GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

CITY OF KALAMAZOO EMPLOYEES RETIREMENT SYSTEM
FIFTY-SIXTH ANNUAL ACTUARIAL VALUATION

DECEMBER 31, 2007

CONTENTS

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

May 16, 2008

The Retirement Investment Committee
The Board of Trustees
City of Kalamazoo Employees Retirement System
Kalamazoo, Michigan

Ladies and Gentlemen:

Submitted in this report are the results of the Fifty-Sixth Annual Actuarial Valuation of the City of Kalamazoo Employees Retirement System. This report was prepared at the request of the City.

The actuarial calculations were prepared for purposes of complying with the requirements of Statements No. 25 and No. 27 of the Governmental Accounting Standards Board (GASB) and the Michigan State Constitution. The calculations reported herein have been made on a basis consistent with our understanding of these accounting standards and appropriate law. Determinations of the liability associated with the benefits described in this report for purposes other than satisfying the City's financial reporting and contribution requirements may produce significantly different results. This report may be provided to parties other than the City of Kalamazoo only in its entirety and only with the permission of the City of Kalamazoo.

The valuation was based upon information furnished by the City concerning Retirement System benefits, financial transactions, and individual active members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency, but was not otherwise audited.

Both of the undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries (MAAA) to render the actuarial opinion contained herein.

Respectfully submitted,

W. James Koss, ASA, EA, MAAA

Curtis Powell, EA, MAAA

WJK/CP:lr

SECTION A
EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Purpose of an Actuarial Valuation

The City of Kalamazoo Employees Retirement System is known as a defined benefit retirement system. The amount of benefits payable to a member upon retirement, termination, death or disability is defined in various contracts and legal instruments and is based, in part, on the member's years of credited service and final compensation. The amount of contribution needed to fund these benefits cannot be known with certainty. A primary responsibility of the fiduciaries of the Retirement System is to establish and monitor a funding policy for the contributions made to the Retirement System.

In some jurisdictions, contributions are made by the plan sponsor as benefits come due. This is known as pay-as-you-go financing. The state of Michigan mandates that "Financial benefits arising on account of service rendered in each fiscal year shall be funded during that year and such funding shall not be used for financing unfunded accrued liabilities". The determination of a contribution which satisfies this constitutional requirement is achieved through an actuarial valuation.

The Actuarial Valuation Process

Under the actuarial valuation process, current information about System members is collected annually by staff at the direction of the actuary, which will assist the actuary in estimating benefits in the future. The benefit provisions are also collected. By making assumptions about future activities such as life expectancy and retirement patterns, the actuary is able to use the information collected to project the benefits that will be paid from the Retirement System to current members. These projected future benefit payments are discounted into today's dollars using an assumed rate of investment return assumption to determine the Present Value of Future Projected Benefits (PVFB) of the Retirement System. The PVFB estimates the value of the benefits promised to all members as of a valuation date, and includes future pay and service for members which has not yet been earned. An actuarial cost method is then used to allocate the PVFB to past, current and future service.

There are many actuarial cost methods. Different actuarial methods will produce different contribution patterns, but do not change the ultimate cost of the benefits. The ultimate cost of benefits will only become known after the final payment is made from the Retirement System. The past, current and future service components of the PVFB are respectively known as the actuarial accrued liability (AAL), normal cost (NC) and present value of future normal costs (PVFNC). The actuary computes the liability components (PVFB, NC, AAL, and PVFNC) for each participant in the Retirement System at the valuation date. These liability components are then totaled by divisions within the Retirement System. These division totals are then consolidated to determine liabilities for the total Retirement System.

The Actuarial Valuation Process (continued)

A contribution made to cover the normal cost satisfies the Michigan Constitution requirement to fund financial benefits arising on account of service rendered in the fiscal year. The unfunded actuarial accrued liability (UAAL) is the portion of actuarial accrued liability that is not covered by the assets of the Retirement System. The UAAL can be a negative number, which means that the Retirement System has more assets than actuarial accrued liability. We refer to this condition as overfunded liability in this summary. The assets used for these purposes are an actuarial value of assets (AVA), not market. An actuarial value of assets is a smoothed value of assets which is used to limit contribution volatility. To satisfy the requirements of the Michigan Constitution, the actuary calculates the total annual contribution to the Retirement System as the normal cost plus a contribution towards unfunded actuarial accrued liability.

A valuation report is produced annually which contains the contribution for the fiscal year as well as the funded status of the Retirement System. The primary purpose of producing a valuation report annually is to replace the estimated activities which were based on assumptions with the actual experience of the Retirement System for the prior year. The experience gain (loss) is the difference between the expected and the actual UAAL of the Retirement System. An experience loss can be thought of as the amount of additional UAAL over and above the amount that was expected from the prior year due to deviation of actual experience from the assumptions. Similarly, an experience gain can be thought of as having less UAAL than that which was expected from the prior year's assumptions.

Computed Employer Contributions - Fiscal Year Beginning January 1, 2008

As expected, based on last year's results, City contributions will not be required for year 2008. Once again valuation results indicate that based upon the present benefits and assumptions and assuming that there are no substantial experience losses, City contributions will not be needed for many years.

The pensions provided by the City to its employees through the Retirement System are valuable financial benefits. Every year that City employees earn another year of credit toward their pensions, there is a cost associated with that credit. The City's cost of benefits accruing during the year, the City normal cost, totals $5.8 million for fiscal year beginning January 1, 2008. Refer to page B-3 for additional information. The reason that City contributions are not currently needed to support the Retirement System is that favorable experience over the last 25 years ending in 2007 has resulted in assets in excess of the accrued liability as of the valuation date. This overfunded liability is currently supporting the pension costs that would otherwise require City contributions. As employees accrue larger pensions by earning additional service each year, the cost of those larger pensions may use up the overfunded liability.

Contribution Requirements for the Foreseeable Future

The overfunding resulting in large part from investment gains over the years completely offsets the cost of pensions for all five valuation groups. The gains have been so large and have accumulated over such a long period that this very favorable situation may be expected to continue for many years. If future experience matches the assumptions and new benefits are not introduced, it will be at least 10 years before City contributions are once again required for any group. Please see the table on page B-6 for additional information.

Contribution Rate Comparison

The periods before City contributions are expected to be needed will change for each group from valuation to valuation due to each group's experience and benefit changes. The table below compares the results of the 2006 and 2007 valuations based upon the years before City contributions will be needed if gains and losses in future valuations offset each other and there are no benefit changes.

Division	2006 Valuation	2007 Valuation Old Benefits	2007 Valuation New Benefits
General KMEA	>10 years	>10 years	>10 years
AFSCME/CSO	>10 years	>10 years	>10 years
General Exempt	>10 years	>10 years	>10 years
Metro Transit	>10 years	>10 years	>10 years
Public Safety	>10 years	>10 years	>10 years

These periods will change each year depending upon Retirement System experience and also on plan changes and changes in the assumptions used in the annual valuation.

Reasons for Changes

There are three general reasons why contribution requirements change from one valuation to the next. The first is a change in the benefits or eligibility conditions of the System. The second is a change in the valuation assumptions used to predict future occurrences and the methods used to finance the benefits. The third is the difference during the year between the System's actual experience and what the assumptions predicted, or the plan experience.

EXECUTIVE SUMMARY (CONTINUED)

Changes in Benefit Eligibilities since the Last Valuation

The following changes in System benefits and member contributions have been reflected for the first time in this valuation report:

For the Non-Sworn Public Safety members (CSO):

- Multiplier changed from 1.9% to 2.1% per the Act 312 award.

  Increase(decrease) in liability: ***$326,771***

For the KMEA group:

- Multiplier changed from 2.0% to 2.1% effective 1/1/2008.

  Increase(decrease) in liability: ***$878,254***

Changes in Cost Methods and Actuarial Assumptions

No changes in cost methods or assumptions have been implemented for the first time with this valuation.

Every five years at the request of the Investment Committee, we undergo a comprehensive review of the assumptions and methods used in the actuarial valuation. The last experience review was based on the five year period ending on December 31, 2003. The next review is scheduled for the five year period ending December 31, 2008.

2007 Plan Experience

There was an experience gain of $17,968,778 during 2007. This represents 5.76% of the 2006 accrued liabilities. Given that much of this gain resulted from asset experience, this is a reasonable variation. The effect of this gain is an increase in the overfunding for all groups and a decrease in the need for future contributions.

Causes of the Gain

Net investment income was greater than the long-term assumption of 7.5%, resulting in a gain of $17,889,889. The rate of return for 2007, using valuation methodology, was 11.42%.

Investment gain (loss)	$17,889,887
Remaining gain (loss)	78,891
Gain (loss) from all causes	$17,968,778

EXECUTIVE SUMMARY (CONCLUDED)

2007 Funding Position

This year valuation assets represent 153.0% of accrued liabilities; last year the ratio was 148.4%. The increase in overfunding is the result of the accrual of benefits during the year offset by the year's favorable experience.

Conclusions

As long as future experience matches the assumptions, assumptions and methods are unchanged, and there are no changes in benefits, there will be no City contributions required for several years.

SECTION B

VALUATION RESULTS

COMPUTED CONTRIBUTIONS TO PROVIDE BENEFITS

The Retirement System is supported by contributions from the City (when required) and active members and by the investment income earned on System assets. Member contribution rates are determined by the benefit provisions of the System and are summarized in Section B of this report. The City provides an actuarially determined contribution, the remainder, if any, needed to meet the financial objective.

Member and City contributions cover both (i) normal cost, and (ii) financing of the unfunded accrued liability over a period of future years. The normal cost is the portion of System costs allocated to the current year by the valuation method described in Section D. The unfunded accrued liability is the portion of System costs not covered by present System assets and future normal costs.

For a plan that is overfunded, the contribution income covers the normal cost less an amortization credit on the overfunding. When a plan is extremely overfunded, the amortization credit can completely offset the normal cost, eliminating the need for contribution income. This can persist for a period of years, or even indefinitely.

When non-zero contributions are once again required, we recommend one of the following procedures for determining City contributions to the Retirement System.

(1) Contribute dollar amounts for a period which are equal to the City's percent-of-payroll contribution requirements on page B-2 multiplied by the covered active member payroll for the period. Adjustments should be made as necessary to exclude items of pay that are not covered compensation for Retirement System benefits and to include non-payroll payments that are covered compensation.

(2) Contribute the dollar amounts on page B-3.

CONTRIBUTIONS TO PROVIDE BENEFITS EXPRESSED AS PERCENTS OF ACTIVE MEMBER PAYROLL

	For the Year Beginning January 1, 2008					
Contributions for	**General KMEA**	**AFSCME/ CSO**	**General Exempt**	**Metro Transit**	**Public Safety**	**Total**
Normal cost of benefits						
Age & service	9.63 %	8.58 %	10.05 %	9.22 %	23.54 %	14.98 %
Disability	0.59	0.96	0.58	0.98	1.57	1.08
Pre-retirement survivor	0.49	0.53	0.39	0.33	0.56	0.49
Refunds of member contributions	0.14	0.15	0.24	0.18	0.28	0.22
Total normal cost	10.85	10.22	11.26	10.71	25.95	16.77
Less: Member contributions*	1.00	1.00	3.18	1.09	6.50	3.69
Employer normal cost	9.85	9.22	8.08	9.62	19.45	13.08
Unfunded actuarial accrued liabilities^	(45.85)	(32.93)	(63.04)	(41.70)	(45.57)	(46.60)
Employer Contribution Requirement@	**(36.00)**	**(23.71)**	**(54.96)**	**(32.08)**	**(26.12)**	**(33.52)**
Payroll	**$5,571,227**	**$8,209,133**	**$9,103,706**	**$3,289,156**	**$16,716,197**	**$42,889,419**
Recommended Employer Contribution	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

	For the Year Beginning January 1, 2007					
Contributions for	**General KMEA**	**AFSCME/ CSO**	**General Exempt**	**Metro Transit**	**Public Safety**	**Total**
Normal cost of benefits						
Age & service	9.13 %	8.38 %	10.29 %	9.15 %	23.49 %	14.65 %
Disability	0.56	0.93	0.59	1.01	1.61	1.08
Pre-retirement survivor	0.48	0.52	0.39	0.32	0.57	0.49
Refunds of member contributions	0.14	0.15	0.25	0.18	0.28	0.22
Total normal cost	10.31	9.98	11.52	10.66	25.95	16.44
Less: Member contributions*	1.00	1.00	3.21	1.08	6.50	3.62
Employer normal cost	9.31	8.98	8.31	9.58	19.45	12.82
Unfunded actuarial accrued liabilities^	(41.67)	(29.07)	(55.87)	(32.82)	(41.19)	(41.29)
Employer Contribution Requirement@	**(32.36)**	**(20.09)**	**(47.56)**	**(23.24)**	**(21.74)**	**(28.47)**
Payroll	**$5,576,664**	**$8,277,325**	**$9,009,522**	**$3,644,496**	**$15,656,951**	**$42,164,958**
Recommended Employer Contribution	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

* *Unusual rates represent a weighted average of different contribution rates.*

@ *As the System can not contribute back to the employer, no employer contribution is recommended.*

^ *Page B-7 displays the unfunded accrued liabilities (or overfunding) that are amortized by the contribution rates shown above.*

CONTRIBUTIONS TO PROVIDE BENEFITS EXPRESSED AS DOLLARS OF ACTIVE MEMBER PAYROLL

Contributions for	For the Year Beginning January 1, 2008 General KMEA	AFSCME/ CSO	General Exempt	Metro Transit	Public Safety	Total
Normal cost of benefits						
Age & service	$ 557,970	$ 732,517	$ 951,519	$ 315,391	$ 4,092,392	$ 6,649,789
Disability	34,185	81,960	54,914	33,523	272,942	477,524
Pre-retirement survivor	28,391	45,249	36,925	11,288	97,355	219,208
Refunds of member contributions	8,112	12,806	22,723	6,157	48,678	98,476
Total normal cost	628,657	872,532	1,066,080	366,359	4,511,367	7,444,997
Less: Member contributions*	57,941	85,375	301,078	37,286	1,130,015	1,611,694
Employer normal cost	570,716	787,157	765,003	329,073	3,381,352	5,833,302
Unfunded actuarial accrued liabilities^	(2,656,583)	(2,811,398)	(5,968,536)	(1,426,441)	(7,922,273)	(20,785,232)
Employer Contribution Requirement@	**$ (2,085,867)**	**$ (2,024,241)**	**$ (5,203,533)**	**$ (1,097,368)**	**$ (4,540,921)**	**$ (14,951,930)**
Payroll	**$ 5,571,227**	**$ 8,209,133**	**$ 9,103,706**	**$ 3,289,156**	**$ 16,716,197**	**$ 42,889,419**
Recommended Employer Contribution	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Contributions for	For the Year Beginning January 1, 2007 General KMEA	AFSCME/ CSO	General Exempt	Metro Transit	Public Safety	Total
Normal cost of benefits						
Age & service	$ 529,515	$ 721,385	$ 964,163	$ 346,810	$ 3,824,931	$ 6,386,805
Disability	32,478	80,058	55,282	38,282	262,160	468,261
Pre-retirement survivor	27,839	44,764	36,543	12,129	92,814	214,088
Refunds of member contributions	8,120	12,913	23,425	6,822	45,593	96,873
Total normal cost	597,952	859,120	1,079,413	404,043	4,225,498	7,166,026
Less: Member contributions*	57,997	86,084	300,774	40,935	1,058,410	1,544,200
Employer normal cost	539,955	773,036	778,639	363,108	3,167,088	5,621,826
Unfunded actuarial accrued liabilities^	(2,416,748)	(2,502,467)	(5,234,965)	(1,243,968)	(6,707,062)	(18,105,210)
Employer Contribution Requirement@	**$ (1,876,793)**	**$ (1,729,431)**	**$ (4,456,326)**	**$ (880,860)**	**$ (3,539,974)**	**$ (12,483,384)**
Payroll	**$ 5,576,664**	**$ 8,277,325**	**$ 9,009,522**	**$ 3,644,496**	**$ 15,656,951**	**$ 42,164,958**
Recommended Employer Contribution	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

* *Unusual rates represent a weighted average of different contribution rates.*

@ *As the System cannot contribute back to the employer, no employer contribution is recommended.*

^ *Page B-7 displays the unfunded accrued liabilities (or overfunding) that are amortized by the contribution rates shown above.*

RECONCILIATION OF CITY CONTRIBUTION RATES

	KMEA	AFSCME/ CSO	General Exempt	Metro Transit	Public Safety
1) Contribution Requirement 2006 Valuation	(32.36) %	(20.09) %	(47.56) %	(23.24) %	(21.74) %
2) Expected Increase (Open Amortization)	+ 3.60	+ 2.73	+ 4.50	+ 3.12	+ 3.94
3) (1) plus (2)	(28.76)	(17.36)	(43.06)	(20.12)	(17.80)
4) Group Experience (Gain/Loss)	- 4.10	- 2.93	- 4.93	- 3.89	- 6.62
5) (3) plus (4)	(32.86)	(20.29)	(47.99)	(24.01)	(24.42)
6) Benefit Changes	+ 2.32	+ 0.64	+ 0.00	+ 0.00	+ 0.00
7) (5) plus (6)	(30.54)	(19.65)	(47.99)	(24.01)	(24.42)
8) Method Changes	+ 0.00	+ 0.00	+ 0.00	+ 0.00	+ 0.00
9) (7) plus (8)	(30.54)	(19.65)	(47.99)	(24.01)	(24.42)
10) Contribution Level*	- 4.03	- 2.64	- 5.71	- 3.17	- 2.63
11) (9) plus (10)	(34.57)	(22.29)	(53.70)	(27.18)	(27.05)
12) Changes in Payroll used to Fund Plan	- 1.78	- 1.47	- 1.70	- 4.87	+ 0.50
13) (11) plus (12)	(36.35)	(23.76)	(55.40)	(32.05)	(26.55)
14) Demographic changes	+ 0.03	+ 0.05	- 0.26	+ 0.05	+ 0.00
15) (13) plus (14)	(36.32)	(23.71)	(55.66)	(32.00)	(26.55)
16) Miscellaneous Causes	+ 0.32	+ 0.00	+ 0.70	- 0.08	+ 0.43
17) Contribution Requirement 2007 Valuation	(36.00)	(23.71)	(54.96)	(32.08)	(26.12)

* *For all groups the City contribution of 0% exceeded the theoretical negative contribution.*

HISTORY OF CITY'S CONTRIBUTION RATES

Fiscal Year	Valuation Date Dec. 31	KMEA	AFSCME/ CSO	General Exempt	Metro Transit	Public Safety	Recommended	Actual
		as Percent of Valuation Payroll						
1989 *@	1988	5.24 %	3.83	# %	0.00 %	24.45 %	$2,989,642	$2,989,636
1990 *	1989	2.79	3.09	#	0.00	22.96	2,912,427	2,912,427
1991	1990	2.69	2.80	#	0.00	22.65	2,977,151	2,977,151
1992 *	1991	2.31	1.45	#	0.00	19.46	2,589,597	2,589,597
1993 *@	1992	0.00	0.00	#	0.00	19.18	2,329,529	2,329,529
1994 @	1993	0.00	0.00	#	0.00	13.24	1,623,803	1,623,803
1995 *	1994	0.00	0.00	#	0.00	15.85	1,889,474	1,889,474
1996 *	1995	0.00	0.00	#	0.00	12.33	1,500,400	1,500,398
1997 *@	1996	0.00	0.00	#	0.00	6.67	840,966	841,000
1998 *	1997	0.00	0.00	#	0.00	0.00	0	0
1999 *	1998	0.00	0.00	#	0.00	0.00	0	0
2000 *@	1999	0.00	0.00	0.00	0.00	0.00	0	0
2001 *	2000	0.00	0.00	0.00	0.00	0.00	0	0
2002 *	2001	0.00	0.00	0.00	0.00	0.00	0	0
2003 *@	2002	0.00	0.00	0.00	0.00	0.00	0	0
2004 *	2003	0.00	0.00	0.00	0.00	0.00	0	0
2005 @	2004	0.00	0.00	0.00	0.00	0.00	0	0
2006 *@	2005	0.00	0.00	0.00	0.00	0.00	0	0
2007 *	2006	0.00	0.00	0.00	0.00	0.00	0	0
2008 *	2007	0.00	0.00	0.00	0.00	0.00	0	0

* *Retirement System amended.*
@ *Revised actuarial assumptions and/or methods.*
\# *Included with AFSCME/CSO numbers.*

PROJECTION OF CITY'S CONTRIBUTION RATES*

Calendar Year	General KMEA	AFSCME/ CSO	General Exempt	Metro Transit	Public Safety
2008	-36.00%	-23.71%	-54.96%	-32.08%	-26.12%
2009	-36.49%	-23.76%	-57.19%	-32.74%	-25.18%
2010	-37.04%	-23.79%	-58.90%	-33.30%	-23.85%
2011	-37.59%	-23.86%	-60.70%	-33.86%	-22.55%
2012	-38.36%	-23.97%	-62.63%	-34.42%	-21.57%
2013	-39.17%	-24.04%	-64.85%	-35.15%	-20.61%
2014	-40.06%	-24.11%	-66.90%	-35.81%	-19.61%
2015	-40.93%	-24.28%	-68.96%	-36.31%	-19.02%
2016	-41.80%	-24.41%	-70.93%	-36.96%	-18.68%
2017	-42.84%	-24.64%	-73.04%	-37.39%	-17.95%

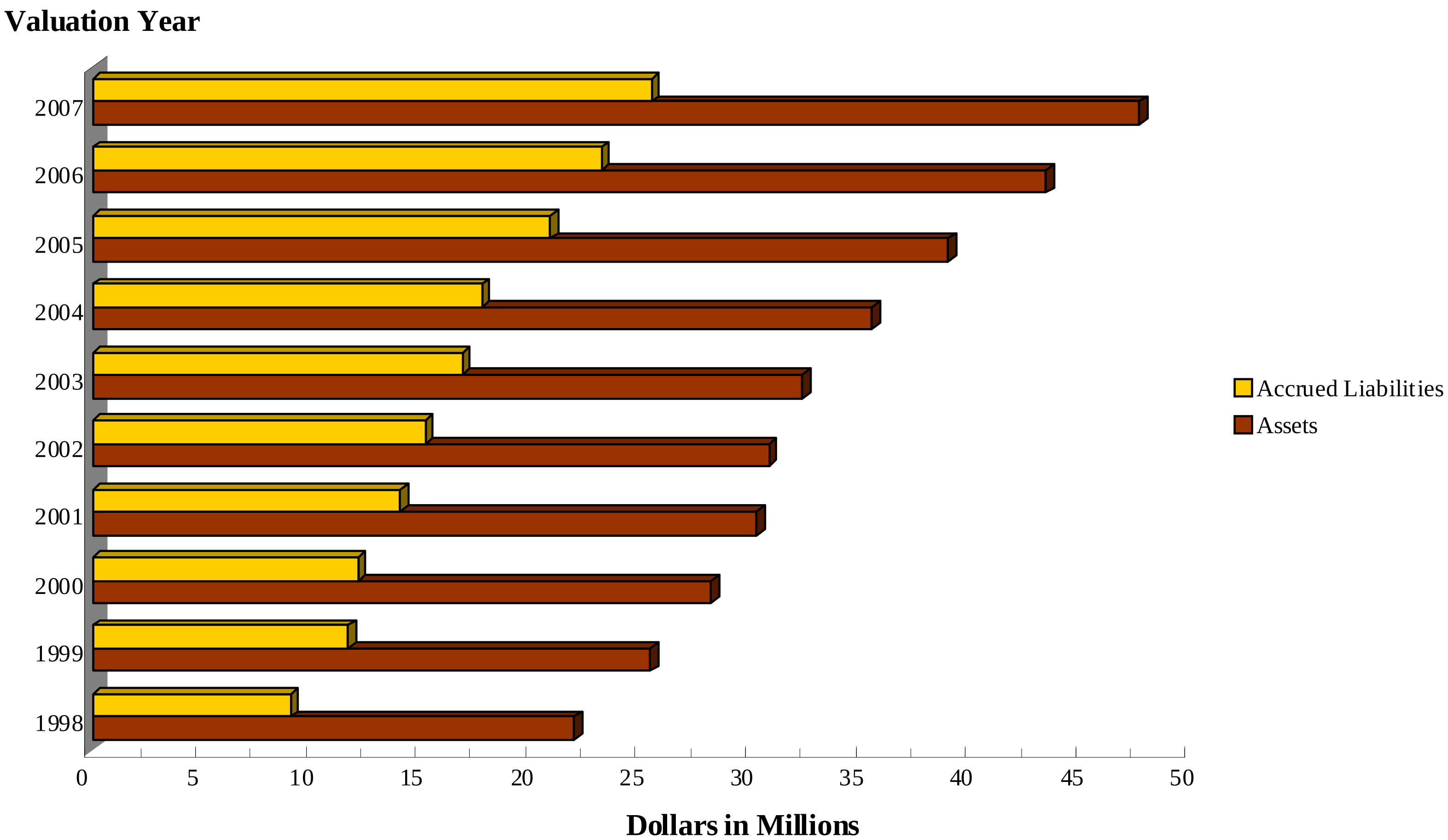
* *The negative rates indicate an employer contribution rate of zero.*

The above projections assume that all assumptions will be met in the future. These projections are a theoretical exercise to illustrate that (except in cases of extreme overfunding) employer contribution rates will ultimately trend toward the long-term cost of the benefits. Therefore, they should not be used for short-term budgeting.

UNFUNDED ACCRUED LIABILITY

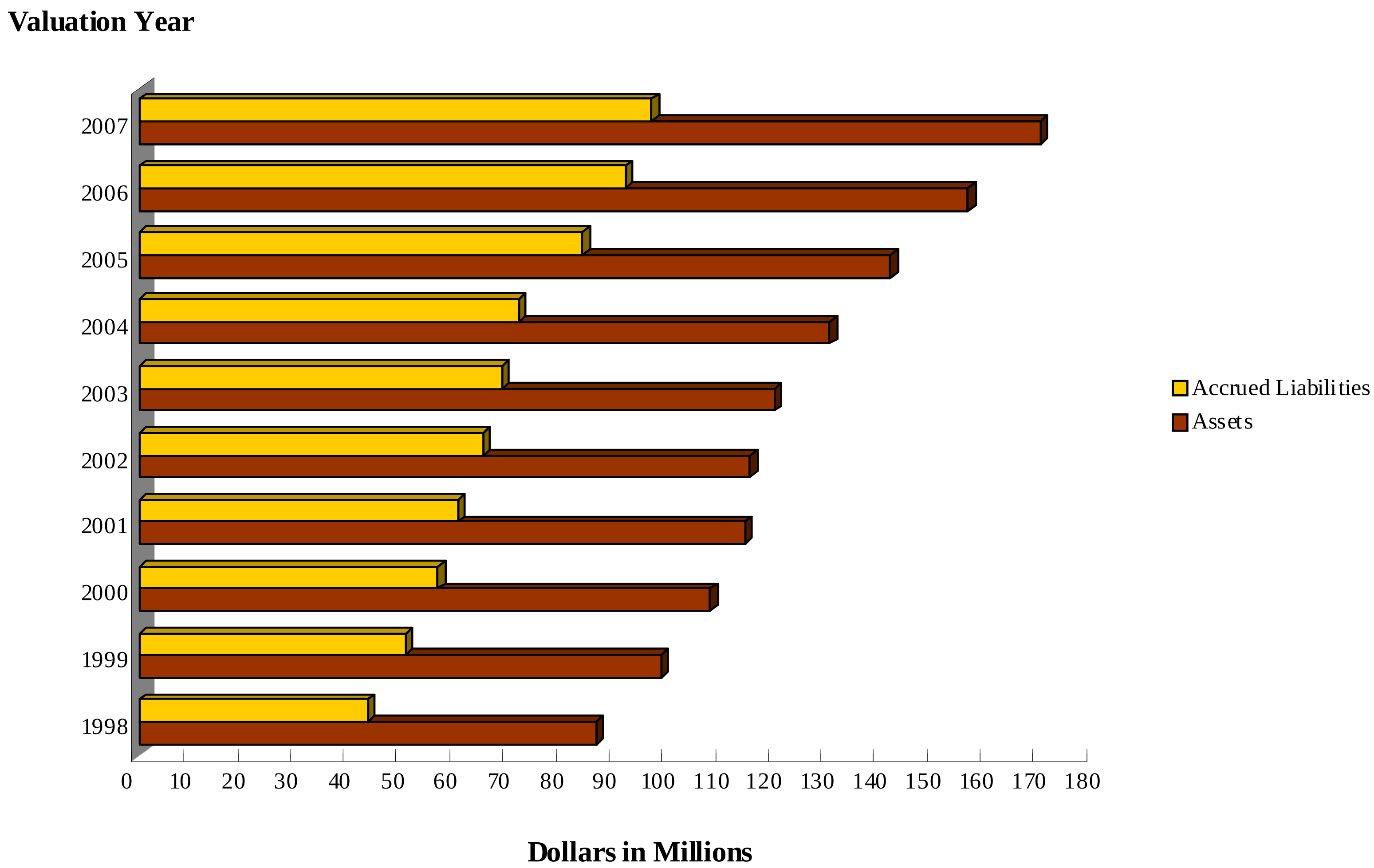
	General KMEA	AFSCME/ CSO	General Exempt	Metro Transit	Public Safety	Totals
A. Accrued Liability						
1. For retirees and beneficiaries	$ 6,574,934	$ 16,920,604	$ 24,842,842	$ 2,679,719	$ 130,056,546	$181,074,645
2. For vested terminated members	395,704	318,803	1,420,733	68,300	826,914	3,030,454
3. For present active members						
a. Value of expected future benefit payments	23,493,633	31,440,808	35,352,568	9,331,838	110,484,691	210,103,538
b. Value of future normal costs	5,107,566	7,498,011	6,312,746	2,355,353	45,692,091	66,965,767
c. Active member liability: (a) - (b)	18,386,067	23,942,797	29,039,822	6,976,485	64,792,600	143,137,771
4. Total	25,356,705	41,182,204	55,303,397	9,724,504	195,676,060	327,242,870
B. Present Assets						
1. Valuation Basis	47,535,646	64,653,222	105,141,195	21,635,588	261,822,593	500,788,244
2. Market Basis	49,273,814	67,017,304	108,985,742	22,426,705	271,396,284	519,099,849
C. Unfunded Accrued Liability (Excess Assets)						
1. Valuation Basis: (A.4) - (B.1)	(22,178,941)	(23,471,018)	(49,837,798)	(11,911,084)	(66,146,533)	(173,545,374)
2. Market Basis: (A.4) - (B.2)	(23,917,109)	(25,835,100)	(53,682,345)	(12,702,201)	(75,720,224)	(191,856,979)
D. Funded percent						
1. Valuation Basis: (A.4) / (B.1)	187.5%	157.0%	190.1%	222.5%	133.8%	153.0%
2. Market Basis: (A.4) / (B.2)	194.3%	162.7%	197.1%	230.6%	138.7%	158.6%

General-KMEA Division
Assets & Accrued Liabilities



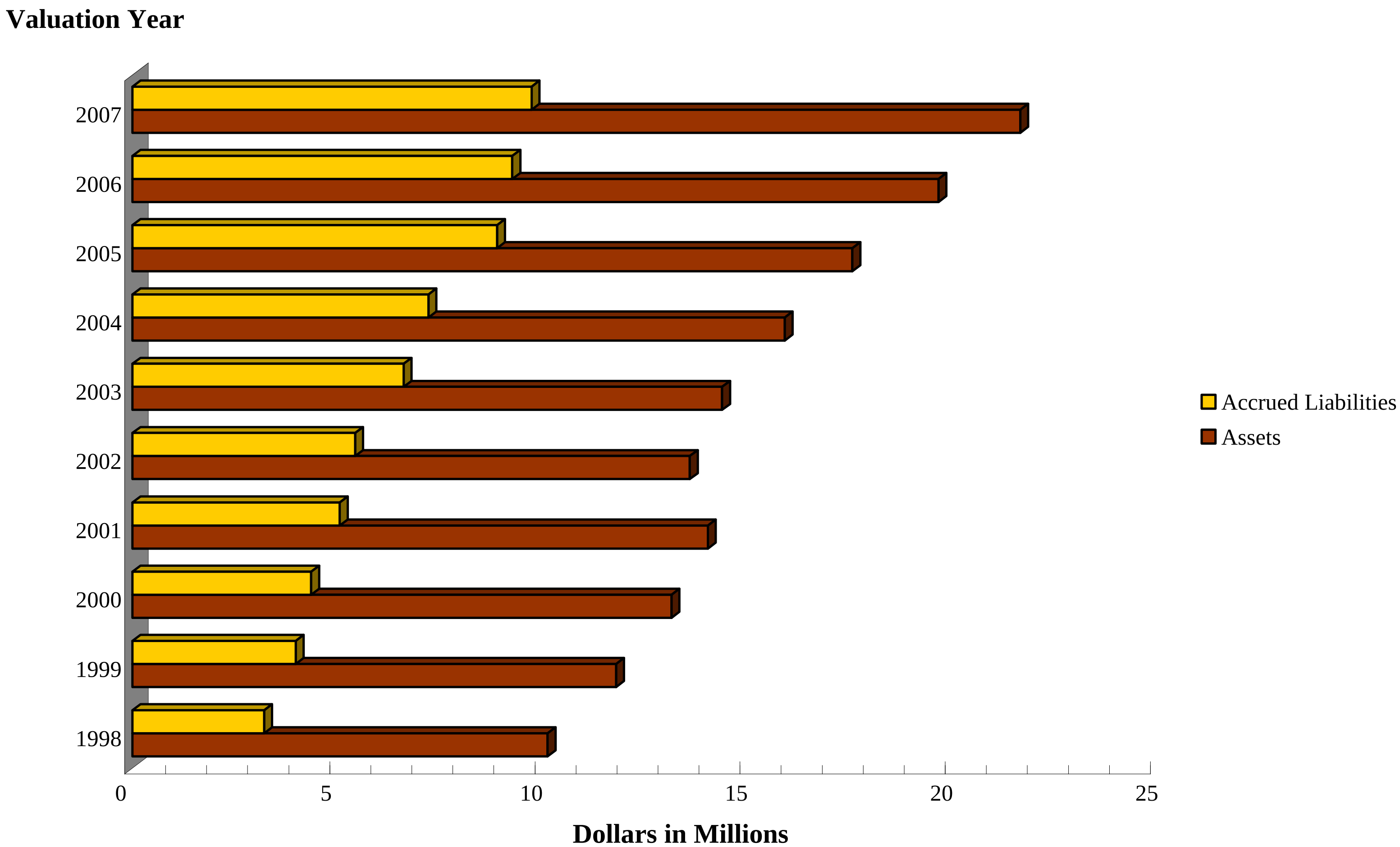
1998 assets equaled 244% of accrued liabilities.
2007 assets equaled 187% of accrued liabilities.

AFSCME/CSO/Exempt Division
Assets & Accrued Liabilities



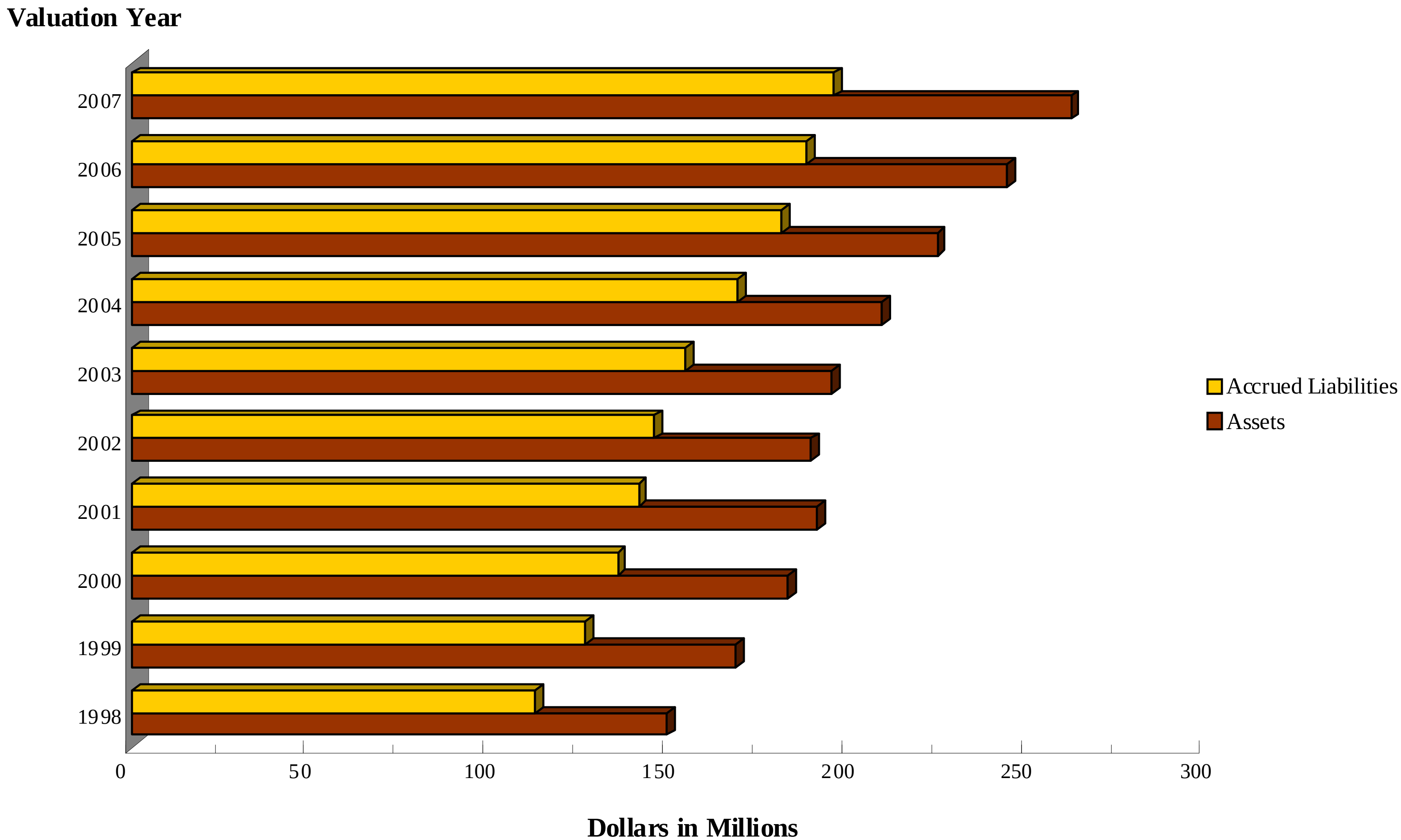
1998 assets equaled 200% of accrued liabilities.
2007 assets equaled 176% of accrued liabilities.

Metro Transit Division
Assets & Accrued Liabilities



1998 assets equaled 315% of accrued liabilities.
2007 assets equaled 222% of accrued liabilities.

Public Safety Division
Assets and Accrued Liabilities



1998 assets equaled 133% of accrued liabilities.
2007 assets equaled 134% of accrued liabilities.

DEVELOPMENT OF EXPERIENCE GAIN (LOSS)
YEAR ENDED DECEMBER 31, 2007

Actual experience will never (except by coincidence) exactly match assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year-to-year fluctuations are common. Detail on the development of the experience gain (loss) is shown below.

		Year Ending December 31	
		2007	**2006**
(1)	UAAL* at start of year	$(151,179,026)	$(128,149,754)
(2)	Normal cost from prior year	7,130,889	6,746,798
(3)	Actual contributions	1,599,967	1,518,786
(4)	Interest accruals on (1), (2) and (3)	(11,133,517)	(9,417,543)
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	(156,781,621)	(132,339,285)
(6)	Change from benefit increases	1,205,025	4,563,792
(7)	Change from revised actuarial assumptions and/or methods	0	0
(8)	Expected UAAL after changes: (5) + (6) + (7)	(155,576,596)	(127,775,493)
(9)	Actual UAAL at end of year	(173,545,374)	(151,179,026)
(10)	Gain (loss): (8) - (9)	17,968,778	23,403,533
(11)	Gain (loss) as percent of actuarial accrued liabilities at start of year	5.76%	7.95%

* *Unfunded actuarial accrued liabilities.*

The effect of 2007 experience was determined separately for each division:

	2007 Gain (Loss)		
Division	**Totals**	**Investment**	**Non-Investment**
KMEA	$ 1,906,496	$ 1,685,409	$ 221,087
AFSCME/CSO	2,011,440	2,303,223	(291,783)
Exempt	3,747,791	3,746,969	822
Metro Transit	1,066,939	766,035	300,904
Public Safety	9,236,112	9,388,251	(152,139)
Total	$17,968,778	$17,889,887	$ 78,891

DEVELOPMENT OF VALUATION ASSETS

Year Ended December 31:	2005	2006	2007	2008	2009	2010	2011
A. Valuation Assets Beginning of Year	$390,615,277	$422,565,761	$463,280,963				
B. Market Value End of Year	470,042,448	523,243,080	519,099,849				
C. Market Value Beginning of Year	450,572,921	470,042,448	523,243,080				
D. Non-Investment Net Cash Flow	(12,493,674)	(13,126,982)	(14,581,860)				
E. Investment Income							
E1. Market Total: B - C - D	31,963,201	66,327,614	10,438,629				
E2. Amount for Immediate Recognition (7.5%)	28,827,633	31,200,170	34,199,252				
E3. Amount for Phased-In Recognition: E1-E2	3,135,568	35,127,444	(23,760,623)				
F. Phased-In Recognition of Investment Income							
F1. Current Year: 0.2 x E3	627,114	7,025,489	(4,752,125)				
F2. First Prior Year	5,936,947	627,114	7,025,489	$ (4,752,125)			
F3. Second Prior Year	0	5,936,947	627,114	7,025,489	$(4,752,125)		
F4. Third Prior Year	0	0	5,936,947	627,114	7,025,489	$(4,752,125)	
F5. Fourth Prior Year	0	0	0	5,936,948	627,112	7,025,488	$(4,752,123)
F6. Start-up Phase In	9,052,464	9,052,464	9,052,464	9,052,463	0	0	0
F7. Total Phased-In Recognition	15,616,525	22,642,014	17,889,889	17,889,889	2,900,476	2,273,363	(4,752,123)
G. Valuation Assets End of Year: A + D + E2 + F7	422,565,761	463,280,963	500,788,244				
H. Difference between Market & Valuation Assets: B - G	47,476,687	59,962,117	18,311,605	421,716	(2,478,760)	(4,752,123)	0
I. Valuation Asset Recognized Rate of Return	11.56%	12.94%	11.42%				
J. Market Value Recognized Rate of Return	7.19%	14.31%	2.02%				

The Valuation Assets recognizes assumed investment income (line E2) fully each year. Differences between actual and assumed investment income (line E3) are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, Valuation Assets will tend to be greater than market value. During periods when investment performance is less than the assumed rate, Valuation Assets will tend to be greater than Market Value. The Valuation Assets are unbiased with respect to Market Value. At any time, it may be either greater or less than Market Value. If assumed rates are exactly realized for 5 consecutive years, it will become equal to Market Value.

VALUATION ASSET GROWTH HISTORY

Year	Net Contribution Income		Net Investment Return	Benefit Payments and Refunds	Year End Assets	
1983	$ 3,469,534		$ 3,062,846	$ 1,960,466	$ 41,606,239	
1984	4,390,857		3,492,378	2,249,439	47,240,035	
1985	4,141,573		5,405,926	2,638,315	54,089,049	
1986	4,131,943		6,922,619	2,693,240	62,450,371	
1987	4,184,726		6,643,265	3,454,675	69,823,687	
Five Year Period	20,318,633		25,527,034	12,996,135		
1988	4,010,863		7,669,877	3,468,134	78,036,293	
1989	4,043,221		13,019,999	3,889,355	91,210,162	
1990	4,111,620		7,931,746	4,273,712	98,979,816	
1991	4,091,054		17,554,303	4,580,471	116,044,702	
1992	3,750,367		15,352,600	4,855,017	130,292,652	*
Five Year Period	20,007,125		61,528,525	21,066,689		
1993	3,913,331		17,204,848	5,137,776	146,273,055	*
1994	3,265,544		16,061,927	6,052,552	159,547,974	*
1995	3,474,935		23,926,130	6,592,176	180,356,863	*
1996	3,230,350		24,892,891	7,838,253	200,641,851	*
1997	2,453,815		47,847,856	8,327,995	242,615,527	*
Five Year Period	16,337,975		129,933,652	33,948,752		
1998	1,748,664	@	33,752,473	9,115,891	269,000,773	*@
1998	--		--	--	267,200,773	#*
1999	1,474,740		45,017,668	9,993,770	303,699,411	*
2000	1,302,970		36,510,420	10,069,664	331,443,137	*
2001	1,261,691		27,898,652	11,446,161	349,157,319	*
2002	1,313,297		9,341,851	11,157,971	348,654,496	*
Five Year Period	7,101,362		152,521,064	51,783,457		
2003	1,314,089		23,609,527	12,390,484	361,187,628	*
2004	1,360,815		41,621,866	13,555,032	390,615,277	*
2005	1,232,973		44,444,158	13,726,647	422,565,761	*
2006	1,238,628		53,842,184	14,365,610	463,280,963	*
2007	1,344,408		52,089,141	15,926,268	500,788,244	*
Five Year Period	6,490,913		215,606,876	69,964,041		

* *Does not reflect future contributions to purchase service.*

@ *Before transfer to County.*

\# *After transfer of $1,800,000 to County.*

VALUATION ASSET INVESTMENT EXPERIENCE HISTORY
($000 OMITTED)

	Assumed Net Investment Income		Net Dividends and Interest		Recognized Gains (Losses) *		Net Investment Income		Experience
Year	Amount	%	Amount	%	Amount	%	Amount	%	Gain (Loss)
1988	$ 5,257	7.50	$ 4,368	6.23	$ 3,302	4.71	$ 7,670	10.94	$ 2,413
1989	5,859	7.50	5,064	6.48	7,956	10.19	13,020	16.67	7,162
1990	6,835	7.50	4,899	5.37	3,033	3.33	7,932	8.70	1,097
1991	7,405	7.50	5,141	5.21	12,413	12.57	17,554	17.78	10,149
1992	8,662	7.50	5,982	5.18	9,371	8.11	15,353	13.29	6,691
1993	9,726	7.50	4,608	3.55	12,597	9.71	17,205	13.27	7,479
1994	10,866	7.50	4,776	3.30	11,286	7.79	16,062	11.09	5,196
1995	11,849	7.50	6,177	3.91	17,749	11.23	23,926	15.14	12,077
1996	13,354	7.50	6,211	3.49	18,682	10.49	24,893	13.98	11,539
1997	14,828	7.50	6,244	3.16	41,604	21.04	47,848	24.20	33,020
1998	17,920	7.50	6,259	2.62	27,494	11.51	33,752	14.13	15,833
1999	19,721	7.50	7,844	2.98	37,173	14.14	45,018	17.12	25,297
2000	22,449	7.50	8,675	2.90	27,836	9.30	36,510	12.20	14,062
2001	24,477	7.50	5,705	1.75	22,171	6.79	27,876	8.54	3,398
2002	25,818	7.50	5,113	1.49	4,229	1.21	9,342	2.70	(16,476)
2003	25,734	7.50	5,790	1.69	17,819	5.21	23,610	6.90	(2,124)
2004	26,632	7.50	7,356	2.07	34,266	9.65	41,622	11.72	14,989
2005	28,828	7.50	15,466	4.02	28,978	7.54	44,444	11.56	15,617
2006	31,200	7.50	21,321	5.13	32,521	7.82	53,842	12.94	22,642
2007	34,199	7.50	24,659	5.41	27,430	6.02	52,089	11.42	17,890

* *In addition to net interest and dividends.*

DEVELOPMENT OF VALUATION INVESTMENT GAIN (LOSS)
YEAR ENDED DECEMBER 31, 2007

The December 31, 2006 valuation assumed an average 7.5% net return on valuation assets for future years. Net investment return in excess of 7.5% represents a gain. If net investment return falls short of 7.5%, the difference between an income of 7.5% and the net return represents a loss. For the year ended December 31, 2007, the valuation anticipated investment return of $34,199,252 (see item E2 on page B-13). Total phased in recognition amounted to a gain of $17,889,889 for the year (see item F7 on page B-13), resulting in a return of 11.42% on a valuation basis (see item I on page B-13).

Please note that this analysis uses asset values and investment income as defined for the actuarial valuation. It is not, therefore, appropriate as a measure of manager performance.

RATES OF RETURN AND OF CHANGE OF PAYS AND LIABILITIES

	Year Ended December 31					5 Year
	2007	2006	2005	2004	2003	Average*
Increase in average salary#	2.8%	2.8%	2.1%	3.8%	4.8%	3.2%
Return on assets^	11.4	12.9	11.6	11.7	6.9	10.9
Liability growth	4.9	6.0	11.1	7.8	6.5	7.2

* *Compound rate of increase.*

\# *For members employed throughout the most recent two years. For detail regarding pay increases, please see pages B-17 and B-18.*

^ *The nominal rate of return was computed using the approximate formula i = I divided by 1/2 (A + B - I), where I is actual investment income net of expenses, A is the beginning of year asset value, and B is the end of year asset value.*

Please note that the liability and/or asset growth was affected by the following special occurrences:

plan amendments – every year except 2004
changes in valuation assumptions – 2004
changes in asset valuation methodology – 2004
changes in actuarial cost method – 2005

MEASURING CHANGES IN PAY FOR 2007

There are several different measures of how pays change that are significant to an actuarial valuation. The most basic is how the covered payroll of the employees participating in the plan changes from 2006 to 2007. The following statistics show these changes.

	KMEA	AFSCME/ CSO	General Exempt	Metro Transit	Public Safety	Combined
2006 payroll	$5,576,664	$8,277,325	$9,009,523	$3,610,052	$15,884,420	$42,357,984
2007 payroll	5,571,227	8,209,133	9,103,706	3,289,156	16,716,197	42,889,419
Increase in payroll	(0.1%)	(0.8%)	1.0%	(8.9%)	5.2%	1.3%

While the change in payroll size is reality for the City in terms of its budget, an actuary must trace how pays are changing for individual employees from one year to the next. Gross payroll changes represent only a rough measure of how pays change for the year. It does not take into account the fact that the number of covered employees has changed. Growth in the number covered should mean that the payroll is larger; fewer people covered should mean that the payroll decreases.

When an actuary performs a valuation of a pension plan, his principal task with regard to pays is projecting how each employee's pay is likely to change as he continues in City employment. In this way, the actuary projects a person's pay from the current amount to the amount on which a pension may be calculated, the pay during the last few years of employment. If he is to understand how the pay of covered employees is changing from year-to-year, the actuary must eliminate from the rough payroll statistics the new employees and the terminating employees. This will narrow the study group to the people who worked in both years and allow an "apples-to-apples" comparison. There is one more adjustment to be made. The pay for a person hired during 2006 is for only the portion of 2006 that the person was a City employee. If we compare these people's 2006 pays to their pays for a full 12 month 2007 year, the analysis will be distorted. To avoid this, we omit plan participants who did not work throughout 2006.

Please note: For KPSOA members, we increased the salaries we received by 2.5% for 2006 to reflect negotiated pay increases that occurred after the valuation date. For 2007, payroll data was adjusted to remove payments for retroactive pay increases.

CHANGE IN PAY FOR MEMBERS ACTIVE IN 2006 & 2007

	KMEA		AFSCME/CSO		General Exempt		Transit		Public Safety		Combined	
	Number	**Payroll**	**Number**	**Payroll**	**Number**	**Payroll**	**Number**	**Payroll**	**Number**	**Payroll**	**Number**	**Payroll**
Based on Prior Year's Pay												
2007 Active Members	130	$ 5,281,916	176	$ 7,749,440	146	$ 8,395,982	85	$ 3,279,379	244	$ 15,406,743	**781**	$ 40,113,460
less 2007 hires	4	0	4	0	8	0	3	0	17	0	**36**	0
less 2006 hires	7	199,536	4	149,538	7	390,901	3	80,465	14	520,527	**35**	1,340,967
Active throughout 2006 & 2007	**119**	**$ 5,082,380**	**168**	**$ 7,599,902**	**131**	**$ 8,005,081**	**79**	**$ 3,198,914**	**213**	**$ 14,886,216**	**710**	**$ 38,772,493**
Average 2006 pay - Active throughout 2006 & 2007:		$ 42,709		$ 45,238		$ 61,107		$ 40,493		$ 69,888		$ 54,609
Based on Current Year's Pay												
2007 Active Members	130	$ 5,571,227	176	$ 8,209,133	146	$ 9,103,706	85	$ 3,289,156	244	$ 16,716,197	**781**	$ 42,889,419
less 2007 hires	4	164,603	4	146,508	8	410,163	3	76,298	17	705,781	**36**	1,503,353
less 2006 hires	7	203,148	4	175,921	7	397,615	3	94,325	14	669,078	**35**	1,540,087
Active throughout 2006 & 2007	**119**	**$ 5,203,476**	**168**	**$ 7,886,704**	**131**	**$ 8,295,928**	**79**	**$ 3,118,533**	**213**	**$ 15,341,338**	**710**	**$ 39,845,979**
Average 2007 pay - Active throughout 2006 & 2007:		**$ 43,727**		**$ 46,945**		**$ 63,328**		**$ 39,475**		**$ 72,025**		**$ 56,121**
Change in average pay Active throughout 2006 & 2007		**2.38%**		**3.77%**		**3.63%**		**(2.51)%**		**3.06%**		**2.77%**

These figures show how pays changed between 2006 and 2007 for people who were in City employment throughout those two years.

SECTION C

SUMMARY OF THE INFORMATION SUBMITTED FOR THE VALUATION

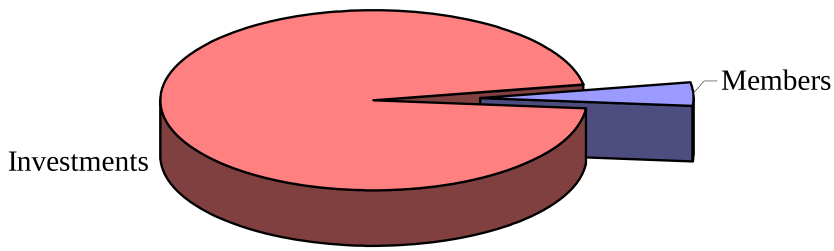
BRIEF SUMMARY OF BENEFIT PROVISIONS AS REPORTED FOR DECEMBER 31, 2007 VALUATION

Eligibility	Amount
REGULAR RETIREMENT (no reduction factor for age)	
General: Age 57 with 25 years of service, or age 62 with 10 years of service. AFSCME members only may also retire at age 60 with 20 years of service.	Total service multiplied by: 2.1% of FAC – KMEA – effective 1/1/08 2.1% of FAC – AFSCME – effective 10/2/07 2.1% of FAC – Metro Transit 2.3% of FAC – Exempt members 2.1% of FAC – Other General members–CSO – effective 1/1/08 2.7% of FAC – Public Safety members FAC (final average compensation) – Highest 3 consecutive years out of the last 10.
Public Safety: 25 years of service or age 50 with 10 years of service.	Maximum benefit for Public Safety members is equal to 70.2% of FAC.
EARLY RETIREMENT (age reduction factor used)	
General: Age 55 with 15 years of service.	Computed as a regular retirement but reduced by 4/10 of 1% for each month and fraction of a month by which retirement precedes age 62 if less than 25 years of service or age 57 if 25 or more years of service.
Public Safety: 20 years of service.	2% of final average compensation multiplied by years of credited service.
DEFERRED RETIREMENT	
10 years of service for most members, 5 years for Exempt, 9 years for AFSCME and 8 years for KMEA. Benefit begins at age 62 for General employees, and at age 50 for Public Safety employees.	General: Computed as a regular or early retirement but based upon service and final average compensation at termination date. Public Safety: Computed as early retirement.
NON-DUTY DEATH-IN-SERVICE	
10 years of service for most members, 5 years for Exempt, 9 years for AFSCME and 8 years for KMEA.	General: Computed as a regular retirement but actuarially reduced in accordance with a 100% joint and survivor election. Public Safety: A benefit of 33-1/3% of final compensation is paid to the surviving spouse. Unmarried children under 18 years of age receive equal shares of 25% of final compensation.
DUTY DEATH-IN-SERVICE	
Payable to the survivors of a member who died in the line of duty.	A benefit of 33-1/3% of final compensation is paid to the surviving spouse. Unmarried children under 18 years of age receive equal shares of 25% of final compensation. Worker's compensation payments are offset.
NON-DUTY DISABILITY	
10 years of service for most members, 5 years for General Exempt, 9 years for AFSCME and 8 years for KMEA.	Computed as regular retirement. Reduced on dollar-for-dollar basis by amount of worker's compensation, if any.

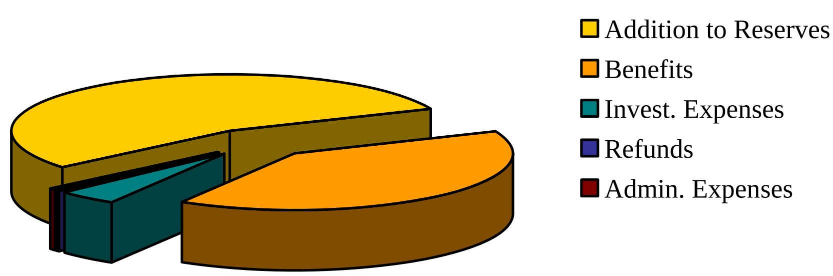
BRIEF SUMMARY OF BENEFIT PROVISIONS
AS REPORTED FOR DECEMBER 31, 2007 VALUATION

Eligibility	Amount
DUTY DISABILITY	
No age or service requirements.	General: Computed as regular retirement with additional service credit granted from day of actual retirement to date of voluntary retirement eligibility. Public Safety: Computed as regular retirement. During worker's compensation period benefit cannot exceed the difference between final compensation and worker's compensation.
DEATH AFTER RETIREMENT	
Spouse of Public Safety member retired on or after July 1, 1972.	50% of the regular retirement benefit the deceased retiree was receiving.
POST-RETIREMENT BENEFIT INCREASES	
AFSCME members who retire on and after 10/25/1999.	1% increases compounded annually, beginning 1 year after retirement; 2% compounded annually beginning at age 75.
KMEA members.	1.5% increases compounded annually, beginning the latter of the Retirees 64th birthday and 1 year after retirement; 2% compounded annually beginning at age 75 (effective in 2002).
Transit union members.	1% increases compounded annually, beginning 1 year after retirement; 2% compounded annually beginning at age 75.
Public Safety members who retired on and after 1/1/95 with 25 or more years of service.	2% increases compounded annually.
Exempt members.	1.5% increases compounded annually one year after retirement for members who elected to contribute by May 2006.
13TH CHECKS	
Retired by 12/31/1999; retired at least 5 years; ineligible for post-retirement benefit increases; pension less than $28,000. Continuation of this program is conditional as described in the ordinance.	Special payment during 2001 and every third year thereafter. Amount equals $47.02 per point as of December 31, 2004, points accumulated for each year of service and each year retired; not to exceed difference between $28,000 and annual pension; $43.38 value increases annually after 2001; aggregate payments in any year may not exceed $750,000.
MEMBER CONTRIBUTIONS	
AFSCME members:	1% - effective 10/2/06. If funding % goes below 120% contribution rate reverts to 2%
Transit union and KMEA members:	1% of AC.
Exempt members:	1.5% of AC, 3% of AC for Exempt Members hired after 6/1/2006, 3.5% for Exempt Members who signed up for the PRA by May of 2006.
Non-Sworn Public Safety members:	1% of AC.
Sworn Public Safety members:	6.50% of AC.
CITY CONTRIBUTIONS	
	Actuarially determined amounts, which, together with member contributions, are sufficient to cover both (i) normal costs of the plan, and (ii) financing of unfunded accrued benefit values over a selected period of future years.

INCOME AND DISBURSEMENTS
DURING YEAR ENDED DECEMBER 31, 2007
(COST VALUE)



Source of $39,424,593 in Income



Application of $39,424,593 Income

See page C-4 for more information.

REPORTED FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2007
COST VALUE

Income and Expenses

Revenues:		
a. Member contributions	$ 1,599,967	
b. Employer contributions	0	
c. Interest and dividends	26,310,428	
d. Gain on sale of investments	11,512,335	
e. Miscellaneous	1,863	
f. Total		$39,424,593
Expenditures:		
a. Refunds of member contributions	125,963	
b. Benefits paid	15,800,304	
c. Administrative expenses	255,559	
d. Investment expenses	1,653,402	
Total		17,835,228
Reserve Increase:		
Total revenues minus total expenditures		$21,589,365

REPORTED FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2007

Assets and Reserves on Cost Value Basis

Assets:		Reserve Accounts:	
a. Cash or equivalents	$ 1,505,784	a. Member contributions	$ 44,078,329
b. Receivables net of payables	1,393,620	b. Employer contributions	192,700,008
c. Stocks	228,192,803	c. Retired benefit payments	146,526,667
d. Fixed income	129,603,038		
e. Real Estate Investment Fund	22,609,759		
Total	$383,305,004	Total	$383,305,004

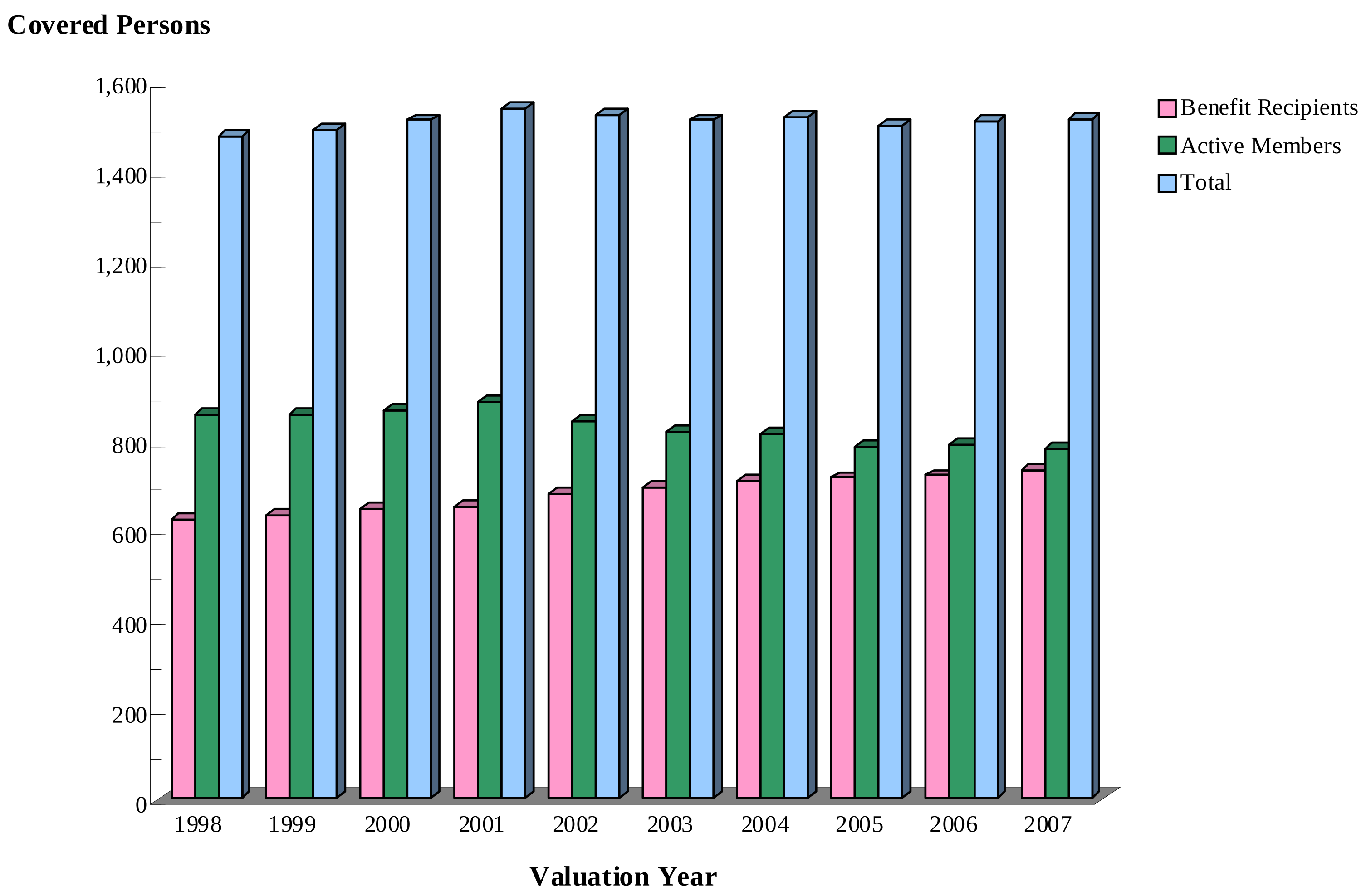
The value of future benefit payments to retirees and beneficiaries as of December 31, 2007 is $181,074,645. The value of the Reserve for Retired Benefit Payments was $146,526,667. The figures below compare the retired liabilities for each division to the reported retiree reserve balances.

Division	Accrued Liability	Reported Retiree Reserve	Unfunded Liability (Excess Assets)
General KMEA	$ 6,574,934	$ 5,495,123	$ 1,079,811
AFSCME/CSO	16,920,604	12,907,730	4,012,874
General Exempt	24,842,842	21,281,169	3,561,673
Metro Transit	2,679,719	1,725,165	954,554
Public Safety	130,056,546	105,117,480	24,939,066
Total	$181,074,645	$146,526,667	$34,547,978

Note: The retiree reserves for Exempt and AFSCME/CSO represent a proration of the reserve reported for AFSCME/CSO based upon the computed liabilities for the retirees from each group. We recommend that these values be used as the beginning retiree reserve values as of December 31, 2007, and that separate balances be kept from that date forward. In order to implement this, we would need to receive information regarding benefit payments and contributions separately for the Exempt and AFSCME/CSO groups.

Our valuation assumes that amounts equal to the unfunded retiree liabilities for all divisions have been transferred effective January 1, 2008 from the employer reserves to the retiree reserves, to fully fund the retiree accrued liabilities.

Active Members & Benefit Recipients



RETIREMENTS DURING 2007
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age and Service	Disability	Survivors	Totals
$0 - $1,999			1	1
4,000 - 5,999	1		1	2
6,000 - 7,999	1		2	3
8,000 - 9,999		1	1	2
10,000 - 11,999		1	1	2
12,000 - 13,999			1	1
14,000 - 15,999	2			2
16,000 - 17,999		1		1
18,000 - 19,999	2			2
24,000 - 25,999	3			3
26,000 - 27,999	1			1
28,000 - 29,999	1			1
32,000 - 33,999	2	1		3
34,000 - 35,999	1			1
38,000 - 39,999	1			1
46,000 - 47,999	1			1
48,000 - 49,999	1			1
56,000 - 57,999		1		1
62,000 - 63,999	1			1
Totals	**18**	**5**	**7**	**30**

RETIREMENTS DURING 2007
TABULATED BY AGE NEAREST BIRTHDAY
AND TYPE OF RETIREMENT

	Age and Service		Disability		Survivors		TOTALS	
Ages	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
42			1	$ 8,774			1	$ 8,774
44			1	56,159			1	56,159
48			1	32,233	1	$ 10,242	2	42,475
49					2	5,986	2	5,986
51	1	$ 62,866	1	11,411			2	74,277
53	1	49,929					1	49,929
55	4	113,269			1	6,999	5	120,268
57	2	43,130					2	43,130
58	5	117,173					5	117,173
59	3	89,156	1	16,551	1	6,431	5	112,138
61	1	26,229			1	9,854	2	36,083
64	1	5,486					1	5,486
74					1	12,380	1	12,380
Totals	**18**	**$507,238**	**5**	**$125,128**	**7**	**$51,892**	**30**	**$684,259**

AGE AND SERVICE RETIREMENTS DURING 2007
TABULATED BY AGE AND SERVICE AT RETIREMENT

	Years of Service at Retirement							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 Plus**	**Totals**
51					1			1
53						1		1
55					2		2	4
57					1		1	2
58		1	1			2	1	5
59				2			1	3
61							1	1
64		1						1
Totals		**2**	**1**	**2**	**4**	**3**	**6**	**18**

KMEA RETIREES AND BENEFICIARIES AS OF DECEMBER 31, 2007
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT*

	Age and Service*		Disability		Survivors		Totals	
Attained Age	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
40 - 44			1	$ 7,131			1	$ 7,131
45 - 49			1	9,967			1	9,967
50 - 54			1	8,791			1	8,791
55 - 59	4	$ 93,314	1	16,551	2	$ 26,478	7	136,343
60 - 64	7	100,961					7	100,961
65 - 69	10	154,307	1	1,922	1	11,456	12	167,685
70 - 74	7	46,515	2	19,088	1	12,827	10	78,430
75 - 79	5	37,111					5	37,111
80	1	6,012			1	1,946	2	7,958
81	1	5,501					1	5,501
82	1	8,441					1	8,441
83	2	10,502					2	10,502
86	1	2,311	1	4,236			2	6,547
87	1	7,460					1	7,460
88	1	1,901					1	1,901
89	1	2,705					1	2,705
90 & Over	4	20,586					4	20,586
Totals	**46**	**$497,627**	**8**	**$67,686**	**5**	**$52,707**	**59**	**$ 618,020**

* *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

Average Age at Retirement: 57.3 Years.

Average Age Now: 71.8 Years.

AFSCME/CSO Retirees and Beneficiaries as of December 31, 2007
Tabulated by Attained Age and Type of Retirement*

Attained Age	Age and Service* No.	Age and Service* Annual Allowances	Disability No.	Disability Annual Allowances	Survivors No.	Survivors Annual Allowances	Totals No.	Totals Annual Allowances
40 - 44			1	$ 14,553			1	$ 14,553
45 - 49			1	11,367			1	11,367
50 - 54	2	$ 21,952	5	50,956			7	72,908
55 - 59	14	282,367	5	78,992			19	361,359
60 - 64	15	227,068	2	17,189			17	244,257
65 - 69	16	176,968	4	30,420	2	$18,878	22	226,266
70 - 74	26	288,398	5	28,823			31	317,221
75 - 79	22	192,983	1	935			23	193,918
80	2	14,244	1	6,394			3	20,638
81	2	13,837	1	12,380			3	26,217
82	2	20,439					2	20,439
83	2	14,005			1	1,363	3	15,368
84					1	2,488	1	2,488
85	4	15,478					4	15,478
86	5	16,532					5	16,532
89	2	7,012					2	7,012
90 & Over	6	11,873					6	11,873
Totals	**120**	**$1,303,156**	**26**	**$252,009**	**4**	**$22,729**	**150**	**$ 1,577,894**

* *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

Average Age at Retirement: 57.5 Years.

Average Age Now: 70.9 Years.

EXEMPT RETIREES AND BENEFICIARIES AS OF DECEMBER 31, 2007
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT*

	Age and Service*		Disability		Survivors		Totals	
Attained Age	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
40 - 44			1	$ 20,230			1	$ 20,230
50 - 54	1	$ 9,647			1	$21,817	2	31,464
55 - 59	18	558,068			1	5,849	19	563,917
60 - 64	23	603,480	1	6,949	1	3,654	25	614,083
65 - 69	24	444,498	1	8,141			25	452,639
70 - 74	15	232,388	1	10,705			16	243,093
75 - 79	21	250,975	1	5,869			22	256,844
80	3	19,575					3	19,575
81	7	99,487			1	10,651	8	110,138
82	5	56,862					5	56,862
83	2	13,069					2	13,069
84	3	19,780					3	19,780
85	3	25,398					3	25,398
86	5	33,474					5	33,474
87	1	8,880					1	8,880
90 & Over	5	37,520					5	37,520
Totals	**136**	**$2,413,101**	**5**	**$51,894**	**4**	**$41,971**	**145**	**$ 2,506,966**

* *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

Average Age at Retirement: 57.6 Years.

Average Age Now: 71.3 Years.

TRANSIT RETIREES AND BENEFICIARIES AS OF DECEMBER 31, 2007
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT*

	Age and Service*		Disability		Survivors		Totals	
Attained Age	**No.**	**Annual Allowances**	**No.**	**Annual Allowances**	**No.**	**Annual Allowances**	**No.**	**Annual Allowances**
40 - 44			1	$ 8,774			1	$ 8,774
45 - 49			1	32,233			1	32,233
50 - 54	2	$16,628	3	41,249			5	57,877
60 - 64	1	20,421	2	19,573			3	39,994
65 - 69	1	19,620	2	8,019			3	27,639
70 - 74	4	22,279					4	22,279
75 - 79	1	5,248	2	13,518			3	18,766
82	1	5,306					1	5,306
83	2	8,432					2	8,432
84					1	$3,537	1	3,537
89	1	897					1	897
Totals	**13**	**$98,831**	**11**	**$123,366**	**1**	**$3,537**	**25**	**$ 225,734**

* *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

Average Age at Retirement: 56.5 Years.

Average Age Now: 67.6 Years.

PUBLIC SAFETY RETIREES AND BENEFICIARIES AS OF DECEMBER 31, 2007 TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT*

Attained Age	Age and Service* No.	Age and Service* Annual Allowances	Disability No.	Disability Annual Allowances	Survivors No.	Survivors Annual Allowances	Totals No.	Totals Annual Allowances
35 - 39			1	$ 45,588			1	$ 45,588
40 - 44	1	$ 57,281	2	84,810	1	$32,523	4	174,614
45 - 49	10	431,913	1	37,810			11	469,723
50 - 54	41	1,836,065	1	24,017	1	1,132	43	1,861,214
55 - 59	62	2,641,611	2	39,886			64	2,681,497
60 - 64	60	2,201,471	3	60,915			63	2,262,386
65 - 69	61	1,528,420					61	1,528,420
70 - 74	43	808,691	2	27,017			45	835,708
75 - 79	31	453,758	2	16,537			33	470,295
80	2	13,421	1	3,338			3	16,759
81	2	25,160	1	8,767			3	33,927
82	4	40,330					4	40,330
83	3	32,051					3	32,051
84	1	6,433					1	6,433
85	3	27,948					3	27,948
86	4	30,013					4	30,013
87	2	5,151					2	5,151
88	2	8,626					2	8,626
90 & Over	5	18,918					5	18,918
Totals	**337**	**$10,167,261**	**16**	**$348,685**	**2**	**$33,655**	**355**	**$ 10,549,601**

* *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

Average Age at Retirement: 49.8 Years.

Average Age Now: 65.3 Years.

RETIREES AND BENEFICIARIES - DECEMBER 31, 2007
TABULATED BY YEARS RETIRED - NEAREST YEAR

Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Totals	Cumulative Percent
43				1	1	0.1%
40				1	1	0.3%
39				1	1	0.4%
38				1	1	0.5%
37				1	1	0.7%
36				1	1	0.8%
35		1		2	3	1.2%
34	1			5	6	2.0%
33			1	5	6	2.9%
32			1	2	3	3.3%
31	2		1	5	8	4.4%
30	2	2	1	5	10	5.7%
29	5			5	10	7.1%
28	11	1		3	15	9.1%
27	6			2	8	10.2%
26	13		2	4	19	12.8%
25	21			9	30	16.9%
24	16		1	8	25	20.3%
23	12			7	19	22.9%
22	17	1		3	21	25.7%
21	14			4	18	28.2%
20	9	1	1	2	13	30.0%
19	20	1	1	6	28	33.8%
18	14	2		1	17	36.1%
17	15	1		3	19	38.7%
16	15			3	18	41.1%
15	15	4			19	43.7%
14	20	2	1	3	26	47.3%
13	27	1	1	3	32	51.6%
12	53	2		6	61	59.9%
11	23	4		4	31	64.2%
10	25	1	1		27	67.8%
9	14	1		1	16	70.0%
8	22				22	73.0%
7	18	5	1	2	26	76.6%
6	13	5			18	79.0%
5	54	3	2	1	60	87.2%
4	16	1			17	89.5%
3	20	1			21	92.4%
2	15	4	1		20	95.1%
1	17	7			24	98.4%
Less than 1	12				12	100.0%
Totals	557	51	16	110	734	

RETIREE AND BENEFICIARY COMPARATIVE SCHEDULE@

Year Ended Dec. 31	Added to Rolls# No.	Added to Rolls# Annual Allowances*	Removed from Rolls No.	Removed from Rolls Annual Allowances	Rolls End of Year No.	Rolls End of Year Annual Allowances	% Incr. in Annual Allowances	Average Allowances	Discounted Value of Allowances Totals	Discounted Value of Allowances Average
1988	29	$ 368,082	13	$ 46,038	428	$ 3,634,353	9.7 %	$ 8,491	$ 37,595,562	$ 87,840
1989	34	447,369	23	102,138	439	3,979,584	9.5	9,065	41,252,774	93,970
1990	27	449,306	15	53,972	451	4,374,918	9.9	9,700	45,281,667	100,403
1991	25	339,801	12	60,366	464	4,654,353	6.4	10,031	48,024,234	103,501
1992	32	395,528	17	97,820	479	4,952,061	6.4	10,338	52,374,286	109,341
1993	33	626,519	18	149,633	494	5,428,947	9.6	10,990	57,525,004	116,447
1994	33	586,775	19	94,056	508	5,921,666	9.1	11,657	63,983,893	125,953
1995	39	789,878	14	103,166	533	6,608,378	11.6	12,398	72,796,360	136,579
1996	64	1,108,952	10	53,238	587	7,664,092	16.0	13,056	84,898,479	144,631
1997	41	825,236	23	131,913	605	8,357,415	9.0	13,814	93,826,629	155,085
1998	42	782,825	25	253,483	622	8,886,757	6.3	14,287	100,635,001	161,793
1999	31	800,436	21	110,375	632	9,576,818	7.8	15,153	109,572,407	173,374
2000	33	791,069	19	149,304	646	10,218,583	6.7	15,818	120,319,918	186,254
2001	24	530,225	18	147,375	652	10,601,433	3.7	16,260	124,502,845	190,955
2002	47	1,227,293	20	191,684	679	11,637,042	9.8	17,139	136,218,282	200,616
2003	40	929,269	24	208,928	695	12,357,383	6.2	17,780	145,275,896	209,030
2004	32	841,492	18	191,402	709	13,007,473	5.3	18,346	153,594,898	216,636
2005	31	1,367,707	25	268,275	715	14,106,905	8.5	19,730	168,715,852	235,966
2006	24	697,001	19	54,017	720	14,749,889	4.6	20,486	175,276,935	243,440
2007	31	863,128	17	134,800	734	15,478,217	4.9	21,087	181,074,645	246,696

@ *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

* *Include post-retirement adjustments.*

\# *Includes survivors of newly deceased retirees and alternate payee under EDRO.*

RETIREES AND BENEFICIARIES DECEMBER 31, 2007
TABULATED BY TYPE OF ALLOWANCES BEING PAID*

GENERAL KMEA

Option Elected	Age & Service	Disability Non-Duty	Disability Duty	Death Non-Duty	Death Duty	Totals
Regular	24	5	1	5		35
B-100% J & S	11					11
C-50% J & S	3					3
D-10 Year Certain	1					1
Survivor	7	2				9
Total	**46**	**7**	**1**	**5**	**0**	**59**

AFSCME/CSO

Option Elected	Age & Service	Disability Non-Duty	Disability Duty	Death Non-Duty	Death Duty	Totals
Regular	46		5	4		55
B-100% J & S	38	3	10			51
C-50% J & S	14					14
D-10 Year Certain	2					2
E-15 Year Certain	2		1			3
Survivor	18	2	5			25
Total	**120**	**5**	**21**	**4**	**0**	**150**

GENERAL EXEMPT

Option Elected	Age & Service	Disability Non-Duty	Disability Duty	Death Non-Duty	Death Duty	Totals
Regular	44	1	1	4		50
A-Cash Refund	2					2
B-100% J & S	39		1			40
C-50% J & S	26					26
D-10 Year Certain	1					1
Survivor	24	2				26
Total	**136**	**3**	**2**	**4**	**0**	**145**

* *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

RETIREES AND BENEFICIARIES DECEMBER 31, 2007
TABULATED BY TYPE OF ALLOWANCES BEING PAID*
(CONCLUDED)

METRO TRANSIT

	Age &	Disability		Death		
Option Elected	**Service**	**Non-Duty**	**Duty**	**Non-Duty**	**Duty**	**Totals**
Regular	6			1		7
A-Cash Refund	1					1
B-100% J & S	1	1	6			8
C-50% J & S	3	1	1			5
E-15 Year Certain			1			1
Survivor	2		1			3
Total	**13**	**2**	**9**	**1**	**0**	**25**

PUBLIC SAFETY

	Age &	Disability		Death		
Option Elected	**Service**	**Non-Duty**	**Duty**	**Non-Duty**	**Duty**	**Totals**
Regular	50		2		2	54
A-Cash Refund	1					1
B-100% J & S	12	1				13
C-50% J & S	228		9			237
D-10 Year Certain	1					1
E-15 Year Certain	1		1			2
Survivor	44	2	1			47
Total	**337**	**3**	**13**	**0**	**2**	**355**

* *The retired members with service in more than one group are displayed as if each person were receiving two pensions.*

TERMINATED MEMBERS WITH A DEFERRED VESTED BENEFIT
DECEMBER 31, 2007
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT

Attained Age	No.	Deferred Allowances
35	2	$ 28,386
37	1	3,580
39	1	14,415
40	2	37,648
41	1	9,878
43	1	10,155
44	3	26,220
45	2	21,334
46	1	14,706
47	2	31,831
48	3	28,564
49	3	48,635
50	1	36,201
51	2	23,588
52	1	8,302
54	1	27,437
55	3	35,095
56	2	30,878
57	4	46,587
59	2	15,644
Totals	**38**	**$499,085**

COMPARATIVE EMPLOYEE STATISTICS
BY DIVISION

Val'n Date 31-Dec	General KMEA Employees Avg. Age	General KMEA Employees Avg. Service	General KMEA Employees Avg. Pay	AFSCME/CSO Employees Avg. Age	AFSCME/CSO Employees Avg. Service	AFSCME/CSO Employees Avg. Pay	General Exempt Employees Avg. Age	General Exempt Employees Avg. Service	General Exempt Employees Avg. Pay	Metro Transit Employees Avg. Age	Metro Transit Employees Avg. Service	Metro Transit Employees Avg. Pay	Public Safety Employees Avg. Age	Public Safety Employees Avg. Service	Public Safety Employees Avg. Pay
1988	37.7	8.6	$20,717	40.9	10.6	$24,316	#	#	#	38.9	6.8	$21,582	39.2	14.8	$40,106
1989	36.8	7.9	21,508	41.4	11.1	26,121	#	#	#	39.0	6.6	22,334	38.5	14.0	41,287
1990	37.5	8.4	23,069	41.3	10.8	27,297	#	#	#	39.9	7.4	23,289	37.8	13.3	42,328
1991	37.6	8.4	24,420	41.7	11.0	28,926	#	#	#	40.4	7.8	23,850	37.9	13.3	43,580
1992	38.1	9.0	25,671	41.8	11.0	30,301	#	#	#	40.0	8.5	25,205	38.5	13.6	45,660
1993	38.3	8.9	25,925	42.0	11.3	30,766	#	#	#	40.7	8.7	25,814	38.2	13.3	45,424
1994	39.1	9.8	27,921	42.0	11.1	33,604	#	#	#	41.5	9.4	27,511	38.5	13.7	45,674
1995	39.7	10.3	28,934	42.4	11.5	35,940	#	#	#	41.4	9.5	28,586	37.8	12.9	47,365
1996	40.1	10.9	30,466	41.1	10.1	37,781	#	#	#	42.2	9.4	30,421	37.8	12.9	48,680
1997	41.3	11.5	31,422	41.6	10.6	39,365	#	#	#	42.6	9.8	31,589	37.9	12.7	50,409
1998	42.4	12.3	33,189	42.1	11.0	40,935	#	#	#	42.3	8.8	34,632	37.2	11.7	49,501
1999	42.9	12.8	34,757	42.2	11.3	35,913	44.1	11.9	$52,857	41.5	7.9	33,863	37.2	11.4	53,070
2000	42.5	12.0	34,743	42.6	11.7	38,313	44.4	12.2	54,175	41.5	7.4	34,277	37.5	11.8	55,782
2001	43.3	12.4	35,391	43.6	11.9	39,409	45.6	12.6	56,628	41.8	7.3	35,627	37.9	11.9	57,709
2002	44.4	13.5	36,759	44.5	12.9	40,126	44.5	11.6	56,058	42.9	7.6	37,654	38.4	12.6	59,344
2003	44.0	13.3	37,656	44.8	13.4	41,731	45.6	12.0	57,688	44.4	8.3	39,459	38.8	12.9	62,656
2004	45.1	14.2	39,803	45.6	14.2	43,431	47.0	13.2	59,335	44.7	8.8	39,088	38.4	12.5	64,638
2005	46.2	15.0	40,839	46.3	15.1	44,161	48.0	14.0	60,031	45.6	9.6	40,158	37.8	11.9	65,392
2006	46.7	15.1	41,617	46.7	15.5	45,231	48.6	14.1	61,289	46.3	9.9	38,818	37.5	11.4	68,764
2007	47.4	15.9	42,856	47.0	15.7	46,643	48.6	14.4	62,354	47.2	10.6	38,696	37.4	11.6	68,509

\# *Included with AFSCME/CSO members.*

GENERAL KMEA MEMBERS AS OF DECEMBER 31, 2007
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals No.	Totals Valuation Payroll
20-24	1							1	$ 28,570
25-29	3	1						4	139,880
30-34	4	5	3	1				13	508,302
35-39	4	3	3	1				11	394,039
40-44	4	3	1	5	4	1		18	768,251
45-49	4	1		6	6	1		18	820,712
50-54		2	4	5	7	9	2	29	1,286,740
55-59	2	5	3	4	7	3	3	27	1,245,104
60							1	1	52,790
61	1			1			2	4	161,570
62					1	1		2	100,927
63			1					1	35,782
67			1					1	28,560
Totals	**23**	**20**	**16**	**23**	**25**	**15**	**8**	**130**	**$5,571,227**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 47.4 years.

Service: 15.9 years.

Annual Pay: $42,856.

AFSCME/CSO Members as of December 31, 2007
by Attained Age and Years of Service

Attained Age	Years of Service to Valuation Date: 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals: No.	Totals: Valuation Payroll
Less than 20	1							1	$ 38,144
20-24	2							2	87,199
25-29	1	1						2	85,064
30-34	3	6	1					10	494,332
35-39	3	4	4	5				16	746,028
40-44	1	5	7	7	4			24	1,111,182
45-49	1	10	15	3	14	2	1	46	2,134,993
50-54		6	6	18	1	10	3	44	2,123,358
55-59		4	4	8	5	1	2	24	1,073,360
60					1	1	1	3	146,492
61							1	1	38,682
62		1		1			1	3	130,299
Totals	**12**	**37**	**37**	**42**	**25**	**14**	**9**	**176**	**$8,209,133**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 47.0 years.

Service: 15.7 years.

Annual Pay: $46,643.

GENERAL EXEMPT MEMBERS AS OF DECEMBER 31, 2007
BY ATTAINED AGE AND YEARS OF SERVICE

Attained	Years of Service to Valuation Date							Totals	
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 Plus**	**No.**	**Valuation Payroll**
20-24									
25-29	3							3	$ 143,576
30-34	2	3	1					6	305,187
35-39	6	2	3	4				15	765,558
40-44	6	4	3	4				17	964,809
45-49	2	5	6	8	9	1		31	2,019,701
50-54	1	3	5	3	9	12	1	34	2,280,435
55-59	2	10	4	3	9	2	1	31	2,058,390
61	1	1						2	105,869
62	2							2	146,822
63		1					1	2	111,072
64						1		1	38,800
65		1						1	97,342
66		1						1	66,145
Totals	**25**	**31**	**22**	**22**	**27**	**16**	**3**	**146**	**$9,103,706**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 48.6 years.

Service: 14.4 years.

Annual Pay: $62,354.

METRO TRANSIT MEMBERS AS OF DECEMBER 31, 2007
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date 0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	Totals No.	Valuation Payroll
20-24	1							1	$ 22,562
25-29		2						2	58,572
30-34	3	5	1					9	294,595
35-39	2	9	1		1			13	502,470
40-44		6	1		1			8	311,311
45-49	1	2	2	1	1	1		8	353,747
50-54	5	5	3	2	3	1	1	20	802,330
55-59	3	4	4	2		1	1	15	575,663
60		1		1		1		3	163,748
61		1	1					2	57,413
62	2	1						3	109,109
63									
64				1				1	37,636
Totals	**17**	**36**	**13**	**7**	**6**	**4**	**2**	**85**	**$3,289,156**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 47.2 years.

Service: 10.6 years.

Annual Pay: $38,696.

PUBLIC SAFETY MEMBERS AS OF DECEMBER 31, 2007
BY ATTAINED AGE AND YEARS OF SERVICE

Attained Age	Years of Service to Valuation Date							Totals	
	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
20-24	20							20	$ 871,854
25-29	23	3						26	1,356,727
30-34	14	22	2					38	2,435,877
35-39	3	17	25	11				56	4,060,005
40-44	2	6	11	36	3			58	4,464,922
45-49		1	1	18	9	2		31	2,381,370
50-54			1	5	1	2	1	10	752,354
55-59				2	1		2	5	393,088
Totals	**62**	**49**	**40**	**72**	**14**	**4**	**3**	**244**	**$16,716,197**

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 37.4 years.

Service: 11.6 years.

Annual Pay: $68,509.

SECTION D

ACTUARIAL COST METHODS AND ASSUMPTIONS

VALUATION METHODS AND ASSUMPTIONS

The normal cost was computed as follows:

The series of contributions necessary to accumulate the present value at time of retirement of the portion of a member's pension attributable to service likely to be rendered after the valuation date was computed so that each contribution in the series was a constant percentage of the member's year-by-year projected covered compensation. This is the individual entry age normal actuarial cost method.

The accrued liability was computed and financed as follows:

Retirees and Beneficiaries: The discounted value of pensions likely to be paid retirees and beneficiaries was computed using the investment return and mortality assumptions. This amount was financed by applicable accrued assets.

Active and Inactive members: The discounted value of benefits likely to be paid active and inactive members on account of service rendered prior to the valuation date was computed using the assumptions outlined on the following pages. The computed amount was reduced by applicable valuation assets and the remainder (or overfunding) was financed as a level percent-of-payroll over a rolling period of 10 years.

Asset valuation method: Last year's valuation assets are increased by contributions and expected investment income on last year's valuation assets and non-investment net cash flow and reduced by refunds, benefit payments and expenses. To this amount is added the phased-in recognition of investment income. The phased-in recognition is the sum over the five years ending on the valuation date of 20% of the difference between each years expected return and actual market return.

ACTUARIAL ASSUMPTIONS USED FOR THE VALUATION

TOTAL INVESTMENT RETURN. 8.0% per year compounded annually. This rate consists of a long-term rate of pay inflation of 4.0% a year plus investment expenses of 0.5% plus a real rate of return of 3.5% a year. The net investment return is 7.5% per year compounded annually.

These assumptions are used to equate the value of payments due at different points in time. They were first used for the December 31, 1997 valuation. Approximate net rates of investment return, for the purpose of comparisons with assumed rates, are shown below. Actual increases in active member pays are also shown for comparative purposes.

	Year Ended December 31					5 Year
	2007	**2006**	**2005**	**2004**	**2003**	**Average***
Rate of Investment Return^	11.4%	12.9%	11.6%	11.7%	6.9%	10.9%
Increase in Average Pay#	2.8	2.8	2.1	3.8	4.8	3.2
Real Rate of Return	8.7	10.2	9.5	7.9	2.1	7.7

* *Compound rate of increase.*

\# *For members employed throughout the most recent two years. For detail regarding pay increases, please see pages B-17 and B-18.*

^ *The nominal rate of return was computed using the approximate formula i = I divided by 1/2 (A + B - I), where I is actual investment income net of expenses, A is the beginning of year asset value, and B is the end of year asset value.*

These rates of return should not be used for measurement of an investment advisor's performance or for comparisons with other systems.

INVESTMENT EXPENSES. 0.50% of average valuation assets.

PAY PROJECTIONS. These assumptions are used to project current pays to those upon which benefits will be based. The assumptions were first used for the December 31, 2004 valuation.

The annual rate of pay increases consists of two parts:

(i) a long-term rate of pay inflation equal to 4.0%.

(ii) merit and longevity increases which vary according to age or length of service. These rates are illustrated below.

Years of Service	KMEA	AFSCME	All Exempt	Non-Sworn Public Safety	Transit Union	Public Safety
1	4.0%	2.0%	4.0%	3.0%	2.5%	8.0%
2	4.0	2.0	4.0	3.0	2.5	8.0
3	4.0	2.0	4.0	3.0	2.5	8.0
4	4.0	2.0	4.0	3.0	2.5	8.0
5	4.0	2.0	4.0	3.0	1.0	8.0
6	0.5	2.0	0.5	3.0	1.0	8.0
7	0.5	0.5	0.5	3.0	1.0	8.0
8	0.5	0.5	0.5	3.0	0.0	1.0
9	0.5	0.5	0.5	3.0	0.0	1.0
10	0.5	0.5	0.5	3.0	0.0	1.0
11	0.5	0.5	0.5	3.0	0.0	1.0
12	0.5	0.5	0.5	3.0	0.0	1.0
13	0.5	0.5	0.5	3.0	0.0	1.0
14	0.5	0.5	0.5	3.0	0.0	1.0
thereafter	0.5	0.5	0.5	1.0	0.0	1.0

Actual average pays for members working both years have increased at the following rates.

	Year Ended December 31					5 Year
	2007	2006	2005	2004	2003	Average*
Average increase:	2.8%	2.8%	2.1%	3.8%	4.8%	3.2%

* *Compound rate of increase.*

For detail regarding pay increases, please see pages B-17 and B-18.

If the number and distribution of active members remain constant, then the total active member payroll will increase 4.0% annually for the base portion of the salary increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities.

The mortality table was the 1994 Group Annuity Mortality Table.

	Value at Retirement of $1 Monthly for Life*		Future Life Expectancy (years)	
Ages	Men	Women	Men	Women
50	$140.93	$147.30	30.69	34.89
55	132.64	140.64	26.15	30.17
60	122.40	132.01	21.83	25.59
65	110.53	121.65	17.84	21.28
70	97.62	109.73	14.29	17.30
75	83.48	95.52	11.12	13.60
80	68.62	79.89	8.37	10.31

* *Values are before post-retirement increases are reflected.*

This assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement. This mortality table was first used for the December 31, 2004 valuation.

The rates of retirement used to measure the probability of eligible members retiring during the next year were as follows:

Retirement Ages	KMEA	AFSCME	All Exempt	Non-Sworn Public Safety	Transit Union
55	2%	5%	20%	5%	35%
56	2	5	20	5	35
57	2	5	20	5	35
58	2	5	20	5	35
59	2	5	20	5	35
60	10	10	25	10	30
61	10	10	25	10	30
62	50	50	50	50	50
63	10	25	25	25	25
64	10	25	25	25	30
65	100	100	100	100	100

Years of Service	Public Safety
20	2%
21	2
22	2
23	2
24	2
25	50
26	30
27	50
28	30
29	30
30	100

Retirement probabilities were applied for General and Transit members after both attaining age 55 and completing 15 years of service, or age 62 with 10 years of service (5 years for Exempt, 9 years for AFSCME and 8 years for KMEA). AFSCME members are also considered eligible for retirement at age 60 with 20 or more years of service. Retirement probabilities were applied for Public Safety members upon completion of 20 years of service with 100% retirement probability assumed at age 60 with 10 years of service.

Rates of disability were as follows:

	% of Active Members Becoming Disabled Within Next Year	
Sample Ages	Public Safety Metro Transit AFSCME	KMEA Exempt CSO
20	0.15%	0.08%
25	0.18	0.08
30	0.20	0.08
35	0.29	0.08
40	0.42	0.20
45	0.65	0.26
50	1.05	0.49
55	1.84	0.89
60	3.06	1.41

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

		% of Active Members Separating within Next Year					
Sample Ages	Years of Service	KMEA	AFSCME	All Exempt	Non-Sworn Public Safety	Transit Union	Public Safety
	0	18.0%	12.0%	12.0%	12.0%	18.0%	8.0%
	1	12.0	9.0	10.0	9.0	12.0	6.0
	2	10.0	7.0	8.0	7.0	10.0	4.5
	3	9.0	5.0	7.0	5.0	9.0	3.0
	4	8.0	4.5	6.0	4.5	8.0	2.0
25	5 or Over	11.0	11.7	12.4	7.4	7.4	2.0
30		8.0	10.5	10.4	5.8	5.8	1.8
35		5.4	8.3	8.1	3.8	3.8	1.3
40		3.6	5.7	6.4	3.1	3.1	1.0
45		2.6	3.5	4.8	3.0	3.0	0.7
50		2.1	1.5	3.9	3.0	3.0	0.5
55		2.1	0.6	3.1	3.0	3.0	0.4
60		2.1	0.5	2.4	3.0	3.0	0.4

Active member group size. The number of active members was assumed to remain constant. This assumption is unchanged from previous valuations.

Timing of contribution payments. The contribution requirements in this report anticipate regular payments throughout the year. Examples would be at each payroll date or in 12 monthly installments.

GLOSSARY

ACTUARIAL ACCRUED LIABILITY. The difference between (i) the actuarial present value of future plan benefits, and (ii) the actuarial present value of future normal cost. Sometimes referred to as "accrued liability" or "past service liability." Under the actuarial cost method used the "AAL" differs somewhat from the value of future payments based on benefits earned as of the valuation date.

ACCRUED SERVICE. The service credited under the plan which was rendered before the date of the actuarial valuation.

ACTUARIAL ASSUMPTIONS. Estimates of future plan experience with respect to rates of mortality, disability, retirement, investment income and salary increases. Decrement assumptions (rates of mortality, separation, and retirement) are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (salary increases and investment income) consist of an underlying rate appropriate in an inflation-free environment plus a provision for a long-term average rate of inflation.

ACTUARIAL COST METHOD. A mathematical budgeting procedure for allocating the dollar amount of the "actuarial present value of future plan benefits" between the normal costs to be paid in the future and the actuarial accrued liability. Sometimes referred to as the "actuarial funding method."

ACTUARIAL EQUIVALENT. Benefits whose actuarial present values are equal.

ACTUARIAL PRESENT VALUE. The amount of funds presently required to provide a payment or series of payments in the future. It is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

AMORTIZATION. Payment of an interest-bearing liability by means of periodic contributions of interest and principal, as opposed to a lump sum payment.

EXPERIENCE GAIN (LOSS). A measure of the difference between actual experience and experience anticipated by a set of actuarial assumptions during the period between two actuarial valuation dates, in accordance with the actuarial cost method being used.

NORMAL COST. The annual cost assigned, under the actuarial funding method, to current and subsequent plan years. Sometimes referred to as "current service cost." An amortization payment toward the unfunded actuarial accrued liability is in addition to the normal cost.

RESERVE ACCOUNT. An account used to indicate that funds have been set aside for a specific purpose and are not generally available for other uses.

UNFUNDED ACTUARIAL ACCRUED LIABILITY. The difference between the actuarial accrued liability and valuation assets. Sometimes referred to as "unfunded accrued liability."

VALUATION ASSETS. The value of current plan assets recognized for valuation purposes.

SECTION E

GASB STATEMENT NO. 25 INFORMATION

This information is presented in draft for review by the City's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the City's financial statements.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Attained-Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
12/31/98 @	$267,250,249	$167,726,504	$ (99,523,745)	159.3%	$35,607,350	(279.5)%
12/31/99 @ #	303,750,495	192,167,206	(111,583,289)	158.1	37,541,170	(297.2)
12/31/00 @	331,521,519	208,070,230	(123,451,289)	159.3	39,377,238	(313.5)
12/31/01 @	349,206,708	220,302,430	(128,904,278)	158.5	41,595,437	(309.9)
12/31/02 @	348,677,897	230,979,927	(117,697,970)	151.0	40,316,918	(291.9)
12/31/03 @	361,205,383	245,919,424	(115,285,959)	146.9	40,914,264	(281.8)
12/31/04 #	390,615,277	265,080,190	(125,535,087)	147.4	41,989,819	(299.0)
12/31/05 @ #	422,565,761	294,416,007	(128,149,754)	143.5	40,944,435	(313.0)
12/31/06 @	463,280,964	312,101,938	(151,179,026)	148.4	42,164,958	(358.5)
12/31/07 @	500,788,244	327,242,870	(173,545,374)	153.0	42,889,419	(404.6)

@ *Plan amended.*
# *Certain assumptions revised.*

Actuarial Cost Method	Individual Entry-Normal Cost
	Market Value with 5 year smoothing of appreciation and depreciation
Principal Actuarial Assumptions (last revised for the 12/31/99 valuation):	
– Net Investment Return*	7.5%
– Projected Salary Increases*	4.0% to 12.0%
– Cost-of-Living Adjustments	2% per year – Public Safety members who retired 1995 and after. 1% per year pre-age 75; 2% per year from age 75 – AFSCME and Transit Union members who retire after 1999. 1.5% per year after attaining age 64 – KMEA members who retire after 1999 (2.0% per year after attaining age 75 if member retired after 2001). 1.5% per year – Exempt members who signed up for the RPA.

* *Includes pay inflation at 4.0%.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended 31-Dec	Annual Required Contribution	Percentage Contributed
1998	$ 0	100.00%
1999	0	100.00
2000	0	100.00
2001	0	100.00
2002	0	100.00
2003	0	100.00
2004	0	100.00
2005	0	100.00
2006	0	100.00
2007	0	100.00

Actuarial cost method	Individual Entry-Age Normal Cost
Amortization method	Level percent-of-payroll, 10 year period (closed until 2002, then open)
Asset valuation method	Market Value with 5 year smoothing of appreciation and depreciation
Principal actuarial assumptions (last revised for the 12/31/99 valuation):	
– Net Investment Return*	7.5%
– Projected Salary Increases*	4.0% to 12.0%
– Cost-of-Living Adjustments	2% per year – Public Safety members who retired 1995 and after. 1% per year pre-age 75; 2% per year from age 75 – AFSCME and Transit Union members who retire after 10/24/99. 1.5% per year after attaining age 64 – KMEA members who retire after 1999 (1.5% per year from retirement; 2.0% per year after attaining age 75 if member retired after 2001). 1.5% per year – Exempt members who signed up for the RPA.

* *Includes pay inflation at 4.0%.*

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

May 16, 2008

Ms. Jeanette A. Meyer
Pension Analyst
City of Kalamazoo
241 West South Street
Kalamazoo, Michigan 49007-4796

Dear Ms. Meyer:

Please find enclosed 30 copies of the Fifty-Sixth Annual Actuarial Valuation of the City of Kalamazoo Employees Retirement System. I look forward to presenting the report to the Investment Committee and the City on May 21, 2008.

Sincerely,

W. James Koss

WJK:lr
Enclosures

cc: Rehmann Robson, P.C. (+1 report copy)
Attn: Stephen Blann