claims and expense data provided by the City of Los Angeles Fire and Police Pension Plan.

The actuarial computations made are for purposes of funding plan benefits and fulfilling plan accounting requirements. Determinations for purposes other than funding plan benefits and meeting financial accounting requirements may be significantly different from the results reported here. Accordingly, additional determinations may be needed for other purpose such as judging benefit security at termination.

To the best of our knowledge, this report is complete and accurate and in our opinion presents the information necessary to comply with GASB with respect to the benefit obligations addressed. The undersigned are members of the American Academy of Actuaries and meet the qualifications to provide the actuarial opinion herein.

Andy Yeung

Andy Yeung, ASA, MAAA, EA
Vice President and Associate Actuary

Patrick Twomey

Patrick Twomey, ASA, MAAA, EA
Assistant Actuary

CHART 1

Table of Financial Information for Retirement and Health Benefits

	Year Ended June 30, 2008		Year Ended June 30, 2007*	
Cash equivalents		$686,712		$5,044,693
Accounts receivable:				
Accrued interest and dividends	$47,147,517		$52,399,617	
Contributions	6,526,522		5,797,976	
Due from brokers	275,114,543		269,370,711	
Total accounts receivable		328,788,582		327,568,304
Investments:				
Equities	$9,778,349,884		$10,660,124,425	
Fixed income investments	3,881,442,261		4,236,024,050	
Real estate	1,288,669,862		1,179,505,370	
Securities lending collateral	2,532,999,733		3,081,125,634	
Total investments at market value		17,481,461,740		19,156,779,479
Total assets		$17,810,937,034		$19,489,392,476
Less accounts payable:				
Accounts payable and benefits in process	-$47,413,823		-$45,225,183	
Due to brokers	-569,750,784		-499,127,569	
Mortgage payable	-303,637,970		-340,122,595	
Securities lending collateral	-2,532,999,733		-3,081,125,634	
Total accounts payable		-$3,453,802,310		-$3,965,600,981
Net assets at market value		$14,357,134,724		$15,523,791,495
Net assets at actuarial value		$14,920,943,683		$13,896,706,323
Net assets at valuation value (health benefits)		$767,647,562		$686,307,346

**Does not include $6,058,515 of discounted Harbor Port Police assets transferred in October, 2007.*

CHART 2

Summary Statement of Income and Expenses on an Actuarial Value Basis for Retirement and Health Benefits

	Year Ended June 30, 2008		Year Ended June 30, 2007*	
Contribution income:				
Employer contributions	$339,892,819		$280,108,763	
Employee contributions	98,074,219		91,263,474	
Net contribution income		$437,967,038		$371,372,237
Investment income:				
Interest, dividends and other income	$427,413,537		$427,020,011	
Recognition of capital appreciation	1,058,101,014		1,223,337,528	
Less investment and administrative fees	-71,123,423		-59,389,235	
Net investment income		1,414,391,128		1,590,968,304
Total income available for benefits		$1,852,196,605		$1,962,340,541
Less benefit payments		$827,959,245		$800,819,286
Change in reserve for future benefits		$1,024,237,360		$1,161,521,255

**Does not include $6,058,515 of discounted Harbor Port Police assets transferred in October, 2007.*

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board of Commissioners has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 3

Determination of Actuarial Value of Assets for Year Ended June 30, 2008

		Original Amount	Percent Not Recognized	Amount Not Recognized	
1.	Market value of assets				$14,357,134,724
2.	Calculation of unrecognized return*				
	(a) Year ended June 30, 2008	-$2,015,976,509	80%	-$1,612,781,207	
	(b) Year ended June 30, 2007	1,375,798,329	60%	825,478,997	
	(c) Year ended June 30, 2006	477,862,344	40%	191,144,938	
	(d) Year ended June 30, 2005	161,741,566	20%	32,348,313	
	(e) Total unrecognized return				-563,808,959
3.	Preliminary actuarial value: (1) - (2e)				14,920,943,683
4.	Adjustment to be within 20% corridor				0
5.	Final actuarial value of assets: (3) + (4)				$14,920,943,683
6.	Actuarial value as a percentage of market value: (5) ÷ (1)				103.9%
7.	Valuation value of health assets				$767,647,562

* *Total return minus expected return on a market value basis*

CHART 4
Determination of Annual Required Contribution

Cost Element	2008 Amount	2008 Percent of Compensation[1]	2007 Amount	2007 Percent of Compensation
1. Normal cost	$41,847,725	3.47%	$36,415,392	3.21%
2. Amortization of the unfunded actuarial accrued liability over 28 years[2]	59,764,238	4.95	53,119,923	4.68
3. Total annual required contribution, beginning of year	$101,611,963	8.42%	$89,535,315	7.89%
4. Adjustment for timing (payable throughout the year)	4,064,479	0.34	3,581,413	0.31
5. Total annual required contribution (3) + (4)	$105,676,442	8.76%	$93,116,728	8.20%
6. Adjustment for timing (July 15)	338,707	0.03	298,451	0.03
7. Total annual required contribution (3) + (6)	$101,950,670	8.45%	$89,833,766	7.92%

Determined as of June 30

(1) Estimated compensation for the 2008/2009 plan year of $1,206,589,277 as reported by the City of Los Angeles Fire and Police Pension Plan.

(2) The unfunded actuarial accrued liability is being amortized as a level percent of pay with an amortization period of 28 years as of June 30, 2008.

Determined as of June 30, 2008

Cost Element	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5 (Without Harbor Port Police)	Tier 5 (Harbor Port Police)
1. Normal cost	$0	$563,363	$3,516,614	$1,422,077	$35,974,581	$371,089
2. Amortization of the unfunded actuarial accrued liability 28 years	$1,970,953	$36,884,518	$3,383,616	$1,989,443	$15,597,299	($61,591)
3. Total annual required contribution, beginning of year	$1,970,953	$37,447,881	$6,900,230	$3,411,520	$51,571,880	$309,498
4. Percent of compensation	N/A	3.10%	7.54%	7.92%	4.94%	4.60%
5. Adjustment for timing (payable throughout the year)	$78,838	$1,497,915	$276,009	$136,461	$2,062,875	$12,380
6. Total annual required contribution (3) + (5)	$2,049,791	$38,945,796	$7,176,239	$3,547,981	$53,634,755	$321,878
7. Percent of compensation	N/A	3.23%[3]	7.85%	8.24%	5.13%	4.78%
8. Adjustment for timing (payable July 15)	6,570	124,826	23,001	11,372	171,906	1,032
9. Total annual required contribution (3) + (8)	$1,977,523	$37,572,707	$6,923,231	$3,422,892	$51,743,786	$310,530
10. Percent of compensation	N/A	3.11%	7.57%	7.95%	4.95%	4.61%
11. Payroll	N/A	$1,206,589,277	$91,456,553	$43,074,214	$1,045,017,580	$6,728,806

(3) Tier 2 normal cost rate based on total payroll.

CHART 5

Required Supplementary Information – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
2003	$33,894,924[1]	$33,894,924	100.00%
2004	38,737,255[1]	38,737,255	100.00%
2005	31,541,933[1]	31,541,933	100.00%
2006	31,413,281[1]	31,413,281	100.00%
2007	55,162,681[1]	55,162,681	100.00%
2008	98,033,338[2]	78,257,328	79.83%

(1) *Payable at the beginning of the year. For years 2007 and prior it appears that the ARC may not have been determined in compliance with GASB 43 and 45 due to the maximum amortization period and/or the medical trend rate employed. All results for 2007 and prior years were provided by the Plan based on valuations by the prior actuary.*

(2) *Based on the beginning of year contribution rate of 8.15% of compensation calculated in the June 30, 2006 valuation before the phase-in. The ARC dollar amount has been approximated by applying the ratio of the contribution before the phase-in to the contribution after the phase-in as determined in the June 30, 2006 valuation to the actual contributions made during 2007/2008.*

This schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CHART 6

Required Supplementary Information – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2003	$592,539	$926,761	$334,222	63.9%	$970,727	34.4%
June 30, 2004	605,999	1,009,062	403,064	60.1%	1,001,004	40.3%
June 30, 2005	597,199	1,257,505	660,306	47.5%	1,037,445	63.6%
June 30, 2006	613,782	1,631,187	1,017,405	37.6%	1,092,814	93.1%
June 30, 2007	687,096	1,656,653	969,557	41.5%	1,135,592	85.4%
June 30, 2008	767,647	1,836,840	1,069,193	41.8%	1,206,589[1]	88.6%

[1] Estimated compensation as reported by the City of Los Angeles Fire and Police Pension Plan.
Note: All numbers prior to June 30, 2006 provided by the prior actuary.

CHART 7

Required Supplementary Information – Net OPEB Obligation (NOO)

Fiscal Year Beginning	Annual Required Contribution (a)	Interest on Existing NOO (b)	ARC Adjustment (c)	Annual OPEB Cost (a) + (b) + (c) (d)	Actual Contribution Amount (e)	Net Increase in NOO (d) - (e) (f)	NOO as of End of Year (g)
July 1, 2006	$55,162,681[(1)]	$0	$0	$55,162,681[(1)]	$55,162,681	$0	$0
July 1, 2007	$105,876,005[(2),(3)]	$0	$0	$105,876,005 [(3)]	$84,517,914[(3)]	$21,358,091	$21,358,091

(1) *The ARC may not have been determined in compliance with GASB 43 and 45 due to the maximum amortization period and/or the medical trend rate employed. The ARC and the actual contribution amount were both paid at the beginning of the year.*

(2) *Based on the beginning of year contribution rate of 8.15% of compensation calculated in the June 30, 2006 valuation before the phase-in. The ARC dollar amount has been approximated by applying the ratio of the contribution before the phase-in to the contribution after the phase-in as determined in the June 30, 2006 valuation to the actual contributions required to be made during 2007/2008.*

(3) *With interest adjustment to end of year.*

CHART 8

Required Supplementary Information

Valuation date	June 30, 2008
Actuarial cost method	Entry age normal, level percent of pay
Amortization method	30 years, level percent of pay (with the exception of Tier 1 that is amortized as a level dollar amount)
Remaining amortization period	28 years as of June 30, 2008
Asset valuation method	The actuarial value of assets is a five-year smoothed market value of assets. This method recognizes 20 percent of the year's investment earnings in excess of (or less than) expected investment earnings in the current year and each of the four prior years. The expected value of assets for the year is the market value of assets at the beginning of the prior year brought forward with interest at the assumed rate of return to the end of the current year plus contributions minus benefit disbursements, all adjusted with interest at the assumed rate of return to the end of the current year.
Actuarial assumptions:	
Discount rate	8.00%
Inflation rate	3.75%
Across-the-board pay increase	0.50%
Projected payroll increases	4.25%
Heath care cost trend rate (to calculate following year's premium)	
• Medical	9.0% in 2008-2009, decreasing by 0.5% for each year for eight years until it reaches an ultimate rate of 5%.
• Dental	5%
• Medicare Part B Premium	1.53% in 2008-2009 based on actual Medicare Part B premium increase, then 5% for all years.

Plan membership:	**June 30, 2008[1]**	**June 30, 2007[1]**
Current retirees and beneficiaries	11,608	11,406
Current active members	13,495	13,218
Total	25,103	24,624

[1] *Includes all eligible retirees and surviving spouses or domestic partners whether or not they are receiving a subsidy.*

CHART 9

Table of Amortization Bases

Type	Date Established	Initial Year	Initial Amount	Current Balance	Years Remaining	Annual Payment*
Tier 1*						
Combined Bases	06/30/2006	30	$24,466,082	$23,523,650	28	$1,970,953
Total			$24,466,082	$23,523,650		$1,970,953
Tier 2**						
Combined Bases	06/30/2006	30	$653,100,516	$667,361,306	28	$36,884,518
Total			$653,100,516	$667,361,306		$36,884,518
Tier 3**						
Combined Bases	06/30/2006	30	$48,141,902	$61,220,648	28	$3,383,616
Total			$48,141,902	$61,220,648		$3,383,616
Tier 4**						
Combined Bases	06/30/2006	30	$28,161,779	$35,995,517	28	$1,989,443
Total			$28,161,779	$35,995,517		$1,989,443
Tier 5 (Non-Harbor)**						
Combined Bases	06/30/2006	30	$263,534,994	$282,206,034	28	$15,597,299
Total			$263,534,994	$282,206,034		$15,597,299
Tier 5 (Harbor)						
Initial Base	06/30/2007	29	$512,651	($1,114,380)	28	($61,591)
Total			$512,651	($1,114,380)		($61,591)

**Restarted June 30, 2006 with a 30 year, level dollar schedule.*
*** Restarted June 30, 2006 with a 30 year, level percent of pay payment schedule.*

This exhibit summarizes the participant data used for the current and prior valuations.

EXHIBIT I

Summary of Participant Data

	June 30, 2008	June 30, 2007
Retirees		
Non-disabled	7,438	7,273
Disabled	1,903	1,190
Total Retirees	9,341	9,183
Average age	68.1	68.0
Number of Spouses	5,901	5,743
Average age	64.5	64.7
Beneficiaries		
Number	2,267	2,223
Average age	77.3	77.1
Active Participants		
Number	13,495	13,218
Average age	40.3	40.5
Average years of service	13.4	13.7

EXHIBIT II

Actuarial Balance Sheet for Year Ended June 30, 2008

The actuarial balance sheet as of the valuation date is as follows:

	Assets	
1.	Valuation value of assets ($14,357,134,724 at market value* and $14,920,943,683 at actuarial value* as reported by LAFPP)	$767,647,562
2.	Present value of future normal costs	$451,669,043
3.	Unfunded actuarial accrued liability	$1,069,192,775
4.	Present value of current and future assets	$2,288,509,380
	Liabilities	
5.	Present value of future benefits	
	Retired members and beneficiaries	$1,114,590,122
	Active members	$1,173,919,258
	Total	$2,288,509,380

* *Includes assets for Retirement and Health Benefits.*

EXHIBIT III

Actuarial Experience for Year Ended June 30, 2008

1. Net (gain) from investment return	($15,695,879)
2. Net (gain) from demographic changes and premium changes	($68,823,189)
3. Net experience (gain): (1) + (2)	($84,519,068)

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

The differences between the expected and the actual experience are provided in the table above. These include:

- Actual rate of return from investment,
- Demographic experience (e.g., turnover, retirement, mortality, disability, etc.), relative to the prior assumptions, and
- Updated current subsidy levels for existing retirees (starting per capita cost).

EXHIBIT IV

Reconciliation of Recommended Contribution (in millions)

Recommended Contributions as of June 30, 2007 (Contributions made at Beginning of Year)	$89.5
Effect of investment gains	(0.9)
Effect of other gains on accrued liability	(5.6)
Effect of change in actuarial assumptions	13.2
Effect of change in composition of active population	5.4
Total change	12.1
Recommended Contributions as of June 30, 2008 (Contributions made at Beginning of Year)	$101.6

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

The following assumptions were adopted by the Board based on the actuarial experience study as of June 30, 2007 and the Economic Assumptions Study of June 30, 2006.

Data:	Detailed census data and financial data for postemployment benefits were provided by the City of Los Angeles Fire and Police Pension Plan.
Actuarial Cost Method	Entry age normal, level percent of pay.
Administrative Expenses	No administrative expenses were valued separately from the claim costs.
Spouse Age Difference	Husbands are assumed to be 3 years older than wives.
Participation	80% of all eligible retirees under age 65 are assumed to receive a subsidy from an approved health carrier. 90% of all eligible future retirees age 65 and older are assumed to receive a subsidy for an approved health carrier.
Medicare Coverage	100% of future retirees are assumed to elect Medicare Parts A & B.
Dental Coverage	70% of future retirees are assumed to elect dental coverage.
Spousal Coverage	Of future retirees receiving a medical subsidy 70% are assumed to elect coverage for married and surviving spouses or domestic partners. For those retired on valuation date, spousal coverage is based on census data.
Implicit Subsidy	No implicit subsidy exists since retiree medical premiums are underwritten separately from active premiums.

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development:

The per capita cost assumptions were based on premium, subsidy, and census data provided by Los Angeles Fire and Police Pension Plan and are summarized in the tables below:

2008-2009 Fiscal Year		Under Age 65								
		Single Party			Married or with Domestic Partner			Surviving Spouse or Domestic Partner		
CARRIER	**Assumed Election Percent**	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy	Monthly Premium	Maximum Subsidy	Subsidy
Fire Medical	15	$764.61	$895.81	$764.61	$992.26	$895.81	$895.81	$386.02	$511.76	$386.02
Blue Cross PPO	55	743.68	895.81	743.68	1,289.59	895.81	895.81	743.68	511.76	511.76
California Care	15	370.77	895.81	370.77	774.30	895.81	774.30	370.77	511.76	370.77
Fire Kaiser	0	430.10	895.81	430.10	850.20	895.81	850.20	430.10	511.76	430.10
Police Kaiser	15	374.93	895.81	374.93	741.16	895.81	741.16	374.93	511.76	374.93

For the valuation of current retirees, subsidies valued are based on actual subsidies provided in data reported by client.

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Per Capita Cost Development:

2008-2009 Fiscal Year		Age 65 and Over								
		Single Party			Married or with Domestic Partner			Surviving Spouse or Domestic Partner		
CARRIER	**Assumed Election Percent**	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**	Monthly Premium	Maximum Subsidy	**Subsidy**
Fire Medical	35	$381.49	$406.44	$381.49	$623.70	$623.70	$623.70	$330.41	$406.44	$330.41
Blue Cross PPO	45	378.31	406.44	378.31	690.21	690.21	690.21	378.31	406.44	378.31
California Care	5	338.51	406.44	338.51	666.60	666.60	666.60	338.51	406.44	338.51
Fire Kaiser	5	343.55	406.44	343.55	677.10	677.10	677.10	343.55	406.44	343.55
Police Kaiser	10	219.44	406.44	219.44	433.88	433.88	433.88	219.44	406.44	219.44

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

The following assumptions were adopted by the Board based on the Actuarial Experience Study as of June 30, 2007 and the Economics Assumptions Study as of June 30, 2006.

Mortality Rates

Healthy: RP-2000 Combined Healthy Mortality Table (separate for males and females) set back two years for members.

RP-2000 Combined Healthy Mortality Table (separate for males and females) for beneficiaries.

Disabled: RP-2000 Combined Healthy Mortality Table (separate for males and females) set forward one year.

Termination Rates Before Retirement:

	Rate (%)	
	Mortality	
Age	Male	Female
20	0.03	0.02
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.14
55	0.29	0.22
60	0.53	0.39

All pre-retirement deaths are assumed to be service connected.

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement (continued):

	Rate (%)	
	Disability*	
Age	Fire	Police
20	0.02	0.01
25	0.02	0.04
30	0.03	0.11
35	0.06	0.17
40	0.15	0.31
45	0.29	0.49
50	0.56	0.58
55	2.08	1.14
60	6.00	1.59

**90% of disabilities are assumed to be service-connected.*

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EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Termination Rates Before Retirement (continued):

Rate (%)

Withdrawal (< 5 Years of Service)

Service	Fire	Police
0 - 1	8.00	8.00
1 - 2	4.00	4.50
2 – 3	3.00	3.50
3 – 4	2.00	3.50
4 – 5	2.00	3.00

Rate (%)

Withdrawal (5+ Years of Service) *

Age	Fire	Police
20	2.00	3.00
25	2.00	3.00
30	1.52	2.70
35	0.90	2.20
40	0.55	1.70
45	0.30	1.20
50	0.00	0.00
55	0.00	0.00
60	0.00	0.00

**No withdrawal is assumed after a member is eligible for retirement.*

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Retirement Rates:
Rate(%)

	Fire		Police	
Age	Tiers 2&4	Tiers 3&5	Tiers 2&4	Tiers 3&5
41	1.00%	0.00%	6.00%	0.00%
42	1.00	0.00	6.00	0.00
43	1.00	0.00	10.00	0.00
44	1.00	0.00	10.00	0.00
45	1.00	0.00	8.00	0.00
46	1.00	0.00	8.00	0.00
47	1.00	0.00	8.00	0.00
48	2.00	0.00	9.00	0.00
49	2.00	0.00	9.00	0.00
50	2.00	8.00	8.00	15.00
51	2.00	8.00	8.00	15.00
52	4.00	8.00	8.00	15.00
53	4.00	8.00	15.00	15.00
54	4.00	8.00	15.00	15.00
55	6.00	10.00	15.00	15.00
56	10.00	10.00	15.00	15.00
57	10.00	10.00	15.00	18.00
58	10.00	12.00	25.00	20.00
59	10.00	15.00	25.00	25.00
60	20.00	20.00	25.00	25.00
61	20.00	20.00	25.00	25.00
62	20.00	20.00	25.00	25.00
63	25.00	25.00	25.00	25.00
64	30.00	30.00	30.00	30.00
65	100.00	100.00	100.00	100.00

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Future Benefit Accruals: 1.0 year of service per year.

Consumer Price Index: Increase of 3.75% per year; benefit increases due to CPI subject to a 3.0% maximum for Tiers 3 through 5.

Member Contribution and Matching Account Crediting Rate: 5.00%

Net Investment Return: 8.00%, net of investment and administrative expenses

Salary Increases:

Annual Rate of Compensation Increase

Inflation: 3.75% per year; plus 0.50% “across the board” salary increases; plus the following Merit and Longevity increases based on age.

Age	Additional Salary Increase
20	5.84%
25	4.99%
30	3.87%
35	2.75%
40	1.75%
45	1.17%
50	0.87%
55	0.69%
60	0.65%

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Measurement Date: June 30, 2008

Unknown Data for Members: Same as those exhibited by members with similar known characteristics. If not specified, members are assumed to be male.

Definition of Active Members: First day of biweekly payroll following employment for new department employees or immediately following transfer from other city department.

Actuarial Value of Assets: The market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected returns on a market value basis and is recognized over a five year period. The actuarial value of assets can not be less than 80% or greater than 120% of the market value of assets.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the current age minus Vesting Credit. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.

Funding Policy: The City of Los Angeles Fire & Police Pension Plan makes contributions equal to the Normal Cost adjusted by amounts to amortize any Surplus or Unfunded Actuarial Accrued Liability (UAAL). Both the Normal Cost and the Actuarial Accrued Liability are determined under the Entry Age Normal cost method. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis.

All the amortization bases on or before June 30, 2006 were combined and amortized over 30 years effective June 30, 2006. This valuation continues that amortization schedule by amortizing the entire June 30, 2008 UAAL over a 28 year period.

Historically, any subsequent change in Surplus or Unfunded Actuarial Accrued Liability due to actuarial gains or losses were amortized over separate fifteen year periods, while any change in Surplus or Unfunded Actuarial Accrued Liability from plan amendments or plan assumption changes were amortized over separate thirty year periods.

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Health Care Cost Subsidy Trend Rates:

Trends to be applied in following fiscal years, to all health plans.

Trend is to be applied to premium for shown fiscal year to calculate next fiscal year's projected premium.

First Fiscal Year (July 1, 2008 through June 30, 2009).

The fiscal year trend rates are the following:

Fiscal Year	Trend (applied to calculate following year premium)
2008-2009	9.00%
2009-2010	8.50%
2010-2011	8.00%
2011-2012	7.50%
2012-2013	7.00%
2013-2014	6.50%
2014-2015	6.00%
2015-2016	5.50%
2017 and later	5.00%

Dental Premium Trend: 5.00% for all years.

Medicare Part B Premium Trend: The 2009-2010 fiscal year premium is assumed to be 1.53% higher than the 2008-2009 fiscal year premium. Premiums after 2009-2010 are assumed to increase with 5.00% annual trend.

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method (continued)

Plan Design:	Development of plan liabilities was based on the substantive plan of benefits in effect as described in Exhibit VI.
Administrative Expenses:	No administrative expenses were valued separately from the claim costs.
Changes in Assumptions:	Future health care trend rates were updated.
	Premiums and maximum subsidies were updated.
	Spouse coverage assumption was changed from 65% to 70%.

EXHIBIT VI
Summary of Plan

This exhibit summarizes the major benefit provisions as included in the valuation. To the best of our knowledge, the summary represents the substantive plan as of the measurement date. It is not intended to be, nor should it be interpreted as, a complete statement of all benefit provisions.

SUBSIDY FOR MEMBERS NOT ELIGIBLE FOR MEDICARE A & B

Eligibility	Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Members who retired prior to July 1, 1998 are subject to an eligibility requirement of age 60 with 10 or more years of service. Subsidy is paid only to Members on service or disability retirements. Surviving spouses and surviving domestic partners are eligible for health benefits upon the Member's date of death if the Member had attained age 55 prior to death. Otherwise, health benefits for survivors shall commence on the date that the Member would have reached age 55. Basic subsidy is paid until age 65, or after age 65 if Member is not covered by Medicare Parts A and B.
Amount of Subsidy	4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the actual premium paid to City approved health carrier.
Maximum Subsidy	As of July 1, 2008, maximum is $895.81 per month. For surviving spouse or domestic partner, the maximum subsidy is $511.76 per month.
Increase in Subsidy	Based on subsidy increases to active Fire and Police Members, subject to Board approval.
Dependent Portion	Difference between Basic Subsidy maximum amount and single-party premium.

SUBSIDY FOR MEMBERS ELIGIBLE FOR MEDICARE A & B

Eligibility — Retired Members over age 65 with 10 or more years of service who participate in Medicare Parts A & B.

Amount of Subsidy to Participant: For retirees, health subsidy is provided subject to the following vesting schedule:

Completed Years of Service	Vested Percentage
10-14	75%
15-19	90%
20+	100%

Qualified surviving spouses or surviving domestic partners are eligible for benefits upon the death of the Member.

Maximum Subsidy — As of July 1, 2008, the single coverage maximum subsidy for retirees and surviving spouse or domestic partner is $406.44. The multi-person coverage maximum subsidy is $872.15.

Dependent Portion — Calculation based on Board of Fire and Police Pension Commissioners Resolution No. 9320: equal to the amount payable on behalf of the dependents of a retired member in the same plan, with the same years of service, who qualifies for an under 65 or Part B only subsidy, whichever is greater, providing such subsidy does not exceed the cost of the member's plan.

SPECIAL SUBSIDY

Eligibility — Various, based on effective date of retirement, rank at retirement, years of service and type of pension. The benefit is paid temporarily until the Basic Subsidy becomes effective and is only available to eligible members who retired between July 2, 1988 and June 30, 1998.

Amount of Subsidy — Flat Amount Based on Years of Service

20-24 years	$75 - $150 per month
25-29 years	$150 - $225 per month
30 and over	$225 - $300 per month

EXHIBIT VI

Summary of Plan (continued)

Medicare Part B -Related Subsidy

Medicare Part B Premium Reimbursement	For retired Members enrolled in Medicare A & B who are receiving a subsidy, the Plan provides payment of Part B premiums ($96.40 per month for calendar year 2008 and $96.40 per month for calendar year 2009).

Dental Subsidy

Eligibility	Retired Members who retired with 10 or more years of service. Benefits commence no earlier than age 55. Subsidy is paid only to Members on service or disability retirements. Surviving spouses/domestic partners are not eligible for benefits upon the death of the Member.
Amount of Subsidy	4% per year of service, to a maximum of 100%, times Maximum Subsidy, subject to a maximum of the single-party premium paid to City approved dental carrier.
Maximum Subsidy	Lesser of monthly amount paid to active Fire and Police Members and retired CERS Members. Effective July 1, 2008, maximum is $39.04 per month

Retiree Contributions: To the extent the subsidies are less than the medical or dental premiums, the retiree contributes the cost difference.

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