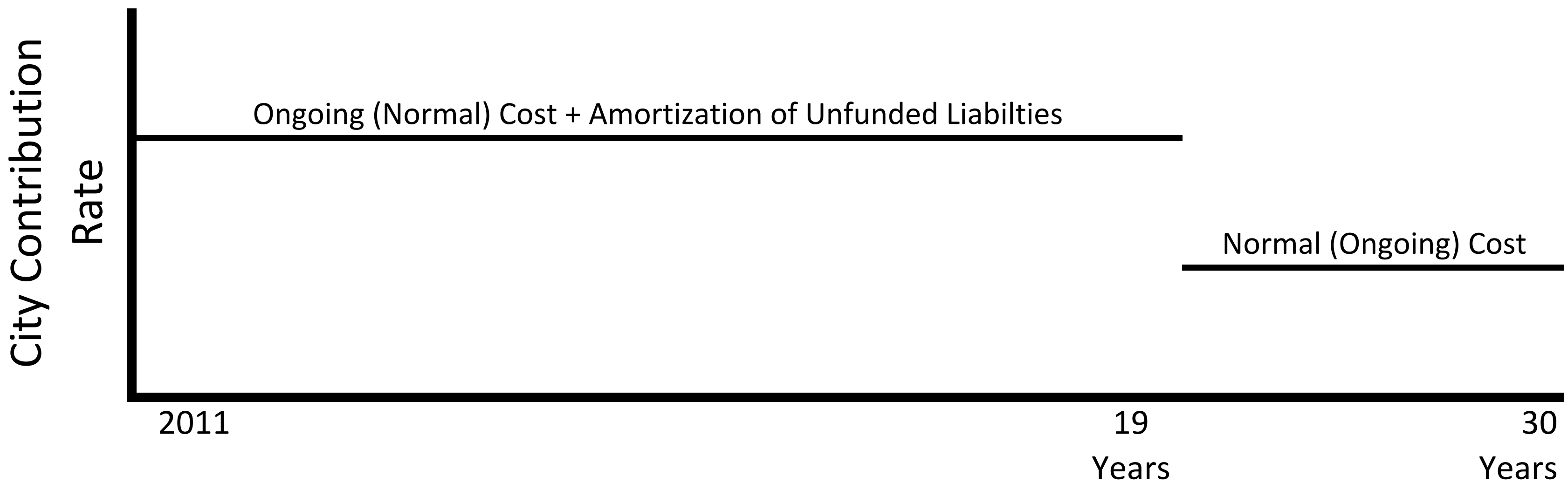
A

Reduce Employer Contribution Rate Volatility
19 - Year Amortization of Unfunded Liability

This depicits the current 19-year amortization period for paying off the Fire & Police Plan's Unfunded Liability.



This simplistic display assumes no further gains and losses.

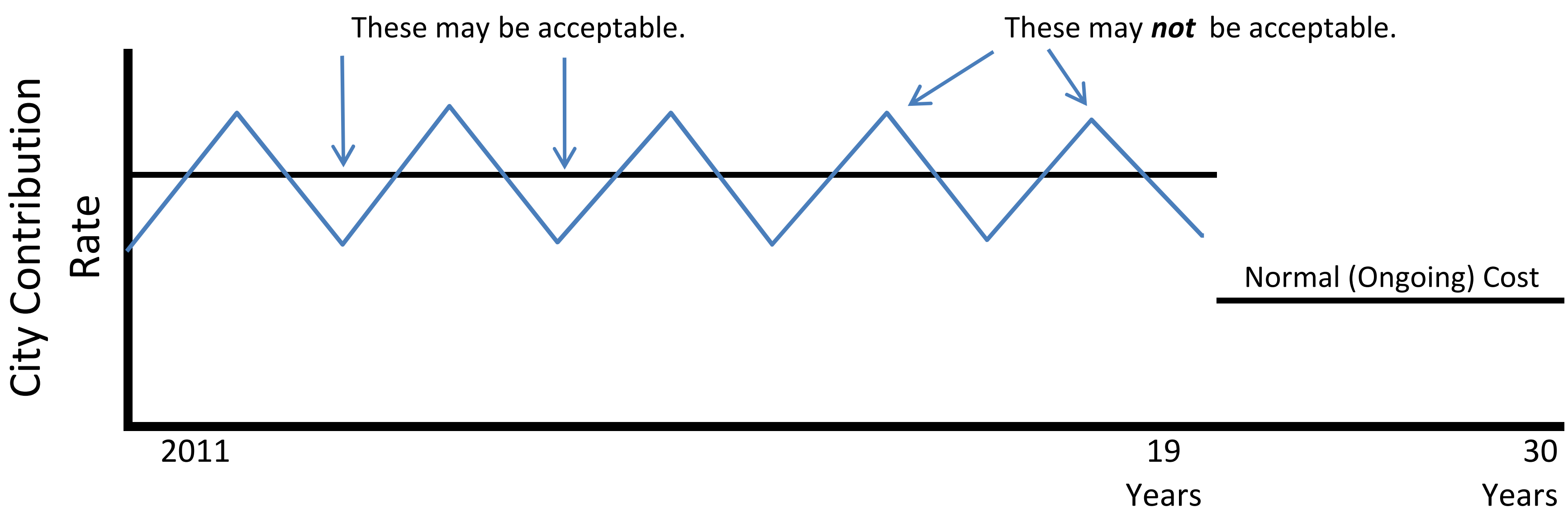
Beginning in year 20 the contribution rate reverts to the ongoing normal cost.

The primary advantage is that it will get the unfuded liability paid off in 19 years.

A

Reduce Employer Contribution Rate Volatility
19 - Year Amortization of Unfunded Liability

Repayment remains rapid, but volatility may become too expensive.



This depicts the current 19-year amortization period for paying off the Fire & Police Plan's Unfunded Liability with volatility introduced to represent ongoing investment gains and losses.
Some may find the solid line sustainable and acceptable but not be able to live with the peaks

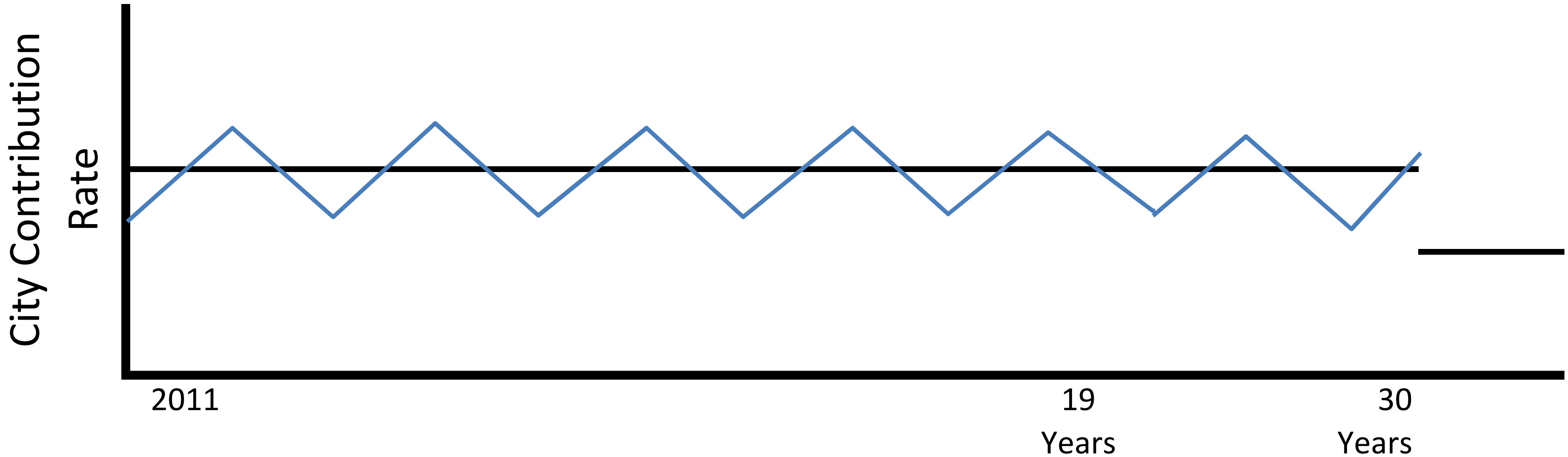
The primary advantage is that it will get the unfuded liability paid off in 19 years.

Beginning in year 20 the contribution rate reverts to the ongoing normal cost.

A

Reduce Employer Contribution Rate Volatility
30 - Year Amortization of Unfunded Liability

At any time a plan may reamortize the unfunded liability repayment period not to exceed 30 years.
This is a GASB limitation.
A thirty year amortization reduces volatity but delays paying off the debt.



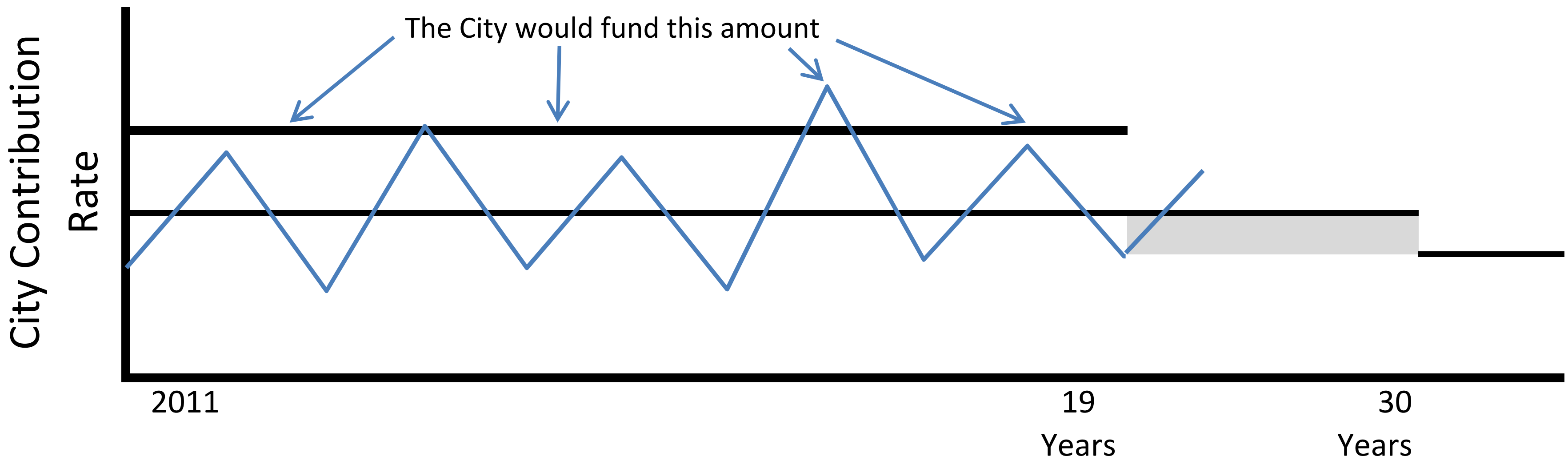
Beginning in year 31 the contribution rate reverts to the ongoing normal cost.

A

Reduce Employer Contribution Rate Volatility

Hybrid Approach to Funding

This combines the dampened volatility from a thirty year amortization with a faster debt paydown.



This depicits a hybrid. The contribution would be the larger of the the current amortization rate and a 30 amortization period using actual gains and losses.

Significant losses would increase the contribution rate above the the current rate.

The primary advantage is that volatility is reduced.

Beginning in year 20 the contribution rate should fall.
Any new losses (2011 - 2030) would be paid off in year 20 and later. Depicted in gray

Share the Gain, Share the Pain

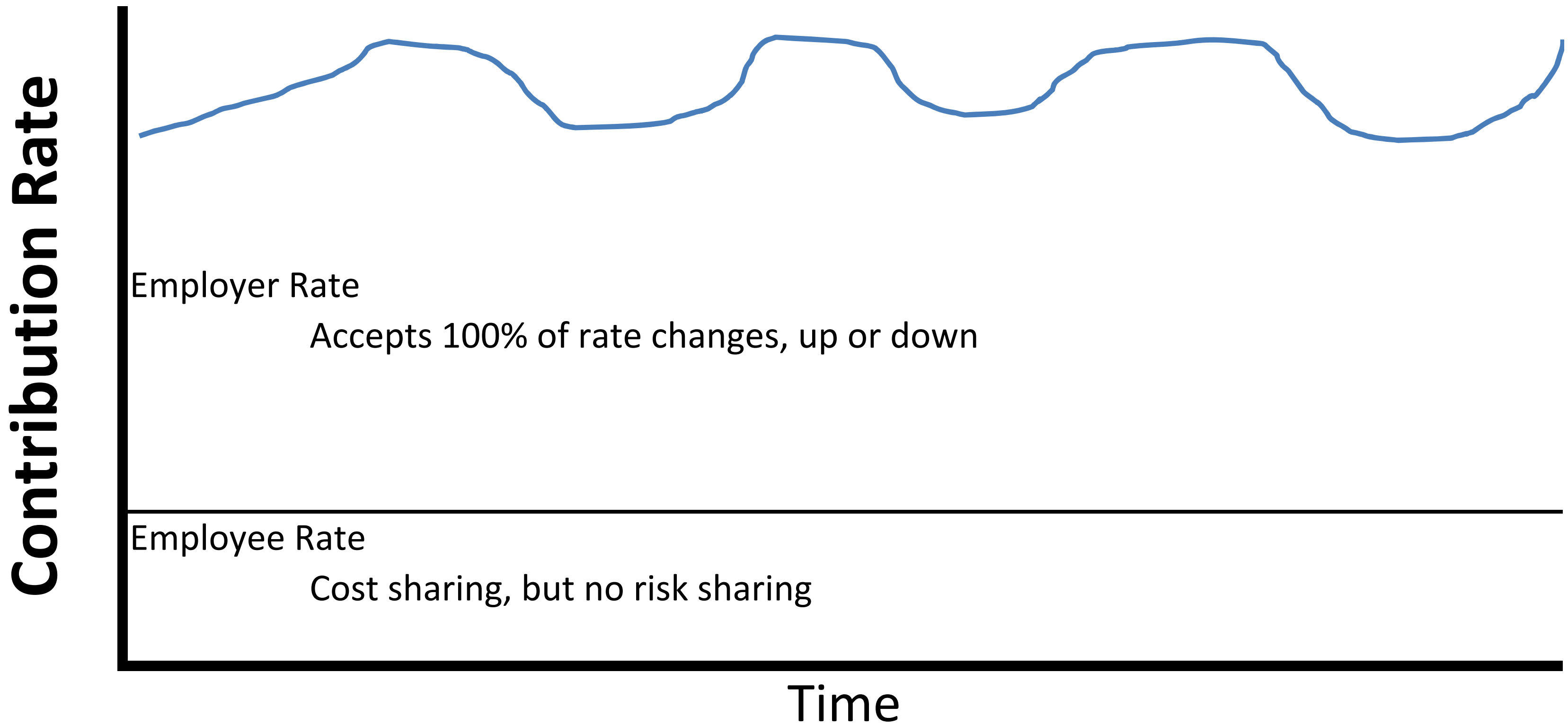
B

Contribution Rates

Cost Sharing

- 1 -

In the current Fire & Police funding arrangement the employee share in funding is static. The employee is exempt from gains and losses.



Share the Gain, Share the Pain

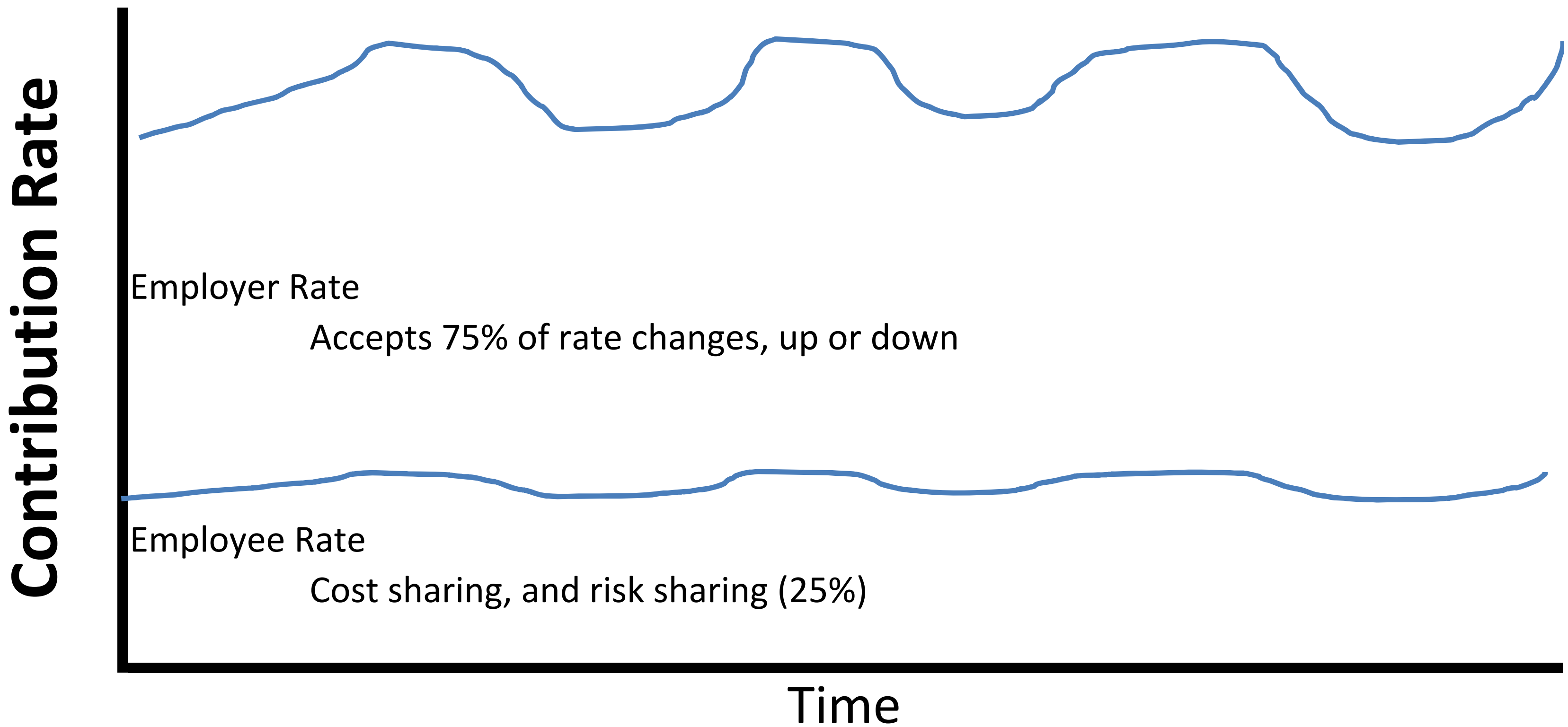
B

Contribution Rates

Risk Sharing

- 2 -

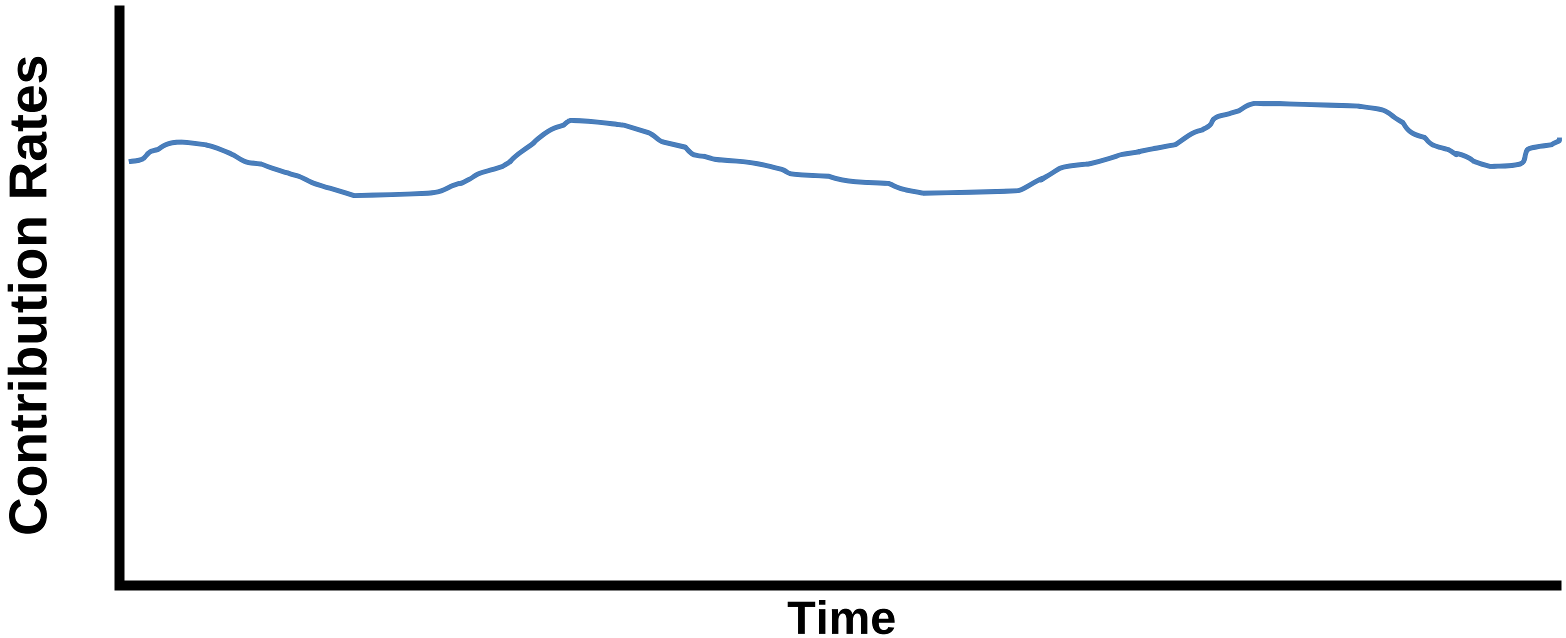
In this suggestion the Fire & Police would participate in contribution rate changes, both up and down.



Investment Protection Brings Benefit Protection

C Contribution Rates will Vary With Investment Return

- 1 -

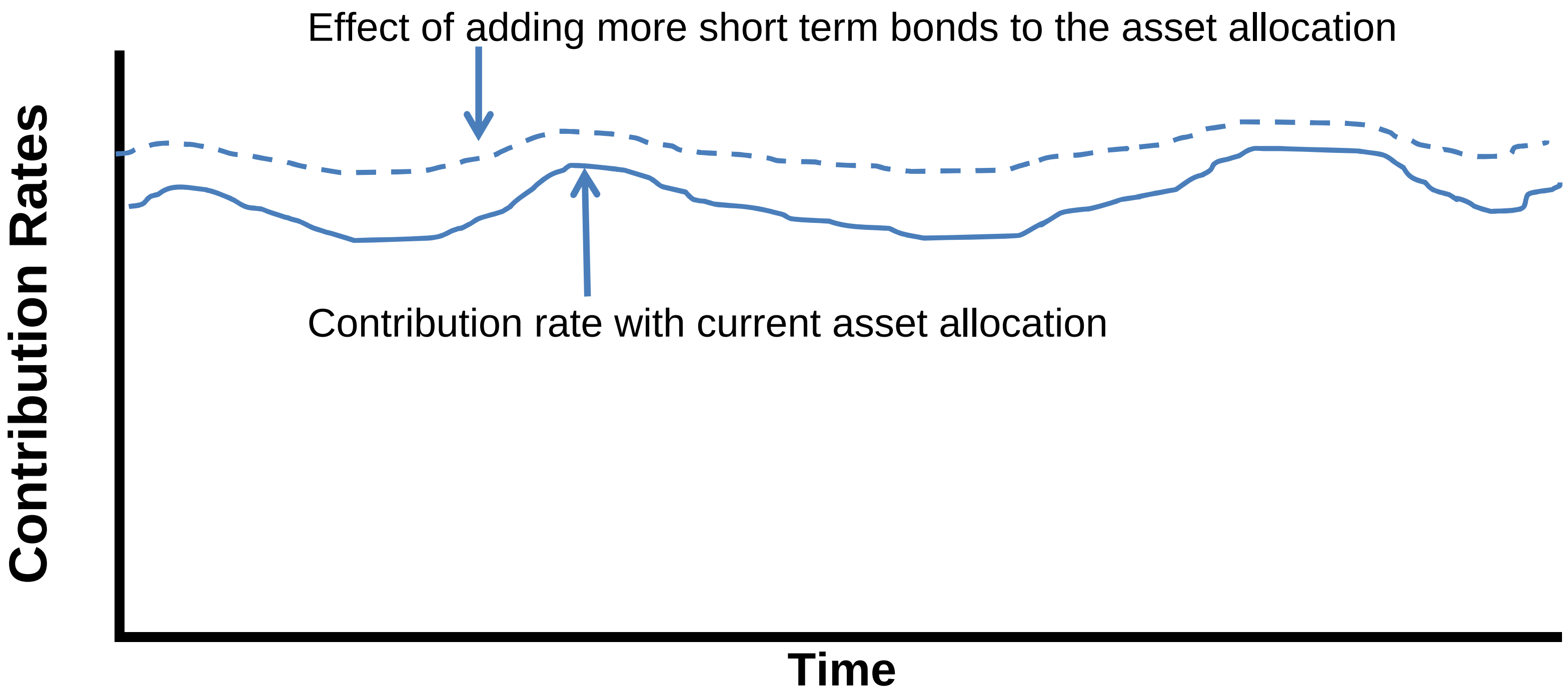


An old saying is, "Stocks will fluctuate." As stocks fluctuate, so too will pension contributions.

Investment Protection Brings Benefit Protection

C Contribution Rates will Vary With Investment Return

- 2 -

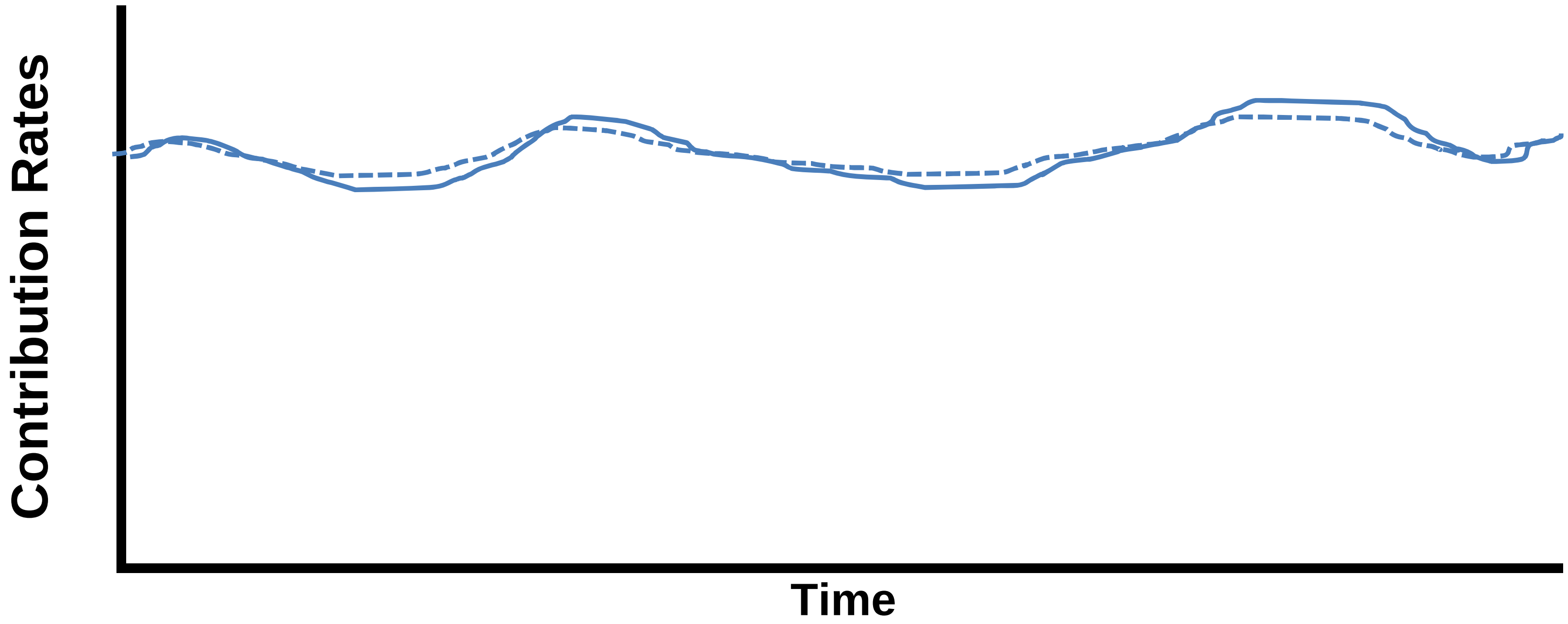


One way to dampen volatile contribution rates is to add intermediate and short term bonds to the portfolio.

This comes at a cost. Expected return is lowered.

Investment Protection Brings Benefit Protection

C Contribution Rates will Vary With Investment Return



Another approach to dampening contribution rate volatility is a more diversified portfolio.

The Fire & Police and Suplemental Plans have both taken steps in recent years to diversify their portfolios,

While this is a step in the right direction, more needs to be done.

Existing portfolio — More diversified portfolio

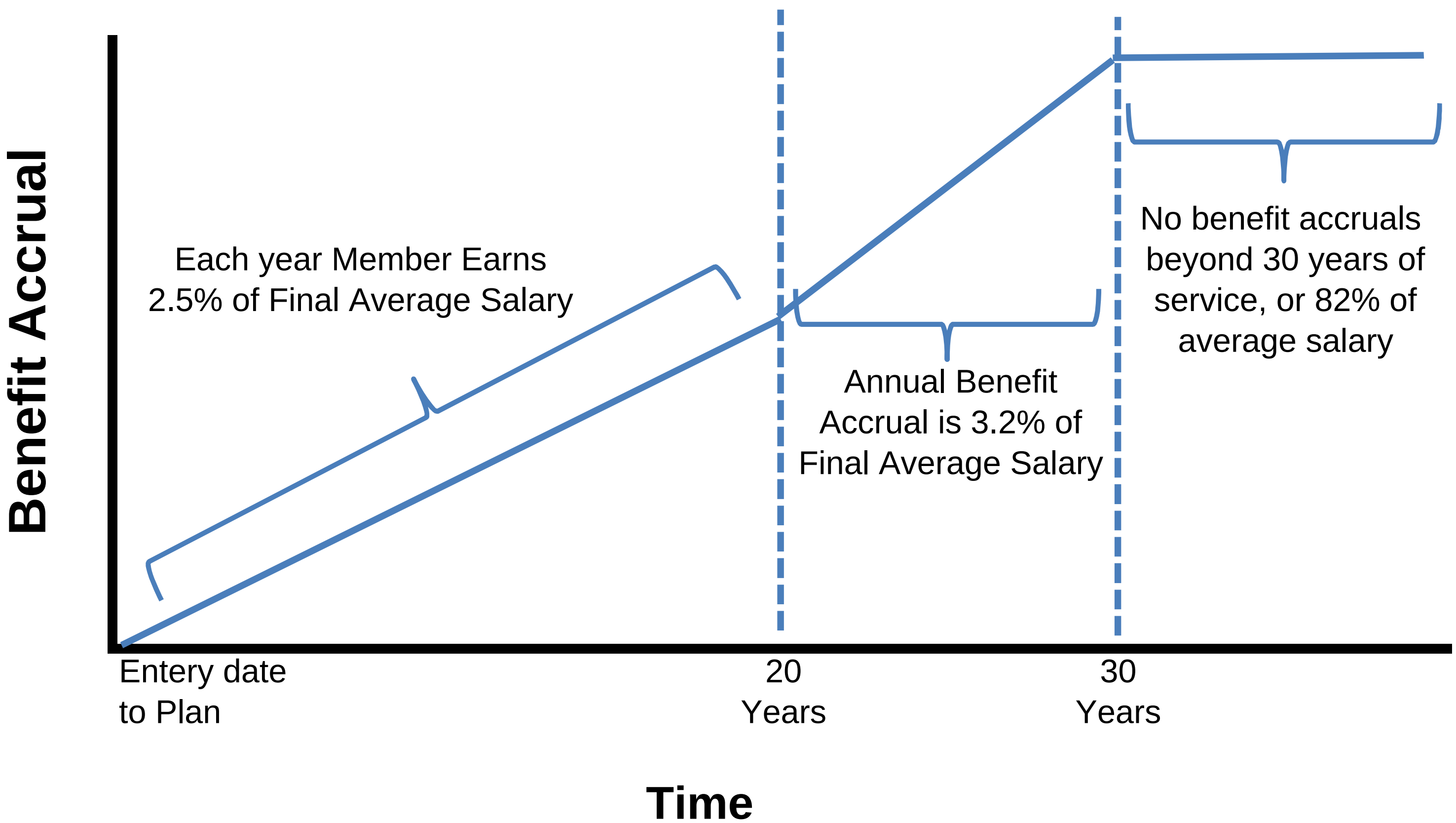
F

It Won't Affect You

Benefit Accrual Rate

Fire & Police Pension Plan

- 1 -



F

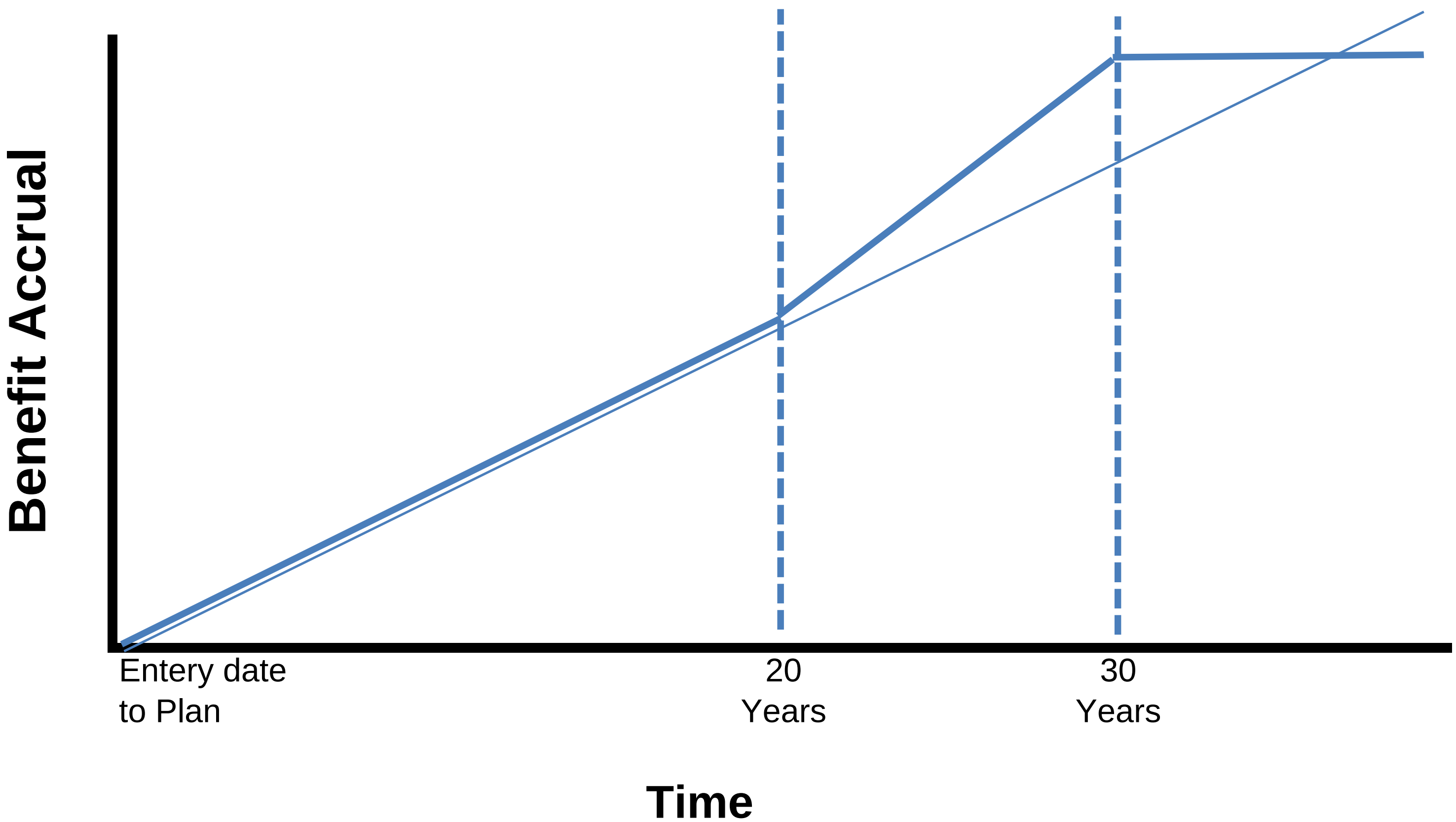
It Won't Affect You

Benefit Accrual Rate

Fire & Police Pension Plan

Proposed Benefits for New Hires

- 2 -



Existing benefit structure

Proposal for new hires: 2.5% benefit multiplier for all years of service.

An alternative is to start the 3.2% multiplier after 25 years of service.