AGENDA FOR THE
PENSION REFORM COMMITTEE
MEETING OF
May 25, 2004
3:00 PM – 6:00 PM Meeting

401 B Street
Conference Room, 4th Floor

MINUTES

THE REGULAR MEETINGS OF THE PENSION REFORM COMMITTEE ARE SCHEDULED FOR EVERY TUESDAY AT 4:00 PM AT 401 B STREET, 4TH FLOOR

THE OPINIONS AND VIEWS OF THE COMMITTEE OR ITS MEMBERS, AND PRESENTATIONS MADE AND DOCUMENTS PROVIDED TO THE COMMITTEE OR ITS MEMBERS, MAY CONTAIN PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER BACKWARD-LOOKING RECONSTRUCTIONS OR FORWARD-LOOKING STATEMENTS, ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACT, AND ARE QUALIFIED IN THEIR ENTIRETY BY THIS CAUTIONARY STATEMENT. ONLY STATEMENTS MADE BY THE CITY IN AN OFFICIAL RELEASE OR SUBSEQUENT NOTICE OR ANNUAL REPORT, PUBLISHED IN A FINANCIAL NEWSPAPER OF GENERAL CIRCULATION AND/OR FILED WITH THE MSRB OR THE NRMSIRs ARE AUTHORIZED BYTHE CITY. THE CITY SHALL NOT BE RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF UNAUTHORIZED STATEMENTS.

Item 1: Call to Order

Item 2: Roll Call

Members Present	Members Absent	Staff Present
April Boling	Stanley Elmore	Patricia Frazier
Robert Butterfield (via telephone)		Chris Morris
Dick Vortmann		Larry Grissom, SDCERS Staff
Judith Italiano		Paul Barnett, SDCERS Staff
William Sheffler		Pam Holmberg
Steve Austin		Mary Braunwarth
Kathleen Walsh-Rotto		
Tim Considine		

Item 3: Approval of Minutes

There was a motion for approval of the minutes for the May 18, 2004 Pension Reform Committee (Committee) meetings from Steve Austin. The motion was seconded by Tim Considine and passed unanimously.

Item 4: Discussion on Actuarial Study

SDCERS actuary Rick Roeder, who is doing additional studies for the Committee, reported that his valuation on retiree health insurance is not ready yet, but should be complete in the next few days. Mr. Roeder then reviewed his May 18, 2004 analysis on the sources of the $1.16 billion dollar unfunded liability as of June 30, 2003. The Committee asked questions about the report. Steve Austin asked for a compilation of all the work completed by Mr. Roeder for the Committee. Mr. Roeder will send this to Mary Braunwarth for distribution.

Item 5: Discussion on Final Report

Ms. Boling distributed a package (see attached) she developed which showed the projected UAAL and different options that could be used to pay down the UAAL, including a reset of the 30-year amortization schedule; a 15 year amortization period; pension obligation bonds; and land securities. Each option showed the impact on the funding ratio from fiscal year 2006 through fiscal year 2010. Ms. Boling said she plans to provide additional options for the next meeting which allow for a more gradual increase in the City's contribution level due to realistic financial constraints. Ms. Boling suggested a three-year proposal where the City would fund $400 million of the unfunded liability by the end of calendar 2004 with either pension obligation bonds or land securities. By the end of calendar 2005 another $400 million would be funded through a similar method. By the end of calendar 2006, the remainder of the unfunded liability could be amortized over 15 years, which would allow for market improvements. There were questions on the Committee regarding the appropriate level of funding for the retirement system. The Committee did not take a vote on this recommendation in order to consider the additional options Ms. Boling will provide next week.

Ms. Boling asked that the Committee skip over Section II of the Final Report Outline so they could discuss any items that would require a change to the City Charter. She said that the deadline for Charter changes, which must be voted on in the general election, need to go to the City's Rules Committee soon.

The first proposed City Charter change came from Mr. Vortmann who made a motion for a change to the composition of the SDCERS' Board. His motion was that the Board shall be comprised of seven members appointed by the City Council with staggered terms of four years each, with a two consecutive term maximum. Such appointees will have professional qualifications of a college degree and/or relevant professional certifications, 15 years experience in pension administration, pension actuarial practice, investment management (including real estate), banking, or certified public accounting. Such appointees will be U.S. citizens and residents of the City of San Diego but cannot be City employees, participants (direct or indirectly through a direct family member) of the SDCERS, nor a union representative of employees or participants, nor can such appointees have any other personal interests which would be, or create the appearance of, a conflict of interest with the duties of a Trustee. The motion was seconded by Mr. Considine. The Committee discussed the motion. The motion was passed with Mr. Austin, Ms. Boling, Mr. Considine, Mr. Sheffler and Mr. Vortmann in favor and Ms. Italiano and Ms. Walsh-Rotto opposed. Ms. Boling asked Mr. Morris to draft the language for the Charter change and forward it through the proper committees within the City.

The second proposed Charter change discussed by the Committee dealt with the issue of disability retirement. Mr. Vortmann expressed his concern that the current disability retirement process is inefficient and time consuming. He believes that decisions on disability retirement should be removed from the SDCERS Board because the Board becomes an ad hoc jury without any due process. In addition, Board members have no medical knowledge and should not be in the position to make decisions on eligibility. He believes the decision should be made by a separate third party in a system similar to what is done in the City of San Francisco. In San Francisco, cases are referred to an adjudicator, who returns to the Board with a recommendation. Mr. Vortmann suggested that the adjudicator's decision be final, and any appeals would be made through the court. Ms. Boling asked Mr. Morris to investigate San Francisco's plan and draft up language that could be used for a Charter change to adopt a similar system. Mr. Morris will e-mail language to the Committee in advance of the next meeting.

The third Charter change proposal dealt with the amortization period for new benefit past service liability. Mr. Vortmann made a motion that for all new pension benefit improvements to the currently existing plan, SDCERS will, when setting actuarial assumptions and methodologies, use an amortization period no greater than 5 years fixed for any past service liability for each new benefit improvement. The Committee discussed the motion. Mr. Vortmann amended his motion to include the following: For all new pension benefit improvements to the currently existing plan, SDCERS will, when setting actuarial assumptions and methodologies for funding purposes, use an amortization period no greater than straight line 5 years fixed for any past service liability for each new benefit improvement. Mr. Considine seconded the motion. The motion passed with Mr. Austin, Ms. Boling, Mr. Considine, Mr. Sheffler, Mr. Vortmann and Ms. Walsh-Rotto in favor and Ms. Italiano opposed.

The fourth proposed Charter change was presented by Ms. Boling and dealt with the issue of clarifying normal cost. Ms. Boling said she noticed in the actuarial valuations that normal cost is not really a 50/50 split between the City and the employees. The Charter specifies that the expense of the normal pension plan be split 50/50, not the normal cost. Ms. Boling asked that Mr. Grissom provide the Committee with an explanation of these definitions at the next meeting and why it is not a true 50/50 split. After this presentation, the Committee can discuss if they want to propose a change to the Charter.

Next, the Committee discussed their recommendations for any changes to the plan design. Ms. Boling emphasized that any recommendations on changes to the plan's design would be for new hires only. Mr. Vortmann asked that in the narrative of the final report the Committee include a statement that it is the Committee's perception that the City cannot afford the benefits it has.

The Committee discussed the issue of maintaining a defined benefit plan or changing to a defined contribution plan. Mr. Considine made a motion that the City stay with a defined benefit plan. Mr. Vortmann seconded the motion. There was a discussion of the motion. The motion passed unanimously.

Mr. Vortmann made a motion that the Committee recommends there should be reductions made to the defined benefit plan as it applies to new hires. The motion was seconded by Mr. Sheffler. The Committee discussed the motion. The motion passed with Mr. Austin, Ms. Boling, Mr. Butterfield, Mr. Considine, Mr. Sheffler, Mr. Vortmann and Ms. Walsh-Rotto in favor and Ms. Italiano opposed.

Next, the Committee discussed the issue of whether to change the retirement age. There was a motion from Mr. Vortmann to change the retirement age for general members to 62 with actuarial neutral adjustments down to 55 and change the retirement age for safety members to 57 with actuarial neutral adjustments down to 52. The motion was seconded by Mr. Considine. The motion passed with Mr. Austin, Ms. Boling, Mr. Considine, Mr. Sheffler, and Ms. Walsh-Rotto in favor and Mr. Butterfield and Ms. Italiano opposed.

There was a motion from Mr. Considine to change the high one year salary to a high three year average of base pay. Ms. Walsh-Rotto. The motion passed with Mr. Austin, Ms. Boling, Mr. Butterfield, Mr. Considine, Mr. Sheffler, Mr. Vortmann and Ms. Walsh-Rotto in favor and Ms. Italiano opposed.

There was a motion from Mr. Vortmann that legislative members retirement age be the same as general members. It was seconded by Mr. Considine. The motion passed with Mr. Austin, Ms. Boling, Mr. Butterfield, Mr. Considine, Mr. Sheffler, Mr. Vortmann and Ms. Walsh-Rotto in favor and Ms. Italiano opposed.

There was a motion from Mr. Considine to eliminate the DROP program. It was seconded by Mr. Vortmann. After discussion the motion passed with Mr. Austin, Ms. Boling, Mr. Considine, Mr. Sheffler, and Mr. Vortmann in favor and Mr. Butterfield, Ms. Italiano, and Ms. Walsh-Rotto opposed.

There was a motion from Mr. Vortmann that the retirement percentage rate per year for general members be lowered from 2.5% obtained at 55 to 2% obtained at 62. The motion was seconded by Mr. Considine. The motion was passed with Mr. Austin, Ms. Boling, Mr. Butterfield, Mr. Considine, Mr. Sheffler, Mr. Vortmann and Ms. Walsh- Rotto in favor and Ms. Italiano opposed. There was discussion on lowering the retirement percentage rate for safety and legislative members. During the discussion, it was determined that there are several variables in the retirement formula for general, as well as legislative and safety members. As a result, it was decided to bring this entire issue (including the vote on the general members) back next week so that the Committee understands exactly what it is voting on.

Mr. Austin said that Mr. Roeder will need to do a report for the Committee that actuarially accounts for these recommended changes to the plan design.

Mr. Vortmann suggested two more items for consideration in the plan design change. He suggested the elimination of purchase of service credit and a required actuarial reduction for surviving spouse benefits. Ms. Boling asked that the Committee members consider any more changes or motions they would like to make and bring them to the next meeting.

Item 6: New Business

There was no new business.

Item 7: Comments by Committee Chairperson

There were no comments.

Item 8: Comments by Committee Members

There were no comments.

Item 9: Non-Agenda Public Comment

Jim Gleason applauded the Committee's efforts to change the composition of the Retirement Board. He believes it is a good idea to get away from the current conflicts of interest that exist on the Board. He also discussed at what level the retirement fund should be funded. He believes that as long as there are items that are funded in the waterfall, we must maximize earnings. If the system is under 100% funded you don't have the earnings. He believes there hasn't been an incentive to put aside money for reserves in recent years, largely because of the make up of the Board.

Item 10: Adjournment

The meeting was adjourned at 6:10 PM.

The next meeting will be on Tuesday, June 1, 2004 at **3:00** PM at the same location.

GRS

ABRIEL, ROEDER, SMITH & COMPANY
nsultants & Actuaries

9171 Towne Centre Drive • Suite 440 • San Diego, California 92122 • 858-535-1300 • FAX 858-535-1415

May 18, 2004

Members of the Pension Reform Commission
c/o City of San Diego
401 B Street, Fourth Floor
San Diego, CA 92101

At the May 4 meeting, you requested that we analyze the sources of the $1.16 billion dollar unfunded liability for the City of San Diego as of June 30, 2003. There are five principal sources. We have used pie graphs to indicate relative proportions.

When we discussed what period to analyze, the PRC felt it was best to go back to the point in time when Manager's Proposal #1 was just implemented. Thus, we used July 1, 1996 as our starting point for analysis and included the impact of the benefit increases under Manager's Proposal #1. We concur with this approach since the subsequent seven year period encompasses some very good investment years and some very poor ones – not atypical with what a retirement system would typically encounter.

There was a relatively small increase in liabilities due to assumption changes in the 1998 valuation (the City's attributed share was roughly $24 million). Logically, this should be treated as a sixth component but we elected to simplify our graph just to show the five leading causes.

For the valuations 1997-2000, sizable investment gains masked significant actuarial losses in other areas. For the seven-year period, the principal areas of non-investment actuarial loss were:

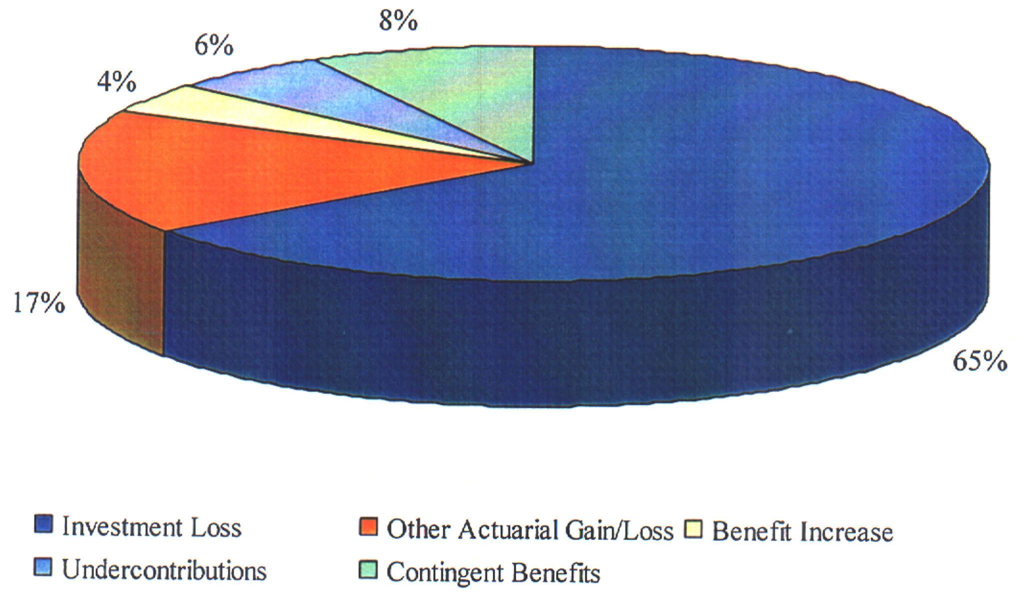
1) Extremely low employee turnover
2) Significant service purchase subsidies
3) Pay increases above those assumed
4) Retirement/DROP incidence

Some of these areas have been addressed in the 1998 actuarial assumption changes and the most recent Experience Investigation study. Under the current Manager's Proposal #2, such GRS recommendations from the Experience Study are not to be used in setting rates.

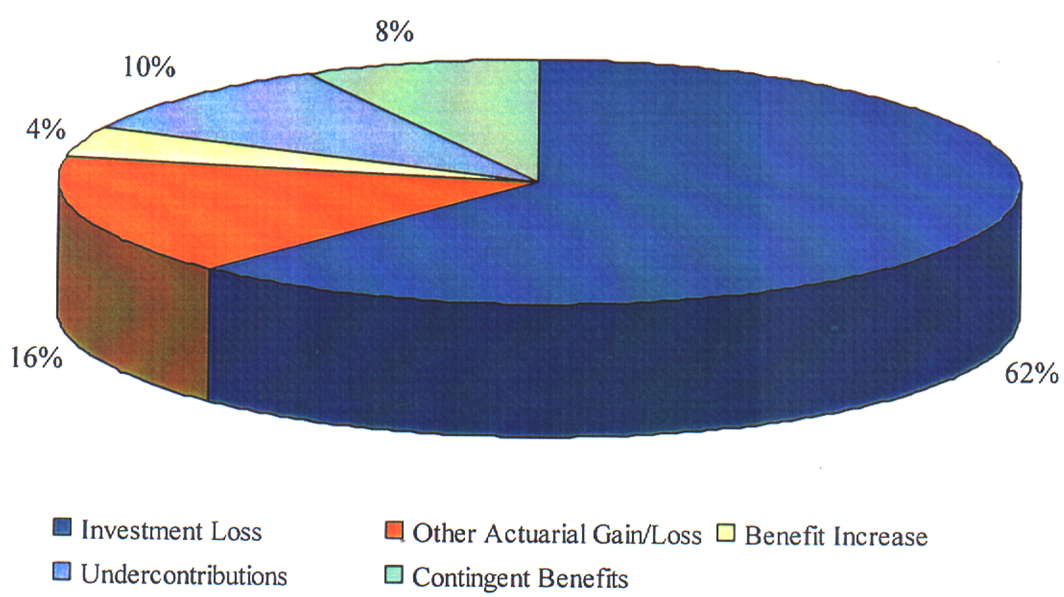
San Diego City Employees' Retirement System

Causes of Unfunded Liability from July 1, 2000 – June 30, 2003

Basis #3



Basis #4



Gabriel, Roeder, Smith & Company

CONSTRUED AS REPRESENTATIONS OF FACT, AND ARE QUALIFIED IN THEIR ENTIRETY BY THIS CAUTIONARY STATEMENT. ONLY STATEMENTS MADE BY THE CITY IN AN OFFICIAL RELEASE OR SUBSEQUENT NOTICE OR ANNUAL REPORT, PUBLISHED IN A FINANCIAL NEWSPAPER OF GENERAL CIRCULATION AND/OR FILED WITH THE MSRB OR THE NSMSIRs ARE AUTHORIZED BY THE CITY. THE CITY SHALL NOT BE RESPONSIBLE FOR THE ACCURACY, COMPLETENESS OR FAIRNESS OF UNAUTHORIZED STATEMENTS.

We have also included the attribution solely for the three-year period starting as of July 1, 2000. This is subsequent to the $185 million increase in unfunded liabilities due to the Corbett settlement which was initially reflected in the June 30, 2000 valuation. Thus, the seven-year analysis reflects three non-contingent benefit increases (MP1, Corbett and MP2) whereas the three-year analysis reflects only one non-contingent benefit increase.

Why would we include the three-year analysis when we feel the seven-year period is preferable? There have been Board members who have cited investment performance as the principal reason for the deterioration in the funding ratio. For the years ending in 2002 and 2003, this is correct. Also, in the short-term, there is merit in looking at this three-year period because the System's funded ratio as of June 30, 2000 was 105% prior to the Corbett settlement and 97% after the settlement.

If it is appropriate to attribute the majority of the recent decrease in the funded ratio on investments, the corollary to this argument is that the terrific investment markets of the 1990's should have resulted in steadily increasing funded ratios. This did not happen due to a series of benefit increases, both contingent and non-contingent.

For the 10-year period ending June 30, 2003, the time-weighted return for SDCERS was 8.0% on the actuarial value of assets -- exactly the same as the net actuarial assumption during the period. Taking a long-term view leads us to the following conclusion: the existing level of unfunded liability is primarily due to elements other than investment activity.

As always, we are delighted to discuss.

Sincerely,

Rick Roeder

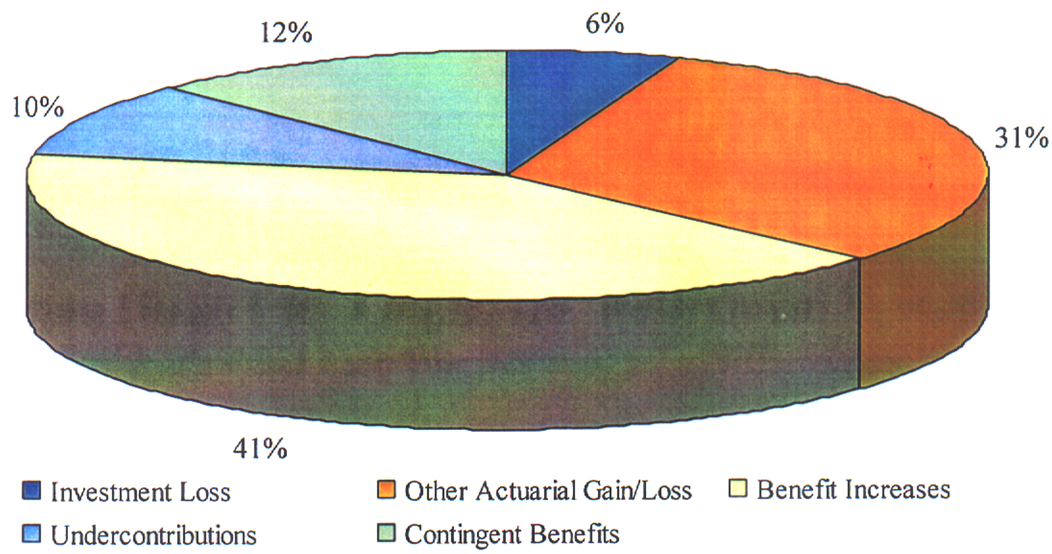
Rick A. Roeder, EA, FSA, MAAA

San Diego City Employees' Retirement System

Causes of Unfunded Liability from July 1, 1996 – June 30, 2003

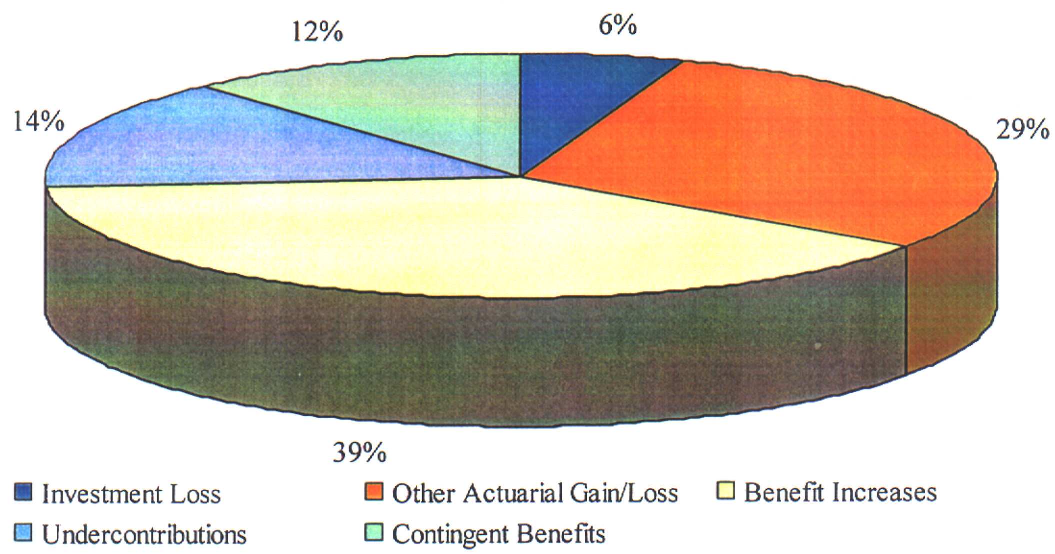
Basis #1

(reflects one-year contribution lag)



Basis #2

(does not reflect one-year contribution lag)



PROJECTION OF UAAL @ 6/3/05

Projected 6/30/04 UAAL @ market	$1,167.0	$1,167.0	$1,167.0
Interest on UAAL $1,167 X 8%	93.4	93.4	93.4
Normal Cost '05 $605 X 11.95%	72.3	72.3	72.3
Corbett (2 years past)	5.5	5.5	5.5
Corbett (1 year past)	5.4	5.4	5.4
Corbett (based on FY '04 earnings)	5.3	5.3	5.3
13th check (based on FY '04 earnings)	4.1	4.1	4.1
Supplemental COLA	2.9	2.9	2.9
FY '05 settlement payment	(130.0)	(130.0)	(130.0)
With $400M POB		(392.0)	
With $400M trust deed			(400.0)
Projected UAAL @ 6/30/05	$1,225.9	$833.9	$825.9

$ expressed in millions

This doument may contain projections, forecasts, assumptions, exprssions of opinion, estimates, and other backward-looking reconstructions or forward looking statments, are not to be construed as representations of fact, and are qualified in their entirety by this cautionary statement, only statements made by the city in an official release or subsequent notice or annyal report, published in a financial newspaper of general circulation and/or filed with the MSRB or the NSMSIRs are authroized by the City. The City shall not be responsible for the accuracy, completeness completeness or fairness of unauthorized statements.

OPTION #4
$400M POB X 3, 15 year UAAL amortization

	$ Qty	FY '06	FY '07	FY '08	FY '09	FY '10
Normal $605 X 1.0425% X 11.95%		75.4	78.6	81.9	85.4	89.0
Corbett		5.3	5.2	5.1	5.1	5.0
13th Check		4.1	4.2	4.3	4.3	4.4
Supplemental COLA		2.9	2.9	2.9	2.9	2.9
Annual contribution excluding medical and UAAL		87.7	90.9	94.2	97.7	101.3
POBs at 6.36% / 29 years / Issued 12/31/04	400	30.9	30.9	30.9	30.9	30.9
POBs at 6.36% / 30 years / Issued 12/31/05	400		30.6	30.6	30.6	30.6
POBs at 6.36% / 30 years / Issued 12/31/06	400			30.6	30.6	30.6
UAAL Amort / 1.59% per 100 / 15 years	834	13.5	17.7	11.3	2.5	2.0
Interest on remaining UAAL	834	66.7	64.0	31.6	5.5	3.5
		111.2	143.2	135.0	100.1	97.5
Total payment (excluding medical)		198.8	234.1	229.2	197.8	198.8
Plan Liabilities (SWAG)		4400	4800	5400	6014	6600
UAAL		1225.9	1225.9	1225.9	1225.9	1225.9
POB paydown		-392.0	-784.0	-1176.0	-1176.0	-1176.0
Accumulated principal amortization		-13.5	-31.2	-42.5	-45.1	-47.1
Remaining UAAL		820.4	410.7	7.4	4.8	2.8
Funded Ratio		81.35%	91.44%	99.86%	99.92%	99.96%

15 YEAR AMORTIZATION / FIXED PERCENTAGE OF SALARY/INFLATION ADJUSTED

		Salary (4.25% incr)	Principal Balance	Interest @8%	1.59% of Salary	Apply to Prin
YEAR	1	605,000,000	100,000,000	8,000,000	9,619,500	1,619,500
YEAR	2	630,712,500	98,380,500	7,870,440	10,028,329	2,157,889
YEAR	3	657,517,781	96,222,611	7,697,809	10,454,533	2,756,724
YEAR	4	685,462,287	93,465,887	7,477,271	10,898,850	3,421,579
YEAR	5	714,594,434	90,044,308	7,203,545	11,362,052	4,158,507
YEAR	6	744,964,698	85,885,801	6,870,864	11,844,939	4,974,075
YEAR	7	776,625,697	80,911,727	6,472,938	12,348,349	5,875,410
YEAR	8	809,632,289	75,036,316	6,002,905	12,873,153	6,870,248
YEAR	9	844,041,662	68,166,068	5,453,285	13,420,262	7,966,977
YEAR	10	879,913,432	60,199,091	4,815,927	13,990,624	9,174,696
YEAR	11	917,309,753	51,024,395	4,081,952	14,585,225	10,503,273
YEAR	12	956,295,418	40,521,121	3,241,690	15,205,097	11,963,407
YEAR	13	996,937,973	28,557,714	2,284,617	15,851,314	13,566,697
YEAR	14	1,039,307,837	14,991,017	1,199,281	16,524,995	15,325,713
YEAR	15	1,083,478,420	(334,696)	(26,776)	17,227,307	17,254,083

30 YEAR AMORTIZATION/FIXED PERCENTAGE OF SALARY/INFLATION ADJUSTED

					0.965% of Salary	
YEAR	1	605,000,000	100,000,000	8,000,000	5,838,250	(2,161,750)
YEAR	2	630,712,500	102,161,750	8,172,940	6,086,376	(2,086,564)
YEAR	3	657,517,781	104,248,314	8,339,865	6,345,047	(1,994,819)
YEAR	4	685,462,287	106,243,133	8,499,451	6,614,711	(1,884,740)
YEAR	5	714,594,434	108,127,873	8,650,230	6,895,836	(1,754,394)
YEAR	6	744,964,698	109,882,266	8,790,581	7,188,909	(1,601,672)
YEAR	7	776,625,697	111,483,938	8,918,715	7,494,438	(1,424,277)
YEAR	8	809,632,289	112,908,215	9,032,657	7,812,952	(1,219,706)
YEAR	9	844,041,662	114,127,921	9,130,234	8,145,002	(985,232)
YEAR	10	879,913,432	115,113,152	9,209,052	8,491,165	(717,888)
YEAR	11	917,309,753	115,831,040	9,266,483	8,852,039	(414,444)
YEAR	12	956,295,418	116,245,484	9,299,639	9,228,251	(71,388)
YEAR	13	996,937,973	116,316,872	9,305,350	9,620,451	315,102
YEAR	14	1,039,307,837	116,001,770	9,280,142	10,029,321	749,179
YEAR	15	1,083,478,420	115,252,591	9,220,207	10,455,567	1,235,359
YEAR	16	1,129,526,253	114,017,232	9,121,379	10,899,928	1,778,550
YEAR	17	1,177,531,118	112,238,682	8,979,095	11,363,175	2,384,081
YEAR	18	1,227,576,191	109,854,601	8,788,368	11,846,110	3,057,742
YEAR	19	1,279,748,179	106,796,859	8,543,749	12,349,570	3,805,821
YEAR	20	1,334,137,477	102,991,038	8,239,283	12,874,427	4,635,144
YEAR	21	1,390,838,319	98,355,894	7,868,472	13,421,590	5,553,118
YEAR	22	1,449,948,948	92,802,776	7,424,222	13,992,007	6,567,785
YEAR	23	1,511,571,778	86,234,991	6,898,799	14,586,668	7,687,868
YEAR	24	1,575,813,579	78,547,122	6,283,770	15,206,601	8,922,831
YEAR	25	1,642,785,656	69,624,291	5,569,943	15,852,882	10,282,938
YEAR	26	1,712,604,046	59,341,353	4,747,308	16,526,629	11,779,321
YEAR	27	1,785,389,718	47,562,032	3,804,963	17,229,011	13,424,048
YEAR	28	1,861,268,781	34,137,983	2,731,039	17,961,244	15,230,205
YEAR	29	1,940,372,705	18,907,778	1,512,622	18,724,597	17,211,974
YEAR	30	2,022,838,545	1,695,804	135,664	19,520,392	19,384,728

OPTION #3
$400M Land Security, 15 year UAAL amortization

	$ Qty	FY '06	FY '07	FY '08	FY '09	FY '10
Normal $605 X 1.0425% X 11.95%		75.4	78.6	81.9	85.4	89.0
Corbett		5.3	5.2	5.1	5.1	5.0
13th Check		4.1	4.2	4.3	4.3	4.4
Supplemental COLA		2.9	2.9	2.9	2.9	2.9
Annual contribution excluding medical and UAAL		87.7	90.9	94.2	97.7	101.3
Land Security @ 8% / 30 year amort	400	35.8	35.8	35.8	35.8	35.8
UAAL Amort / 1.59% per 100 / 15 years	826	13.4	17.5	21.9	26.4	31.0
Interest on remaining UAAL	826	66.1	63.9	61.2	57.8	53.8
		115.3	117.3	119.0	120.1	120.7
Total payment (excluding medical)		203.0	208.2	213.2	217.8	222.0
Plan Liabilities (SWAG)		4400	4800	5400	6014	6600
UAAL		825.9	825.9	825.9	825.9	825.9
Accumulated principal amortization		-13.4	-30.9	-52.8	-79.3	-110.3
Remaining UAAL		812.5	795.0	773.1	746.6	715.6
Funded Ratio		81.53%	83.44%	85.68%	87.59%	89.16%

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POB - 30 Yrs

Year		Interest @6.36%	Principal payment	Total payment
1	100,000,000	6,360,000	1,278,000	7,638,000
2	98,722,000	6,278,719	1,359,281	7,638,000
3	97,362,719	6,192,269	1,445,731	7,638,000
4	95,916,988	6,100,320	1,537,680	7,638,000
5	94,379,309	6,002,524	1,635,476	7,638,000
6	92,743,833	5,898,508	1,739,492	7,638,000
7	91,004,340	5,787,876	1,850,124	7,638,000
8	89,154,216	5,670,208	1,967,792	7,638,000
9	87,186,425	5,545,057	2,092,943	7,638,000
10	85,093,481	5,411,945	2,226,055	7,638,000
11	82,867,427	5,270,368	2,367,632	7,638,000
12	80,499,795	5,119,787	2,518,213	7,638,000
13	77,981,582	4,959,629	2,678,371	7,638,000
14	75,303,210	4,789,284	2,848,716	7,638,000
15	72,454,495	4,608,106	3,029,894	7,638,000
16	69,424,601	4,415,405	3,222,595	7,638,000
17	66,202,005	4,210,448	3,427,552	7,638,000
18	62,774,453	3,992,455	3,645,545	7,638,000
19	59,128,908	3,760,599	3,877,401	7,638,000
20	55,251,508	3,513,996	4,124,004	7,638,000
21	51,127,502	3,251,709	4,386,291	7,638,000
22	46,741,211	2,972,741	4,665,259	7,638,000
23	42,075,952	2,676,031	4,961,969	7,638,000
24	37,113,983	2,360,449	5,277,551	7,638,000
25	31,836,432	2,024,797	5,613,203	7,638,000
26	26,223,229	1,667,797	5,970,203	7,638,000
27	20,253,027	1,288,092	6,349,908	7,638,000
28	13,903,119	884,238	6,753,762	7,638,000
29	7,149,358	454,699	7,183,301	7,638,000
30	(33,943)	(2,159)	7,640,159	7,638,000

POB - 29 Yrs

Year		Interest @6.36%	Principal payment	Total payment
1	100,000,000	6,360,000	1,377,000	7,737,000
2	98,623,000	6,272,423	1,464,577	7,737,000
3	97,158,423	6,179,276	1,557,724	7,737,000
4	95,600,698	6,080,204	1,656,796	7,737,000
5	93,943,903	5,974,832	1,762,168	7,737,000
6	92,181,735	5,862,758	1,874,242	7,737,000
7	90,307,493	5,743,557	1,993,443	7,737,000
8	88,314,050	5,616,774	2,120,226	7,737,000
9	86,193,824	5,481,927	2,255,073	7,737,000
10	83,938,751	5,338,505	2,398,495	7,737,000
11	81,540,255	5,185,960	2,551,040	7,737,000
12	78,989,216	5,023,714	2,713,286	7,737,000
13	76,275,930	4,851,149	2,885,851	7,737,000
14	73,390,079	4,667,609	3,069,391	7,737,000
15	70,320,688	4,472,396	3,264,604	7,737,000
16	67,056,084	4,264,767	3,472,233	7,737,000
17	63,583,851	4,043,933	3,693,067	7,737,000
18	59,890,783	3,809,054	3,927,946	7,737,000
19	55,962,837	3,559,236	4,177,764	7,737,000
20	51,785,074	3,293,531	4,443,469	7,737,000
21	47,341,604	3,010,926	4,726,074	7,737,000
22	42,615,531	2,710,348	5,026,652	7,737,000
23	37,588,878	2,390,653	5,346,347	7,737,000
24	32,242,531	2,050,625	5,686,375	7,737,000
25	26,556,156	1,688,972	6,048,028	7,737,000
26	20,508,127	1,304,317	6,432,683	7,737,000
27	14,075,444	895,198	6,841,802	7,737,000
28	7,233,643	460,060	7,276,940	7,737,000
29	(43,298)	(2,754)	7,739,754	7,737,000

OPTION #2
$400M POB, 15 year UAAL amortization

	$ Qty	FY '06	FY '07	FY '08	FY '09	FY '10
Normal $605 X 1.0425% X 11.95%		75.4	78.6	81.9	85.4	89.0
Corbett		5.3	5.2	5.1	5.1	5.0
13th Check		4.1	4.2	4.3	4.3	4.4
Supplemental COLA		2.9	2.9	2.9	2.9	2.9
Annual contribution excluding medical and UAAL		87.7	90.9	94.2	97.7	101.3
POBs at 6.36% / 29 years / Issued 12/31/04	400	30.9	30.9	30.9	30.9	30.9
UAAL Amort / 1.59% per 100 / 15 years	834	13.5	17.7	22.1	26.7	31.4
Interest on remaining UAAL	834	66.7	64.6	61.8	53.0	54.3
		111.2	113.2	114.9	110.6	116.6
Total payment (excluding medical)		198.8	204.1	209.1	208.3	217.9
Plan Liabilities (SWAG)		4400	4800	5400	6014	6600
UAAL		833.9	833.9	833.9	833.9	833.9
Accumulated principal amortization		-13.5	-31.2	-53.3	-80.0	-111.4
Remaining UAAL		820.4	802.7	780.6	753.9	722.5
Funded Ratio		81.35%	83.28%	85.55%	87.47%	89.05%

This doument may contain projections, forecasts, assumptions, exprssions of opinion, estimates, and other backward-looking reconstructions or forward looking statments, are not to be construed as representations of fact, and are qualified in their entirety by this cautionary statement, only statements made by the city in an official release or subsequent notice or annyal report, published in a financial newspaper of general circulation and/or filed with the MSRB or the NSMSIRs are authroized by the City. The City shall not be responsible for the accuracy, completeness completeness or fairness of unauthorized statements.

Mortgage - 15 Yrs

Year		Interest @8.0%	Principal payment	Total payment
1	100,000,000	8,000,000	4,130,000	12,130,000
2	95,870,000	7,669,600	4,460,400	12,130,000
3	91,409,600	7,312,768	4,817,232	12,130,000
4	86,592,368	6,927,389	5,202,611	12,130,000
5	81,389,757	6,511,181	5,618,819	12,130,000
6	75,770,938	6,061,675	6,068,325	12,130,000
7	69,702,613	5,576,209	6,553,791	12,130,000
8	63,148,822	5,051,906	7,078,094	12,130,000
9	56,070,728	4,485,658	7,644,342	12,130,000
10	48,426,386	3,874,111	8,255,889	12,130,000
11	40,170,497	3,213,640	8,916,360	12,130,000
12	31,254,137	2,500,331	9,629,669	12,130,000
13	21,624,468	1,729,957	10,400,043	12,130,000
14	11,224,425	897,954	11,232,046	12,130,000
15	(7,621)	(610)	12,130,610	12,130,000

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Mortgage - 30 Yrs

Year		Interest @8.0%	Principal payment	Total payment
1	100,000,000	8,000,000	962,000	8,962,000
2	99,038,000	7,923,040	1,038,960	8,962,000
3	97,999,040	7,839,923	1,122,077	8,962,000
4	96,876,963	7,750,157	1,211,843	8,962,000
5	95,665,120	7,653,210	1,308,790	8,962,000
6	94,356,330	7,548,506	1,413,494	8,962,000
7	92,942,836	7,435,427	1,526,573	8,962,000
8	91,416,263	7,313,301	1,648,699	8,962,000
9	89,767,564	7,181,405	1,780,595	8,962,000
10	87,986,969	7,038,958	1,923,042	8,962,000
11	86,063,927	6,885,114	2,076,886	8,962,000
12	83,987,041	6,718,963	2,243,037	8,962,000
13	81,744,004	6,539,520	2,422,480	8,962,000
14	79,321,525	6,345,722	2,616,278	8,962,000
15	76,705,247	6,136,420	2,825,580	8,962,000
16	73,879,666	5,910,373	3,051,627	8,962,000
17	70,828,040	5,666,243	3,295,757	8,962,000
18	67,532,283	5,402,583	3,559,417	8,962,000
19	63,972,866	5,117,829	3,844,171	8,962,000
20	60,128,695	4,810,296	4,151,704	8,962,000
21	55,976,990	4,478,159	4,483,841	8,962,000
22	51,493,150	4,119,452	4,842,548	8,962,000
23	46,650,602	3,732,048	5,229,952	8,962,000
24	41,420,650	3,313,652	5,648,348	8,962,000
25	35,772,302	2,861,784	6,100,216	8,962,000
26	29,672,086	2,373,767	6,588,233	8,962,000
27	23,083,853	1,846,708	7,115,292	8,962,000
28	15,968,561	1,277,485	7,684,515	8,962,000
29	8,284,046	662,724	8,299,276	8,962,000
30	(15,231)	(1,218)	8,963,218	8,962,000

OPTION #1
15 year UAAL amortization

	$ Qty	FY '06	FY '07	FY '08	FY '09	FY '10
Normal $605 X 1.0425% X 11.95%		75.4	78.6	81.9	85.4	89.0
Corbett		5.3	5.2	5.1	5.1	5.0
13th Check		4.1	4.2	4.3	4.3	4.4
Supplemental COLA		2.9	2.9	2.9	2.9	2.9
Annual contribution excluding medical and UAAL		87.7	90.9	94.2	97.7	101.3
UAAL Amort / 1.59% per 100 / 15 years	1226	19.9	26.0	32.5	39.3	46.1
Interest on remaining UAAL	1226	98.1	94.9	90.8	85.8	79.8
		117.9	120.9	123.4	125.1	125.9
Total payment (excluding medical)		205.6	211.8	217.6	222.7	227.2
Plan Liabilities (SWAG)		4400	4800	5400	6014	6600
UAAL		1225.9	1225.9	1225.9	1225.9	1225.9
Accumulated principal amortization		-19.9	-45.9	-78.5	-117.7	-163.8
Remaining UAAL		1206.0	1180.0	1147.4	1108.2	1062.1
Funded Ratio		72.59%	75.42%	78.75%	81.57%	83.91%

BASELINE
30 year UAAL amortization

	$ Qty	FY '06	FY '07	FY '08	FY '09	FY '10
Normal $605 X 1.0425% X 11.95%		75.4	78.6	81.9	85.4	89.0
Corbett		5.3	5.2	5.1	5.1	5.0
13th Check		4.1	4.2	4.3	4.3	4.4
Supplemental COLA		2.9	2.9	2.9	2.9	2.9
Annual contribution excluding medical and UAAL		87.7	90.9	94.2	97.7	101.3
UAAL Amort / 1.59% per 100 / 30 years	1226	(26.5)	(26.1)	(25.5)	(24.6)	(23.3)
Interest on remaining UAAL	1226	98.1	98.5	106.6	110.8	114.9
		71.6	72.4	81.1	86.3	91.6
Total payment (excluding medical)		159.2	163.3	175.3	184.0	192.9
Plan Liabilities (SWAG @ 11%/YR))		4400	4800	5400	6014	6600
UAAL		1225.9	1225.9	1225.9	1225.9	1225.9
Accumulated principal amortization		26.5	52.6	78.1	102.7	126.0
Remaining UAAL		1252.4	1278.5	1304.0	1328.6	1351.9
Funded Ratio		71.54%	73.36%	75.85%	77.91%	79.52%