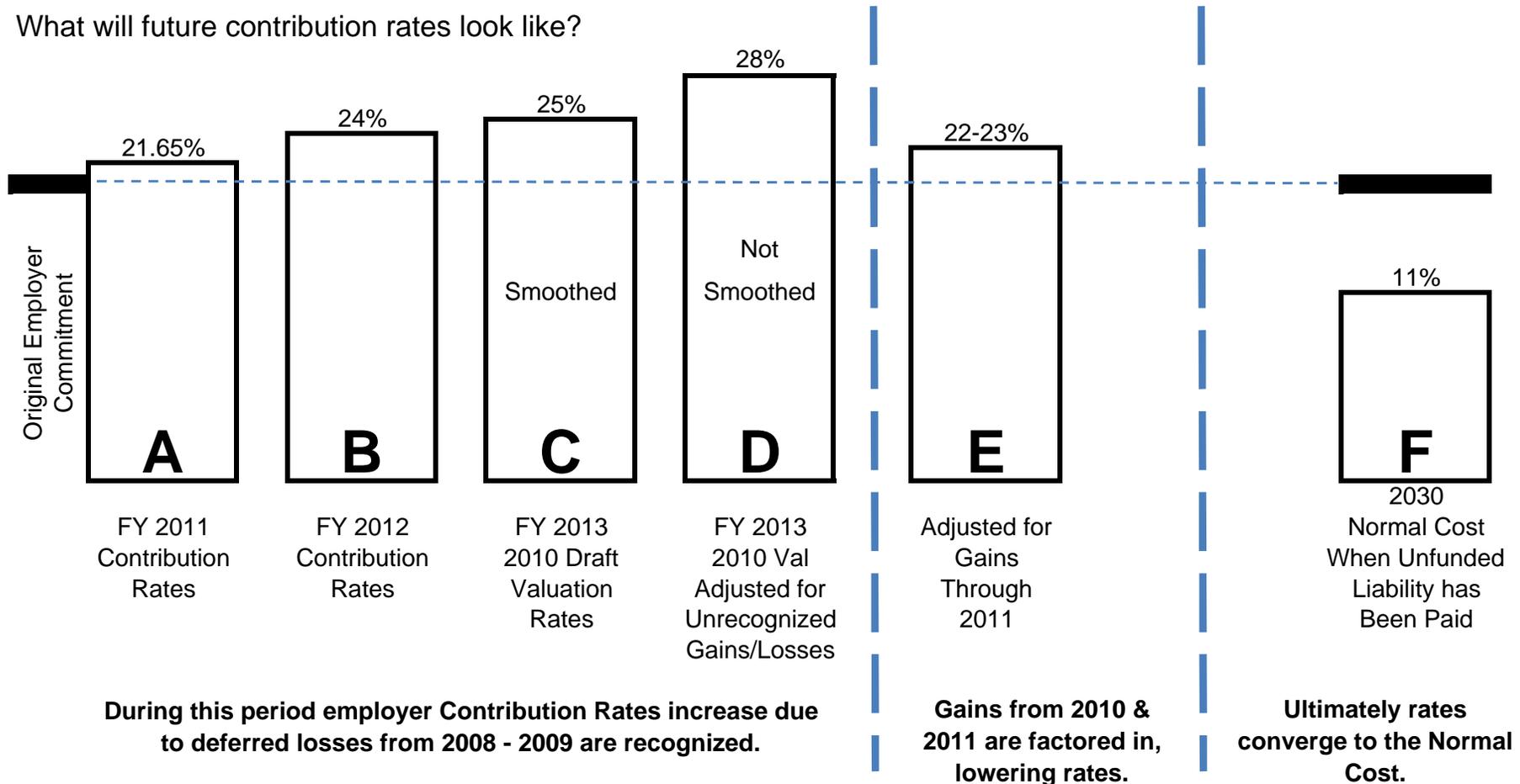


Projecting Contribution Rates

Employer Contribution Rate - Fire & Police Pension Component

3(a)
6/15/2011

What will future contribution rates look like?



During this period employer Contribution Rates increase due to deferred losses from 2008 - 2009 are recognized.

Gains from 2010 & 2011 are factored in, lowering rates.

Ultimately rates converge to the Normal Cost.

- A Current employer contribution rates exceed the original commitment in 2004.
- B,C The 2009 & 2010 valuations will be used in FY 2012 & 2013 respectively.
- D We know the 2010 valuation has \$14 million of unrecognized market losses.
- E We know how investments have performed from June 30, 2010 to date. Gains will be phased in over a multi-year period.
- F Ultimately the unfunded liability will be paid off and the ongoing cost will be the "Normal Cost."

Projecting Contribution Rates

$$\text{Contribution Rate} = \text{Normal Cost} + \frac{\text{P.V. Future Benefits} - \text{Valuation Assets}}{\text{P.V. Salaries}}$$

A) FY 2011 Rate 11.57% + $\frac{\$181.5 - \$133.6}{\$515.6}$ 21.65%

Source: 2008 Val

Segal added a factor of .79% for converting from annual payments to biweekly.

B) FY 2012 Rate 11.76% + $\frac{\$194.3 - \$138.1}{\$494.6}$ 24.00%

Source: 2009 Val

Segal added a factor of .87% for converting from annual payments to biweekly.

C) FY 2013 Rate 10.81% + $\frac{\$208.3 - \$144.1}{\$450.5}$ 25.06%

Source: 2010 Val

D) FY 2013 Rate 10.81% + $\frac{\$208.3 - \$129.5}{\$450.5}$ 28.30%

Using Market Value Assets

E) FY 2013 Rate 10.81% + $\frac{\$208.3 - \$129.5 - \$23.69}{\$450.5}$ 23.04%

Using FY 2011 Gains

$$166.9 - (129.5 * 1.075 + 4) = \$23.69$$

Investment gains July 1 2010 through April 30, 2011

F) Ultimate contribution rate 10.81%

Normal cost rate from 2011 valuation, applicable once the unfunded liability is paid.