

**CITY OF KALAMAZOO EMPLOYEES RETIREMENT SYSTEM
FIFTY-EIGHTH ANNUAL ACTUARIAL VALUATION**

DECEMBER 31, 2009

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May 11, 2010

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-Eighth 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 by us.

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:mrB

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.

EXECUTIVE SUMMARY (CONTINUED)

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, 2010

As expected, based on last year's results, City contributions will not be required for year 2010.

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 \$6.1 million for fiscal year beginning January 1, 2010. Refer to page B-2 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 2009 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.

EXECUTIVE SUMMARY (CONTINUED)

Changes in Cost Methods and Actuarial Assumptions

An experience review was performed based on the five-year period ending December 31, 2008. As a result of the study, the Retirement Investment Committee adopted several recommended assumption changes, effective for the December 31, 2009 valuation.

- *Change in Actuarial Assumptions*

Increase (decrease) in liability: **\$367,136**

2009 Plan Experience

There was an experience loss of \$(16,604,095) during 2009. This represents (4.82)% of the 2008 accrued liabilities. Given that much of this loss resulted from asset experience, this is a reasonable variation. The effect of this loss is a decrease in the overfunding for all groups and an increase in the need for future contributions.

Causes of the Loss

Although the market value of assets returned 27.01% in 2009 the return on the (smoothed) valuation assets was 3.56%. Net investment income was less than the long-term assumption of 7.5%, resulting in a loss of \$(19,658,876). The investment loss was offset, in part, by demographic gains from lower than expected pay increases and more retiree deaths than expected.

Investment gain (loss)	\$ (19,658,876)
Remaining gain (loss)	<u>3,054,781</u>
Gain (loss) from all causes	\$ (16,604,095)

2009 Funding Position

This year valuation assets represent 142.1% of accrued liabilities; last year the ratio was 146.9%. The decrease in overfunding is the result of the accrual of benefits during the year and the year's unfavorable experience.

EXECUTIVE SUMMARY (CONTINUED)

Conclusions

For years, the overfunded position enjoyed by the System generated a funding credit which allowed the City to reduce, then eliminate, annual contributions to the System trust. The investment losses which occurred in 2008 will have a significant negative effect on the System's funding credit. The smoothed asset valuation method continues to phase in the recognition of the asset losses that occurred in 2008. The scheduled recognition of the 2008 investment losses, though offset somewhat by gains in 2009, will erode the System's funded status over the next few years. Unless offset by future actuarial gains, the reduction in funded status will likely mean that City contributions will once again be required in the future.

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-2.

**CONTRIBUTIONS TO PROVIDE BENEFITS
EXPRESSED AS PERCENTS AND DOLLARS OF ACTIVE MEMBER PAYROLL**

<u>Contributions for the Year Beginning January 1,</u>	<u>2010</u>	<u>2009</u>
Normal cost of benefits		
Age & service	15.03 %	15.12 %
Disability	1.10	1.08
Pre-retirement survivor	0.48	0.50
Refunds of member contributions	0.21	0.21
Total normal cost	<u>16.82</u>	<u>16.91</u>
Less: Member contributions*	<u>3.63</u>	<u>3.62</u>
Employer normal cost	13.19	13.29
Unfunded actuarial accrued liabilities [^]	(39.10)	(42.20)
Employer Contribution Requirement@	(25.91)	(28.91)
Payroll	\$ 44,435,753	\$ 44,159,590
Recommended Employer Contribution	\$ 0	\$ 0

<u>Contributions for the Year Beginning January 1,</u>	<u>2010</u>	<u>2009</u>
Normal cost of benefits		
Age & service	\$ 6,913,550	\$ 6,897,532
Disability	507,597	491,802
Pre-retirement survivor	224,221	226,894
Refunds of member contributions	95,422	97,415
Total normal cost	<u>7,740,790</u>	<u>7,713,644</u>
Less: Member contributions*	<u>1,643,378</u>	<u>1,611,926</u>
Employer normal cost	6,097,412	6,101,718
Unfunded actuarial accrued liabilities [^]	(18,072,257)	(19,377,852)
Employer Contribution Requirement@	\$ (11,974,845)	\$ (13,276,134)
Payroll	\$ 44,435,753	\$ 44,159,590
Recommended Employer Contribution	\$ 0	\$ 0

* Weighted average of various contribution rates.

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

[^] Page B-5 displays the unfunded accrued liabilities (or overfunding) that are amortized by the contribution rates shown above.

Note: Consistent with prior years, contributions have been calculated separately by division (KMEA, AFSCME/CSO, Exempt, Metro Transit and Public Safety). Divisional results have been summed and are shown in total throughout the report.

RECONCILIATION OF CITY CONTRIBUTION RATES

	Total
1) Contribution Requirement 2008 Valuation	(28.91) %
2) Expected Increase (Open Amortization)	+ 3.82
3) (1) plus (2)	(25.09)
4) Group Experience (Gain/Loss)	+ 4.48
5) (3) plus (4)	(20.61)
6) Benefit Changes	+ 0.00
7) (5) plus (6)	(20.61)
8) Assumption/Method Changes	- 0.06
9) (7) plus (8)	(20.67)
10) Contribution Level*	- 3.57
11) (9) plus (10)	(24.24)
12) Changes in Payroll used to Fund Plan	- 1.47
13) (11) plus (12)	(25.71)
14) Demographic changes	+ 0.13
15) (13) plus (14)	(25.58)
16) Miscellaneous Causes	- 0.33
17) Contribution Requirement 2009 Valuation	(25.91)

* *The City contribution of 0% exceeded the theoretical negative contribution.*

HISTORY OF CITY'S CONTRIBUTION RATES

Fiscal Year	Valuation Date Dec. 31	Contribution as Percent of Valuation Payroll	Recommended	Actual
1991	1990	9.86	\$2,977,151	\$2,977,151
1992 *	1991	8.28	2,589,597	2,589,597
1993 *@	1992	7.26	2,329,529	2,329,529
1994 @	1993	4.87	1,623,803	1,623,803
1995 *	1994	5.41	1,889,474	1,889,474
1996 *	1995	4.30	1,500,400	1,500,398
1997 *@	1996	2.35	840,966	841,000
1998 *	1997	0.00	0	0
1999 *	1998	0.00	0	0
2000 *@	1999	0.00	0	0
2001 *	2000	0.00	0	0
2002 *	2001	0.00	0	0
2003 *@	2002	0.00	0	0
2004 *	2003	0.00	0	0
2005 @	2004	0.00	0	0
2006 *@	2005	0.00	0	0
2007 *	2006	0.00	0	0
2008 *	2007	0.00	0	0
2009 *	2008	0.00	0	0
2010 *@	2009	0.00	0	0

* *Retirement System amended.*

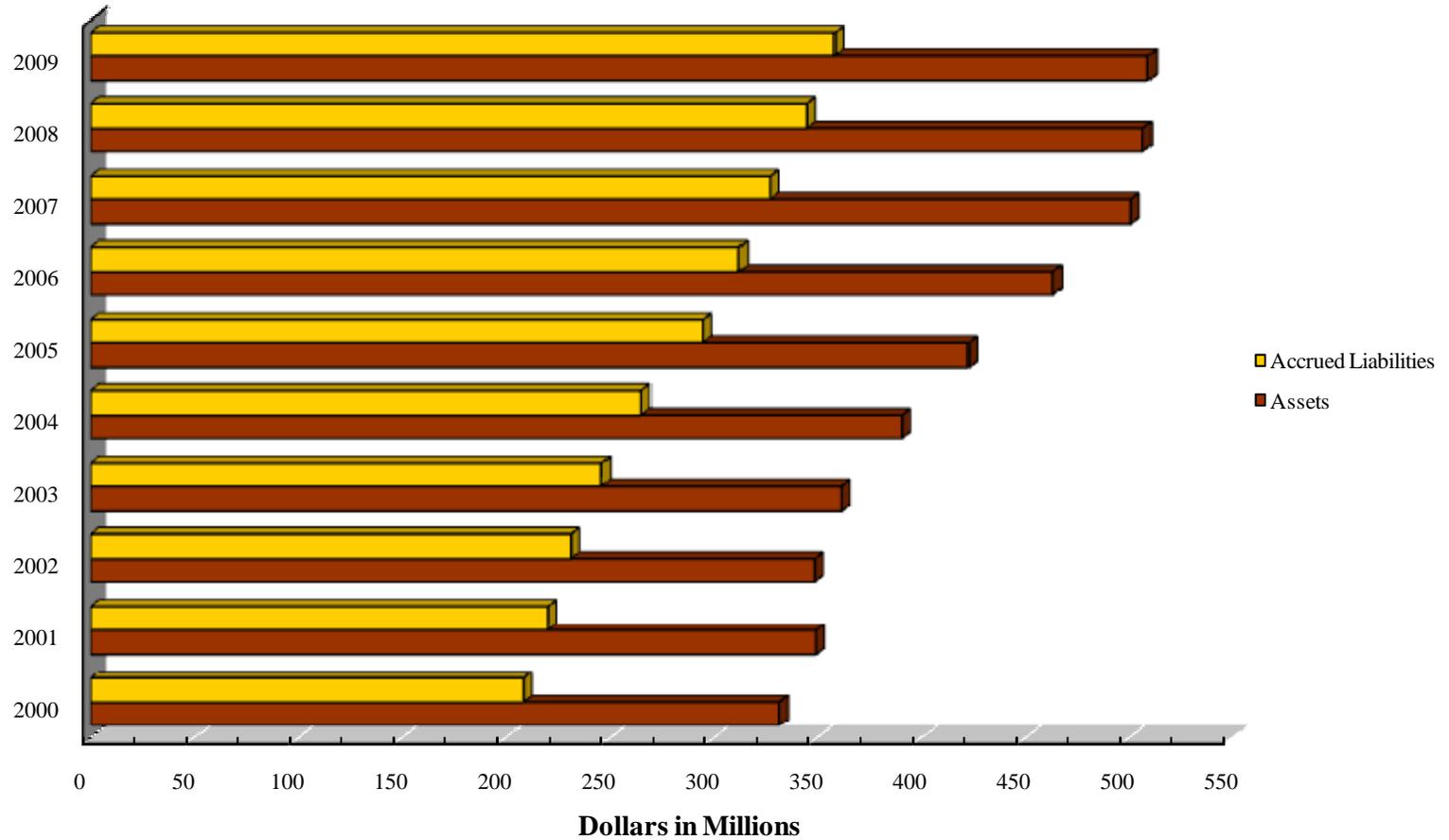
@ *Revised actuarial assumptions and/or methods.*

UNFUNDED ACCRUED LIABILITY

	Totals
A. Accrued Liability	
1. For retirees and beneficiaries	\$191,338,855
2. For vested terminated members	3,441,688
3. For present active members	
a. Value of expected future benefit payments	223,155,851
b. Value of future normal costs	59,775,994
c. Active member liability: (a) - (b)	163,379,857
4. Total	358,160,400
B. Present Assets	
1. Valuation Basis	509,060,409
2. Market Basis	450,923,935
C. Unfunded Accrued Liability (Excess Assets)	
1. Valuation Basis: (A.4) - (B.1)	(150,900,009)
2. Market Basis: (A.4) - (B.2)	(92,763,535)
D. Funded percent	
1. Valuation Basis: (A.4) / (B.1)	142.1%
2. Market Basis: (A.4) / (B.2)	125.9%

Assets and Accrued Liabilities

Valuation Year



2000 assets equaled 159% of accrued liabilities.

2009 assets equaled 142% of accrued liabilities.

**DEVELOPMENT OF EXPERIENCE GAIN (LOSS)
YEAR ENDED DECEMBER 31, 2009**

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	
	2009	2008
(1) UAAL* at start of year	\$(161,793,421)	\$(173,545,374)
(2) Normal cost from prior year	7,535,265	7,405,945
(3) Actual contributions	1,689,006	1,723,718
(4) Interest accruals on (1), (2) and (3)	(11,917,914)	(12,805,387)
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	(167,865,076)	(180,668,534)
(6) Change from benefit increases	(6,164)	(1,509,026)
(7) Change from revised actuarial assumptions and/or methods	367,136	0
(8) Expected UAAL after changes: (5) + (6) + (7)	(167,504,104)	(182,177,560)
(9) Actual UAAL at end of year	(150,900,009)	(161,793,420)
(10) Gain (loss): (8) - (9)	(16,604,095)	(20,384,140)
(11) Gain (loss) as percent of actuarial accrued liabilities at start of year	(4.82%)	(6.23%)

* *Unfunded actuarial accrued liabilities.*

2009 Gain (Loss)		
Totals	Investment	Non-Investment
\$(16,604,095)	\$(19,658,876)	\$3,054,781

DEVELOPMENT OF VALUATION ASSETS

Year Ended December 31:	2007	2008	2009	2010	2011	2012	2013
A. Valuation Assets Beginning of Year	\$463,280,963	\$500,788,244	\$506,592,573				
B. Market Value End of Year	519,099,849	368,695,531	450,923,935				
C. Market Value Beginning of Year	523,243,080	519,099,849	368,695,531				
D. Non-Investment Net Cash Flow	(14,581,860)	(14,520,471)	(15,294,199)				
E. Investment Income *							
E1. Market Total: B - C - D	10,438,629	(135,883,847)	97,522,603				
E2. Amount for Immediate Recognition (7.5%)	34,199,252	37,014,601	37,420,911				
E3. Amount for Phased-In Recognition: E1-E2	(23,760,623)	(172,898,448)	60,101,692				
F. Phased-In Recognition of Investment Income							
F1. Current Year: 0.2 x E3	(4,752,125)	(34,579,690)	12,020,338				
F2. First Prior Year	7,025,489	(4,752,125)	(34,579,690)	\$ 12,020,338			
F3. Second Prior Year	627,114	7,025,489	(4,752,125)	(34,579,690)	\$ 12,020,338		
F4. Third Prior Year	5,936,947	627,114	7,025,489	(4,752,125)	(34,579,690)	\$ 12,020,338	
F5. Fourth Prior Year	0	5,936,948	627,112	7,025,488	(4,752,123)	(34,579,688)	\$ 12,020,340
F6. Start-up Phase In	9,052,464	9,052,463	0	0	0	0	0
F7. Total Phased-In Recognition	17,889,889	(16,689,801)	(19,658,876)	(20,285,989)	(27,311,475)	(22,559,350)	12,020,340
G. Valuation Assets End of Year: A + D + E2 + F7	500,788,244	506,592,573	509,060,409				
H. Difference between Market & Valuation Assets: B - G	18,311,605	(137,897,042)	(58,136,474)	(37,850,485)	(10,539,010)	12,020,340	0
I. Valuation Asset Recognized Rate of Return	11.42%	4.12%	3.56%				
J. Market Value Recognized Rate of Return	2.02%	-26.55%	27.01%				

* Includes adjustment of \$(3,675) for FYE 2008.

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
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
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
Five Year Period	20,512,326	39,661,686	16,143,719	
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 *
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 *
Five Year Period	19,131,916	74,105,424	24,899,528	
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 *
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 *
Five Year Period	12,382,504	175,437,018	41,868,085	
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 *
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 *
Five Year Period	6,552,862	138,982,316	58,619,312	
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 *
2008	1,445,963	20,324,800	15,966,434	506,592,573 *
2009	1,368,975	17,762,035	16,663,174	509,060,409 *
Five Year Period	6,630,947	188,462,318	76,648,133	

* 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)

Year	Assumed Net Investment Income		Net Dividends and Interest		Recognized Gains (Losses) *		Net Investment Income		Experience Gain (Loss)
	Amount	%	Amount	%	Amount	%	Amount	%	
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
2008	37,015	7.50	14,940	3.03	5,385	1.09	20,325	4.12	(16,690)
2009	37,421	7.50	7,655	1.53	10,107	2.03	17,762	3.56	(19,659)

* In addition to net interest and dividends.

DEVELOPMENT OF VALUATION INVESTMENT GAIN (LOSS) YEAR ENDED DECEMBER 31, 2009

The December 31, 2008 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, 2009, the valuation anticipated investment return of \$37,420,911 (see item E2 on page B-8). Total phased in recognition amounted to a loss of (\$19,658,876) for the year (see item F7 on page B-8), resulting in a return of 3.56% on a valuation basis (see item I on page B-8).

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 CHANGE IN PAYS AND LIABILITIES

	Year Ended December 31					5 Year Average*
	2009	2008	2007	2006	2005	
Increase in average salary#	2.5%	4.9%	2.8%	2.8%	2.1%	3.0%
Return on assets^	3.6	4.1	11.4	12.9	11.6	8.7
Liability growth	3.9	5.4	4.9	6.0	11.1	6.2

* *Compound rate of increase.*

For members employed throughout the most recent two years. For detail regarding pay increases, please see pages B-12 and B-13.

^ *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
- Changes in valuation assumptions – 2009
- Changes in actuarial cost method – 2005

MEASURING CHANGES IN PAY FOR 2009

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 2008 to 2009. The following statistics show these changes.

	KMEA	AFSCME/ CSO	General Exempt	Metro* Transit	Public Safety	Combined
2008 payroll	\$5,594,797	\$8,218,675	\$9,092,841	\$3,806,553	\$17,446,725	\$44,159,591
2009 payroll	5,239,409	8,197,682	9,106,218	3,858,657	18,033,787	44,435,753
Increase in payroll	(6.4%)	(0.3%)	0.1%	1.4%	3.4%	0.6%

* 2009 payroll was adjusted to account for retroactive pay increases received during the year.

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, the principal task with regard to pays is projecting how each employee's pay is likely to change as that employee 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. 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 2008 is for only the portion of 2008 that the person was a City employee. If we compare these people's 2008 pays to their pays for a full 12 month 2009 year, the analysis will be distorted. To avoid this, we omit plan participants who did not work throughout 2008.

CHANGE IN PAY FOR MEMBERS ACTIVE IN 2008 & 2009

	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												
2009 Active Members	116	\$ 5,066,003	167	\$ 8,012,679	140	\$ 8,692,172	93	\$ 3,777,569	241	\$ 17,074,954	757	\$ 42,623,377
less 2009 hires	2	0	3	0	5	0	0	0	8	0	18	0
less 2008 hires	4	112,847	6	219,822	10	512,284	4	130,604	1	117,104	25	1,092,661
Active throughout 2008 & 2009	110	\$4,953,156	158	\$7,792,857	125	\$8,179,888	89	\$3,646,965	232	\$16,957,850	714	\$41,530,716
Average 2008 pay - Active throughout 2008 & 2009		\$ 45,029		\$ 49,322		\$ 65,439		\$ 40,977		\$ 73,094		\$ 58,166
Based on Current Year's Pay												
2009 Active Members	116	\$ 5,239,409	167	\$ 8,197,682	140	\$ 9,106,218	93	\$ 3,858,657	241	\$ 18,033,787	757	\$ 44,435,753
less 2009 hires	2	37,515	3	40,485	5	194,902	0	0	8	402,973	18	675,875
less 2008 hires	4	118,044	6	260,625	10	526,495	4	154,383	1	120,260	25	1,179,807
Active throughout 2008 & 2009	110	\$5,083,850	158	\$7,896,572	125	\$8,384,821	89	\$3,704,275	232	\$17,510,554	714	\$42,580,072
Average 2009 pay - Active throughout 2008 & 2009		\$ 46,217		\$ 49,978		\$ 67,079		\$ 41,621		\$ 75,477		\$ 59,636
Change in average pay Active throughout 2008 & 2009		2.64%		1.33%		2.51%		1.57%		3.26%		2.53%

These figures show how pays changed between 2008 and 2009 for people who were in City employment throughout those two years.

* 2009 payroll was adjusted to account for retroactive pay increase received during the year.

SECTION C

SUMMARY OF THE INFORMATION SUBMITTED FOR THE VALUATION

BRIEF SUMMARY OF BENEFIT PROVISIONS AS REPORTED FOR DECEMBER 31, 2009 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 hired before 6/1/2009, 9 years for AFSCME and 8 years for KMEA hired before 1/1/2009. 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 hired before 1/1/2009, 9 years for AFSCME and 8 years for KMEA hired before 1/1/2009.

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 hired before 1/1/2009, 9 years for AFSCME and 8 years for KMEA hired before 1/1/2009.

Computed as regular retirement. Reduced on a dollar-for-dollar basis by amount of worker's compensation, if any.

BRIEF SUMMARY OF BENEFIT PROVISIONS AS REPORTED FOR DECEMBER 31, 2009 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; have attained age 70 prior to June 1 of the year preceding the periodic payment to be made; had at least 25 years of service with the City; ineligible for post-retirement benefit increases; pension less than \$20,000. 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. However, no payment shall be made in any year in which the Fund's actuary projects the need for City contributions to the fund within 10 years of the projection nor if the actuary recommends a contribution by the City for that year.

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.

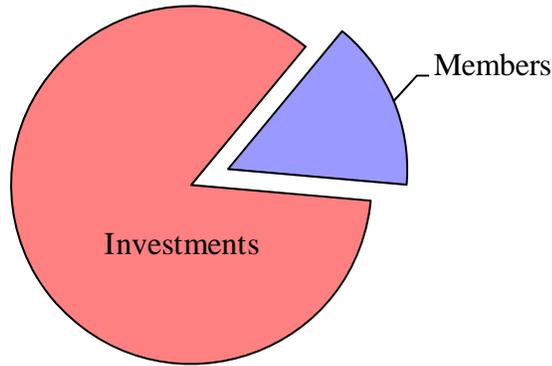
Sworn Public Safety members:

6.50% of AC.

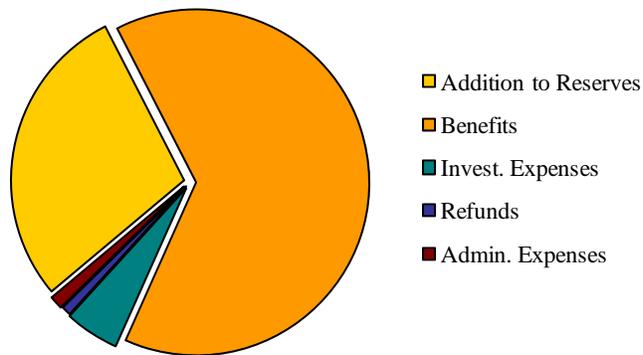
CITY CONTRIBUTIONS

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, 2009
(COST VALUE)**



Source of \$10,971,426 in Income



Application of \$10,971,426 Income

See page C-4 for more information.

REPORTED FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2009
COST VALUE

Income and Expenses

Revenues:

a. Member contributions	\$ 1,689,006	
b. Employer contributions	0	
c. Interest and dividends	8,947,404	
d. Gain on sale of investments	328,541	
e. Miscellaneous *	6,475	
	<hr/>	
Total		\$10,971,426

Expenditures:

a. Refunds of member contributions	223,634	
b. Benefits paid	16,439,540	
c. Administrative expenses	320,031	
d. Investment expenses	1,302,443	
	<hr/>	
Total		<hr/> 18,285,648

Reserve Increase:

Total revenues minus total expenditures	<hr/> <u>\$ (7,314,222)</u>
---	-----------------------------

* Includes adjustment of \$(3,675) for FYE 2008.

**REPORTED FINANCIAL INFORMATION
YEAR ENDED DECEMBER 31, 2009**

Assets and Reserves on Cost Value Basis

Assets:		Reserve Accounts:	
a. Cash or equivalents	\$ 4,027,115	a. Member contributions	\$ 49,472,028
b. Receivables net of payables	883,934	b. Employer contributions	196,419,590
c. Stocks	261,782,488	c. Retired benefit payments	151,977,398
d. Fixed income	111,861,466		
e. Real Estate Investment Fund	<u>19,314,013</u>		
Total	<u><u>\$397,869,016</u></u>	Total	<u><u>\$397,869,016</u></u>

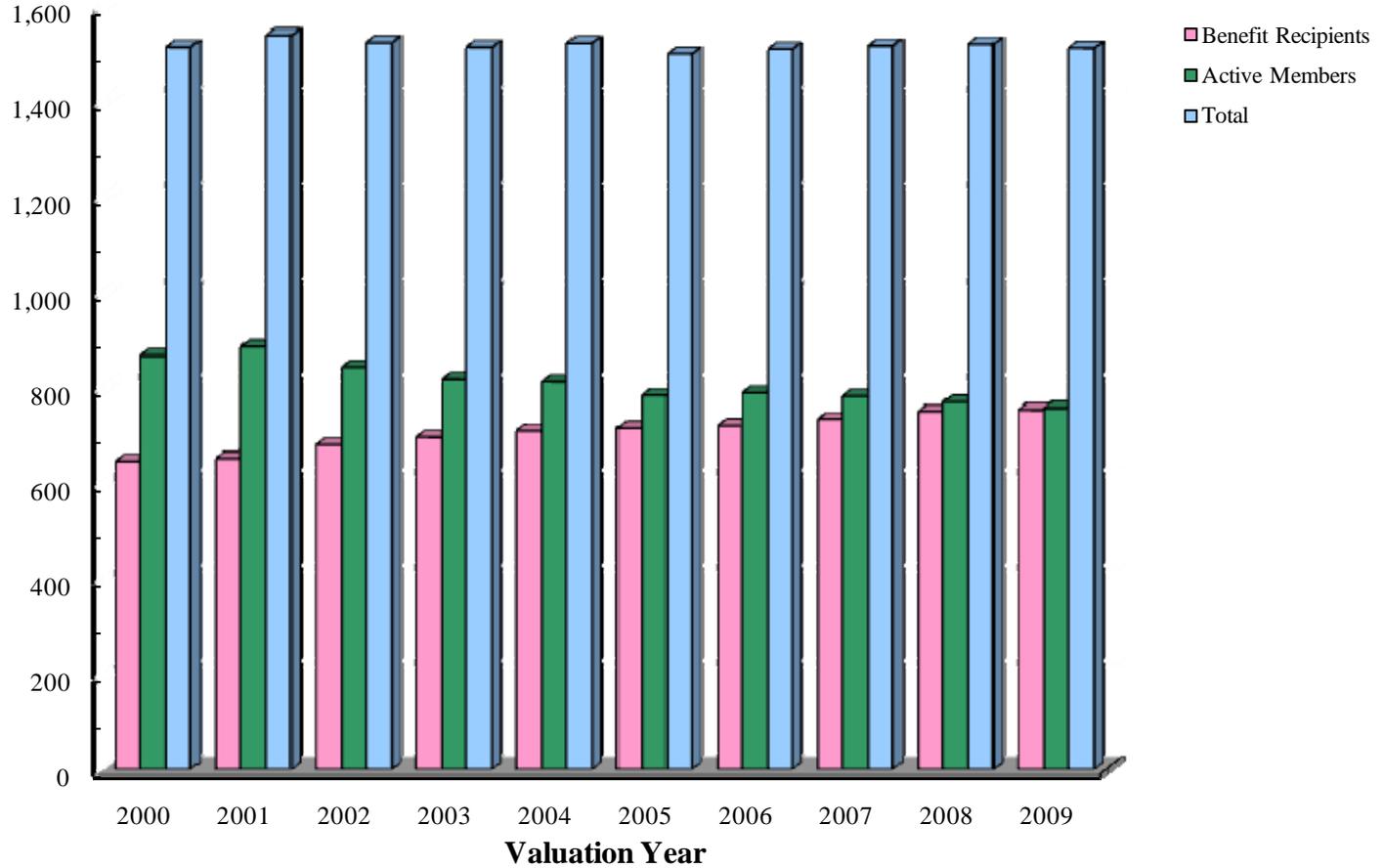
The value of future benefit payments to retirees and beneficiaries as of December 31, 2009 is \$191,338,855. The value of the Reserve for Retired Benefit Payments was \$151,977,398. The figures below compare the retired liabilities for each division to the reported retiree reserve balances.

<u>Accrued Liability</u>	<u>Reported Retiree Reserve</u>	<u>Unfunded Liability (Excess Assets)</u>
\$ 191,338,855	\$ 151,977,398	\$ 39,361,457

Our valuation assumes that amounts equal to the unfunded retiree liabilities for all divisions have been transferred effective January 1, 2010 from the employer reserves to the retiree reserves, to fully fund the retiree accrued liabilities.

Active Members & Benefit Recipients

Covered Persons



RETIREMENTS DURING 2009
TABULATED BY ANNUAL AMOUNT OF BENEFIT

Annual Amount	Age and Service	Disability	Survivors	Totals
\$2,000 - \$3,999	1			1
4,000 - 5,999	1			1
6,000 - 7,999	1			1
8,000 - 9,999	1			1
12,000 - 13,999	2			2
18,000 - 19,999	1			1
22,000 - 23,999	1			1
24,000 - 25,999	1			1
26,000 - 27,999		1		1
40,000 - 41,999	1			1
44,000 - 45,999	1			1
48,000 - 49,999		2		2
50,000 - 51,999	1			1
Totals	12	3	0	15

This exhibit does not include new alternate payees due to EDRO or new beneficiaries from retirees.

RETIREMENTS DURING 2009
TABULATED BY AGE NEAREST BIRTHDAY
AND TYPE OF RETIREMENT

Ages	Age and Service		Disability		Survivors		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
42			1	\$ 49,867			1	\$ 49,867
52	1	\$ 51,107					1	51,107
53			1	49,903			1	49,903
55	1	13,491					1	13,491
56			1	26,387			1	26,387
57	1	45,122					1	45,122
60	5	59,633					5	59,633
61	2	53,518					2	53,518
62	1	24,059					1	24,059
69	1	6,898					1	6,898
Totals	12	\$253,828	3	\$126,157	0	\$ 0	15	\$ 379,985

This exhibit does not include new alternate payees due to EDRO or new beneficiaries from retirees.

AGE AND SERVICE RETIREMENTS DURING 2009
TABULATED BY AGE AND SERVICE AT RETIREMENT

Age	Years of Service at Retirement						Totals	
	0-4	5-9	10-14	15-19	20-24	25-29		30 Plus
52							1	1
55				1				1
57							1	1
60		1	1	1	1		1	5
61			1				1	2
62							1	1
69			1					1
Totals		1	3	2	1		5	12

KMEA RETIREES AND BENEFICIARIES AS OF DECEMBER 31, 2009
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT*

Attained Age	Age and Service		Disability		Survivors		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
45 - 49			2	\$ 17,099			2	\$ 17,099
50 - 54	1	\$ 3,600	1	8,791			2	12,391
55 - 59	3	75,595					3	75,595
60 - 64	13	263,588	1	16,551	2	\$ 26,478	16	306,617
65 - 69	14	222,464					14	222,464
70 - 74	4	25,658	2	11,156	1	12,827	7	49,642
75 - 79	5	35,012	1	9,854			6	44,865
81	4	30,551					4	30,551
82	1	6,012					1	6,012
83	1	5,501					1	5,501
84	1	8,441					1	8,441
85	2	10,502					2	10,502
88			1	4,236			1	4,236
90 & Over	4	20,771					4	20,771
Totals	53	\$707,694	8	\$ 67,687	3	\$ 39,305	64	\$ 814,687

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

Average Age at Retirement: 58.0 Years.

Average Age Now: 70.6 Years.

**AFSCME/CSO RETIREES AND BENEFICIARIES AS OF
DECEMBER 31, 2009
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT***

Attained Age	Age and Service		Disability		Survivors		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
45 - 49	2	\$ 28,900	1	\$ 14,994			3	\$ 43,894
50 - 54			5	53,507			5	53,507
55 - 59	11	220,401	6	72,016			17	292,417
60 - 64	20	463,481	4	61,390			24	524,871
65 - 69	19	223,553	4	29,856	1	\$13,267	24	266,676
70 - 74	21	202,652	5	32,676	1	5,611	27	240,939
75 - 79	27	298,593	2	6,458			29	305,051
80	3	26,280					3	26,280
81	2	11,807					2	11,807
82	2	14,244	1	6,394			3	20,638
83	1	10,409	1	12,629			2	23,038
84	2	20,439					2	20,439
85	2	14,005			1	1,363	3	15,368
86		0			1	2,488	1	2,488
87	3	12,666					3	12,666
88	4	13,334					4	13,334
90 & Over	5	10,813					5	10,813
Totals	124	\$1,571,576	29	\$289,920	4	\$22,729	157	\$ 1,884,226

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

Average Age at Retirement: 57.4 Years.

Average Age Now: 70.9 Years.

EXEMPT RETIREES AND BENEFICIARIES AS OF DECEMBER 31, 2009
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT*

Attained Age	Age and Service		Disability		Survivors		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
45 - 49			1	\$ 20,230			1	\$ 20,230
50 - 54	1	\$ 9,647					1	9,647
55 - 59	6	165,705			1	\$21,817	7	187,522
60 - 64	32	860,434			2	9,503	34	869,937
65 - 69	26	564,791	1	8,141			27	572,932
70 - 74	16	263,119					16	263,119
75 - 79	16	184,744	1	10,705			17	195,449
80	4	63,699	1	5,869			5	69,567
81	6	79,302					6	79,302
82	3	19,575			1	10,651	4	30,226
83	6	91,793					6	91,793
84	5	56,862					5	56,862
85	2	13,069					2	13,069
86	3	19,780					3	19,780
87	2	18,356					2	18,356
88	4	28,464					4	28,464
89	1	8,880					1	8,880
90 & Over	3	20,915					3	20,915
Totals	136	\$2,469,135	4	\$44,945	4	\$41,971	144	\$ 2,556,050

* 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: 72.3 Years.

TRANSIT RETIREES AND BENEFICIARIES AS OF DECEMBER 31, 2009
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT*

Attained Age	Age and Service		Disability		Survivors		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
35 - 39			1	\$ 13,194			1	\$ 13,194
40 - 44			1	8,951			1	8,951
50 - 54	2	\$ 16,898	2	47,762			4	64,660
55 - 59	1	45,122	2	27,580			3	72,702
60 - 64	1	21,039	1	8,045			2	29,084
65 - 69	1	20,214	2	17,324			3	37,538
70 - 74	2	13,207	1	2,455			3	15,662
75 - 79	3	14,572	2	13,518			5	28,090
85	2	8,432					2	8,432
86					1	\$3,537	1	3,537
90 & Over	1	897					1	897
Totals	13	\$140,381	12	\$138,829	1	\$3,537	26	\$ 282,747

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

Average Age at Retirement: 55.3 Years.

Average Age Now: 67.4 Years.

**PUBLIC SAFETY RETIREES AND BENEFICIARIES
AS OF DECEMBER 31, 2009
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT***

Attained Age	Age and Service		Disability		Survivors		Totals	
	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances
35 - 39			1	\$ 47,430			1	\$ 47,430
40 - 44			2	80,672	1	\$22,429	3	103,101
45 - 49	6	\$ 226,581	4	192,142			10	418,723
50 - 54	32	1,420,623	2	90,239	1	1,132	35	1,511,994
55 - 59	54	2,530,283	1	24,017			55	2,554,300
60 - 64	65	2,601,572	3	62,472			68	2,664,044
65 - 69	66	1,947,235	1	3,819			67	1,951,054
70 - 74	52	1,068,881	1	21,526			53	1,090,407
75 - 79	32	517,345	2	13,434			34	530,779
80	8	98,381	1	8,594			9	106,975
81	2	14,197					2	14,197
82	2	13,421	1	3,338			3	16,759
83	2	25,160	1	8,767			3	33,927
84	4	40,330					4	40,330
85	3	32,051					3	32,051
86	1	6,433					1	6,433
87	3	27,947					3	27,947
88	2	19,595					2	19,595
89	2	5,151					2	5,151
90 & Over	4	16,113					4	16,113
Totals	340	\$10,611,299	20	\$556,450	2	\$23,561	362	\$ 11,191,310

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

Average Age at Retirement: 49.6 Years.

Average Age Now: 66.2 Years.

RETIREES AND BENEFICIARIES - DECEMBER 31, 2009
TABULATED BY YEARS RETIRED - NEAREST YEAR

Years Retired	Service Retirement	Disability Retirement	Death-in-Service	Beneficiary of Retiree	Totals	Cumulative Percent
45				1	1	0.1%
42				1	1	0.3%
39				1	1	0.4%
37		1		2	3	0.8%
36	1			3	4	1.3%
35			1	4	5	2.0%
34			1	2	3	2.4%
33	2			5	7	3.3%
32		2	1	4	7	4.2%
31	5			3	8	5.3%
30	10	1		3	14	7.2%
29	6			1	7	8.1%
28	11		2	4	17	10.4%
27	16			10	26	13.8%
26	15		1	8	24	17.0%
25	10			9	19	19.5%
24	17	1		3	21	22.3%
23	14			4	18	24.7%
22	8	1		2	11	26.2%
21	19	1	1	7	28	29.9%
20	14	2		1	17	32.1%
19	15	1		3	19	34.7%
18	15			2	17	36.9%
17	13	3		1	17	39.2%
16	20	2	1	3	26	42.6%
15	27		1	4	32	46.9%
14	50	2		7	59	54.7%
13	22	4		4	30	58.7%
12	25	1	1		27	62.3%
11	15	1		1	17	64.5%
10	22				22	67.5%
9	18	5	1	2	26	70.9%
8	13	5			18	73.3%
7	54	3	2	1	60	81.3%
6	17	1			18	83.7%
5	20	1			21	86.5%
4	15	4	1		20	89.1%
3	17	7			24	92.3%
2	24	2			26	95.8%
1	17	5		1	23	98.8%
Less than 1	9				9	100.0%
Totals	576	56	14	107	753	

RETIREE AND BENEFICIARY COMPARATIVE SCHEDULE[@]

Year Ended Dec. 31	Added to Rolls#		Removed from Rolls		Rolls End of Year		% Incr. in Annual Allowances	Average Allowances	Discounted Value of Allowances	
	No.	Annual Allowances*	No.	Annual Allowances	No.	Annual Allowances			Totals	Average
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
2008	35	1,051,335	19	185,258	750	16,344,294	5.6	21,792	188,654,437	251,539
2009	25	1,554,246	22	247,330	753	17,651,210	8.0	23,441	191,338,855	254,102

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

* Includes post-retirement adjustments.

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

**RETIREES AND BENEFICIARIES DECEMBER 31, 2009
TABULATED BY TYPE OF ALLOWANCES BEING PAID***

GENERAL KMEA

Option Elected	Age & Service	Disability		Death		Totals
		Non-Duty	Duty	Non-Duty	Duty	
Regular	30	5	1	3		39
B-100% J & S	13					13
C-50% J & S	4					4
D-10 Year Certain	1					1
Survivor	5	2				7
Total	53	7	1	3	0	64

AFSCME/CSO

Option Elected	Age & Service	Disability		Death		Totals
		Non-Duty	Duty	Non-Duty	Duty	
Regular	50	1	6	4		61
B-100% J & S	41	3	11			55
C-50% J & S	15					15
D-10 Year Certain	1					1
E-15 Year Certain	2		1			3
Survivor	15	2	5			22
Total	124	6	23	4	0	157

GENERAL EXEMPT

Option Elected	Age & Service	Disability		Death		Totals
		Non-Duty	Duty	Non-Duty	Duty	
Regular	47		1	4		52
A-Cash Refund	2					2
B-100% J & S	37		1			38
C-50% J & S	25					25
D-10 Year Certain	1					1
Survivor	24	2				26
Total	136	2	2	4	0	144

* 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, 2009
TABULATED BY TYPE OF ALLOWANCES BEING PAID*
(CONCLUDED)**

METRO TRANSIT

Option Elected	Age & Service	Disability		Death		Totals
		Non-Duty	Duty	Non-Duty	Duty	
Regular	7			1		8
A-Cash Refund	1					1
B-100% J & S	1	1	6			8
C-50% J & S	2	2	1			5
E-15 Year Certain			1			1
Survivor	2		1			3
Total	13	3	9	1	0	26

PUBLIC SAFETY

Option Elected	Age & Service	Disability		Death		Totals
		Non-Duty	Duty	Non-Duty	Duty	
Regular	60		6		2	68
A-Cash Refund	1					1
B-100% J & S	12	1				13
C-50% J & S	225		8			233
D-10 Year Certain	1					1
E-15 Year Certain	1		1			2
Survivor	40	2	2			44
Total	340	3	17	0	2	362

* 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, 2009
TABULATED BY ATTAINED AGE AND TYPE OF RETIREMENT**

<u>Attained Age</u>	<u>No.</u>	<u>Deferred Allowances</u>
37	3	\$ 35,227
38	1	15,397
39	1	3,580
41	2	16,745
42	3	53,379
43	2	20,361
44	1	7,907
45	2	16,389
46	2	20,889
47	2	21,334
48	1	14,706
49	3	45,663
50	3	28,564
51	2	26,636
52	2	58,718
53	2	23,588
54	2	14,193
56	1	27,437
57	2	21,367
58	2	32,727
59	3	39,398
60	1	7,448
61	2	15,644
Totals	45	\$567,299

COMPARATIVE EMPLOYEE STATISTICS BY DIVISION

Val'n Date Dec 31	General KMEA Employees			AFSCME/CSO Employees			General Exempt Employees			Metro Transit Employees			Public Safety Employees		
	Avg. Age	Avg. Service	Avg. Pay	Avg. Age	Avg. Service	Avg. Pay	Avg. Age	Avg. Service	Avg. Pay	Avg. Age	Avg. Service	Avg. Pay	Avg. Age	Avg. Service	Avg. Pay
1990	38	8.4	\$23,069	41.3	10.8	\$27,297	#	#	#	39.9	7.4	\$23,289	37.8	13.3	\$42,328
1991	38	8.4	24,420	41.7	11.0	28,926	#	#	#	40.4	7.8	23,850	37.9	13.3	43,580
1992	38	9.0	25,671	41.8	11.0	30,301	#	#	#	40.0	8.5	25,205	38.5	13.6	45,660
1993	38	8.9	25,925	42.0	11.3	30,766	#	#	#	40.7	8.7	25,814	38.2	13.3	45,424
1994	39	9.8	27,921	42.0	11.1	33,604	#	#	#	41.5	9.4	27,511	38.5	13.7	45,674
1995	40	10.3	28,934	42.4	11.5	35,940	#	#	#	41.4	9.5	28,586	37.8	12.9	47,365
1996	40	10.9	30,466	41.1	10.1	37,781	#	#	#	42.2	9.4	30,421	37.8	12.9	48,680
1997	41	11.5	31,422	41.6	10.6	39,365	#	#	#	42.6	9.8	31,589	37.9	12.7	50,409
1998	42	12.3	33,189	42.1	11.0	40,935	#	#	#	42.3	8.8	34,632	37.2	11.7	49,501
1999	43	12.8	34,757	42.2	11.3	35,913	44	12	52,857	41.5	7.9	33,863	37.2	11.4	53,070
2000	43	12.0	34,743	42.6	11.7	38,313	44.4	12	54,175	41.5	7.4	34,277	37.5	11.8	55,782
2001	43	12.4	35,391	43.6	11.9	39,409	45.6	13	\$56,628	41.8	7.3	35,627	37.9	11.9	57,709
2002	44	13.5	36,759	44.5	12.9	40,126	44.5	12	56,058	42.9	7.6	37,654	38.4	12.6	59,344
2003	44	13.3	37,656	44.8	13.4	41,731	45.6	12	57,688	44.4	8.3	39,459	38.8	12.9	62,656
2004	45	14.2	39,803	45.6	14.2	43,431	47.0	13	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
2008	47.9	15.5	43,709	47.0	15.8	48,921	48.7	14.7	64,488	48.2	11.3	40,495	38.0	12.2	73,306
2009	49.1	17.0	45,167	47.6	16.5	49,088	49.1	15.3	65,044	49.1	12.0	41,491	38.8	12.7	74,829

Included with AFSCME/CSO members.

**GENERAL KMEA MEMBERS AS OF DECEMBER 31, 2009
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
25-29	4							4	\$ 120,400
30-34		3	2					5	198,978
35-39	2	4	2	3				11	455,668
40-44	2	4		2	5			13	559,124
45-49	3	5		2	6	3		19	880,045
50-54	1	2		9	8	6	1	27	1,306,344
55-59	2	1	5	2	4	5	7	26	1,239,419
60	1		1	1		1		4	181,973
61			1	1		1		3	132,310
62							1	1	55,187
63	1	1						2	57,317
64						1		1	52,644
Totals	16	20	11	20	23	17	9	116	\$5,239,409

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

Age: 49.1 years.

Service: 17.0 years.

Annual Pay: \$45,167.

AFSCME/CSO MEMBERS AS OF DECEMBER 31, 2009
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	3							3	\$ 134,623
25-29	3	1						4	120,131
30-34	2	2	2					6	302,862
35-39	2	3	4	6				15	740,452
40-44	1	4	5	7	1			18	880,173
45-49	2	6	10	9	12	3		42	2,091,859
50-54	2	5	6	14	4	9	7	47	2,336,909
55-59		4	3	6	10	3	4	30	1,491,510
60				1				1	57,189
61			1					1	41,974
Totals	15	25	31	43	27	15	11	167	\$8,197,682

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

Age: 47.6 years.

Service: 16.5 years.

Annual Pay: \$49,088.

**GENERAL EXEMPT MEMBERS AS OF DECEMBER 31, 2009
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									
25-29	2							2	\$ 87,543
30-34	6	2	2					10	508,016
35-39	8	3		4	1			16	866,399
40-44	5	2	2	2	1			12	669,546
45-49	1	3	3	6	9	3		25	1,720,330
50-54	3	3	5	3	4	10	3	31	2,225,449
55-59	2	5	1	4	5	8	3	28	1,922,877
60		1	1			1		3	222,225
61	1	1		2	2	1		7	491,363
63		1						1	66,068
64	1							1	58,151
65							1	1	70,017
67			1					1	100,194
68	1	1						2	98,040
Totals	30	22	15	21	22	23	7	140	\$9,106,218

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

Age: 49.1 years.

Service: 15.3 years.

Annual Pay: \$65,044.

**METRO TRANSIT MEMBERS AS OF DECEMBER 31, 2009
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	1							1	\$ 23,967
30-34	1	6						7	244,797
35-39	4	3	3	1				11	411,201
40-44	2	2	8	2	1			15	638,599
45-49	2	2	2	1	2			9	383,845
50-54	3	5	4	2	2	2	1	19	844,641
55-59	1	5	4	1	2		1	14	557,221
60		1	2		1			4	161,103
61		1		1				2	98,560
62		1			1	1		3	181,286
63		1	1					2	72,365
64	1	2						3	117,847
65		1						1	43,743
66				1			1	2	79,482
Totals	15	30	24	9	9	3	3	93	\$3,858,657

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

Age: 49.1 years.

Service: 12.0 years.

Annual Pay: \$41,491.

PUBLIC SAFETY MEMBERS AS OF DECEMBER 31, 2009
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	6							6	\$ 335,026
25-29	29	6						35	2,053,392
30-34	8	14	6					28	1,921,575
35-39	3	7	37	4				51	3,874,754
40-44	2	2	14	40	10			68	5,645,362
45-49		1	5	10	16			32	2,588,545
50-54	1		1	4	8			14	1,100,830
55-59				2	2	1	1	6	442,380
64	1							1	71,923
Totals	50	30	63	60	36	1	1	241	\$18,033,787

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

Age: 38.8 years.

Service: 12.7 years.

Annual Pay: \$74,829.

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 Average*
	2009	2008	2007	2006	2005	
Rate of Investment Return [^]	3.6%	4.1%	11.4%	12.9%	11.6%	8.7%
Increase in Average Pay [#]	2.5	4.9	2.8	2.8	2.1	3.0
Real Rate of Return	1.0	-0.8	8.7	10.2	9.5	5.6

* *Compound rate of increase.*

For members employed throughout the most recent two years. For detail regarding pay increases, please see pages B-12 and B-13.

[^] *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, 2009 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	6.0%	8.0%	6.0%	8.0%	7.0%	12.0%
2	5.0	3.0	6.0	7.0	7.0	12.0
3	4.0	3.0	0.5	6.0	0.0	8.0
4	2.0	2.0	0.5	1.5	0.0	5.0
5	1.0	2.0	0.5	1.5	0.0	5.0
6	1.0	1.0	0.3	1.5	0.0	5.0
7	1.0	0.0	0.3	1.5	0.0	5.0
8	1.0	0.0	0.3	1.5	0.0	5.0
9	0.0	0.0	0.3	1.5	0.0	1.0
10	0.0	0.0	0.3	1.5	0.0	1.0
11	0.0	0.0	0.3	0.5	0.0	1.0
12	0.0	0.0	0.3	0.5	0.0	1.0
13	0.0	0.0	0.3	0.5	0.0	0.5
14	0.0	0.0	0.3	0.5	0.0	0.5
thereafter	0.0	0.0	0.3	0.5	0.0	0.5

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

	Year Ended December 31					5 Year Average*
	2009	2008	2007	2006	2005	
Average increase:	2.5%	4.9%	2.8%	2.8%	2.1%	3.0%

* *Compound rate of increase.*

For detail regarding pay increases, please see pages B-12 and B-13.

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.

Ages	Value at Retirement of \$1 Monthly for Life*		Future Life Expectancy (years)	
	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%	6%	10%	10%	10%
56	2	7	10	10	10
57	5	10	25	25	25
58	5	7	25	25	25
59	7	6	20	20	20
60	15	30	25	25	25
61	15	20	30	30	30
62	50	60	30	30	30
63	15	25	15	15	15
64	10	25	15	15	15
65	100	100	100	100	100

Years of Service	Public Safety
20	2%
21	4
22	4
23	2
24	2
25	70
26	30
27	45
28	25
29	25
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 hired before 1/1/2009, 9 years for AFSCME and 8 years for KMEA hired before 1/1/2009). 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. The assumptions above were first used for the December 31, 2009 valuation.

Rates of disability were as follows:

Sample Ages	% of Active Members Becoming Disabled Within Next Year	
	Public Safety	KMEA
	Metro Transit AFSCME	Exempt CSO
20	0.19%	0.04%
25	0.23	0.04
30	0.26	0.04
35	0.33	0.04
40	0.46	0.10
45	0.63	0.13
50	1.21	0.25
55	2.36	0.45
60	0.00	0.71

The assumptions above were first used for the December 31, 2009 valuation.

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.

Sample Ages	Years of Service	% of Active Members Separating within Next Year					
		KMEA	AFSCME	All Exempt	Non-Sworn Public Safety	Transit Union	Public Safety
	0	15.0%	15.0%	15.0%	6.0%	15.0%	6.0%
	1	14.0	14.0	14.0	4.0	14.0	4.0
	2	9.0	9.0	9.0	3.0	9.0	3.0
	3	8.0	8.0	8.0	2.5	8.0	2.5
	4	7.0	7.0	7.0	2.5	7.0	2.5
25	5 or Over	7.4	7.4	7.4	2.2	7.4	2.2
30		5.8	5.8	5.8	2.0	5.8	2.0
35		5.0	5.0	5.0	1.4	5.0	1.4
40		4.0	4.0	4.0	1.1	4.0	1.1
45		3.3	3.3	3.3	0.8	3.3	0.8
50		2.5	2.5	2.5	0.5	2.5	0.5
55		2.0	2.0	2.0	0.4	2.0	0.4
60		2.0	2.0	2.0	0.4	2.0	0.4

The assumptions above were first used for the December 31, 2009 valuation.

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)
12/31/00 [@]	\$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)
12/31/08 [@]	506,592,573	344,799,153	(161,793,420)	146.9	44,159,590	(366.4)
12/31/09 [@]	509,060,409	358,160,400	(150,900,009)	142.1	44,435,753	(339.6)

* Method changed to Entry Age effective 12/31/2005.

@ Plan amended.

Certain assumptions revised.

May 11, 2010

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-Eighth 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 by us.

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:mrh



May 11, 2010

Mr. Tomas Skrobola
City of Kalamazoo
241 West South Street
Kalamazoo, Michigan 49007-4796

Dear Tom:

Please find enclosed 30 copies of the Fifty-Eighth 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 19, 2010.

Sincerely,

W. James Koss

WJK:mr
Enclosures

cc: Abraham & Gaffney
Attn: Aaron Stevens