SYSTEM'S FINANCIAL HIGHLIGHTS

Comparison of Asset Values

The System's actuary examines the financial status of the Plan from an Actuarial Value of Assets (AVA) and a Market Value of Assets (MVA) perspective. The AVA incorporates the 5-year smoothing of investment gains/losses.

- The System's net assets (MVA) were $640.4M as of 9/30/2010, which is a $31M increase over 9/30/2009.
- The System's AVA was $718.1M as of 9/30/2010, which represents a $9M loss over 9/30/2009 (recognizing 20% of the previous years' losses as a result of 5-year smoothing). [Note: See the attached **Change in Asset Value** table which highlights the difference between market and actuarial value over a 9-year period].

Another important factor the actuary highlights is the comparison between the System's AVA and its Present Value of Future Benefits. This comparison illustrates the System's Unfunded Actuarial Accrued Liability (AAL), which impacts the System's Funded Ratio.

- As of 10/1/2010, the AVA was $753.6M (including Present Value of Future Member Contributions). The Present Value of Future Benefits (PVFB) was $917.5M. The ratio of these two values represents a negative ($163.9) value. [Note: See the attached **Assets vs. PVFB 2009 – 2011** graph which illustrates the spread and shows an even larger projected negative ($192.6M) value as of 10/1/2011].

Funded Ratio

The System's funded ratio, expressed as either Actuarial Value of Assets (AVA) or Market Value of Assets over Actuarial Accrued Liability (AAL), over the past 3 years, is shown below:

Actuarial Valuation Date	Funded Ratio (AVA/AAL)	Funded Ratio MVA/AAL
10/1/2008	93.6%	81.8%
10/1/2009	90.9%	76.2%
10/1/2010	**88.1%**	**78.6%**

Contributions

City's Actuarial Required Contribution (ARC)

The System's actuary determines the City's (Plan Sponsor) ARC based on valuation assumptions and methods. The actuary also accounts for the fact that the City's fiscal year ends June 30th and the System's fiscal year (Plan Year) ends September 30th. The information below shows the 4-year City ARC history, the City ARC for Plan Year 2010 – 2011 (City FY12), and a projected ARC for Plan Year 2011 – 2012 (City FY13):

System's Plan Year	City Fiscal Year	ARC
2006 – 2007	FY08	$12.7M
2007 – 2008	FY09	$10.4M
2008 – 2009	FY10	$14.3M
2009 – 2010	FY11	$17.5M
2010 – 2011	FY12	$20.0M
2011 – 2012	FY13	$23.1M[2]

[2] Based on a 7.75% rate of return on investments, a 5% payroll increase, and all other valuation assumptions and ARC remaining the same as 2010 – 2011 Plan Year.

Notes:

- The above-stated ARC amounts are the result of the 5-year asset smoothing. Absent future investment gains to offset the prior investment losses being smoothed, future City contributions will increase as these prior losses become recognized. **If asset smoothing methods were not used, the City's contribution amount, based on market value of assets, would be $29.5M for the System's Plan Year 2010 – 2011 (City FY12) vs. the $20.0M shown above.**
- The City is also paying approximately $3.2M/year (effective FY09) in debt service on the $35.8M total lump sum payment to the System in City FY08 and FY09, in addition to the ARC amounts shown above.

Member Contributions

In addition to the City's contributions, Members contribute 7% of pay which is refunded upon separation of service. The information shown below highlights the comparison of contributions paid into the System vs. benefits and refunds paid out for Plan Year 2009 – 2010:

Member Contributions	City Contribution	Refunds & Benefit Payments
$4.5M	$17.5M	$55.6M

The System's actual investment return of $69.0M for Plan Year 2009 – 2010 covered the difference. For the System's current Plan Year 2010 – 2011, the actuary is projecting $68.0M in benefit and refund payments, based on the same valuation assumptions.