

***City of Mobile, Alabama
Police and Firefighters
Retirement Plan***

**Actuarial Valuation Report
as of
October 1, 2006**



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This report presents the results of the actuarial valuation of the City of Mobile, Alabama Police and Firefighters Retirement Plan as of October 1, 2006. The purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2006, to determine the minimum required contribution amount for the 2006/07 plan year under Section 7, Act No. 97-689 of the Alabama State Legislature, to determine the annual required contribution and accounting disclosures pursuant to Governmental Accounting Standard Nos. 25 and 27 (GASB 25/27), and to provide an estimate of the funded status for the next 20 years. In addition, this report summarizes recent changes in the law and regulations affecting the plan, provides a record of any plan amendments or other plan changes affecting the financial status of the fund, and discusses the impact on the plan of recent gains and losses.

Plan Changes Adopted During the Prior Year

There were no plan amendments which were effective since the completion of the prior valuation. This actuarial valuation report reflects all plan provisions adopted through October 1, 2006.

Minimum Required Contribution

Currently, the fund receives contributions from both the City of Mobile and from active members. Members with less than 30 years of service must contribute 8.00% of their annual salary to the plan. The plan also receives 5.00% of the fines (except court costs) paid from prosecutions for City of Mobile law violations and 2.00% of the gross fire insurance premiums (less return premiums) on property located within the City of Mobile. The City must contribute the difference between the minimum required contribution determined for the plan year and amounts collected from the other contribution sources.

For the 2006/07 plan year, the minimum required contribution is \$16,108,062. Members are expected to contribute \$2,384,062 of this amount and another \$1,193,707 is estimated to come from fines and insurance premium taxes. If member contributions, fines, and taxes total \$3,577,769, then the City will be required to contribute the difference, or \$12,530,293. The final amount of this difference cannot be determined until the close of the 2006/07 plan year and the City must make the final contribution installment for this plan year by March 31, 2008.

The minimum required contribution for the 2006/07 plan year is 48.58% of payroll. This percentage decreased from the prior year.

Discussion of Valuation

There were no assumption or method changes reflected in this valuation. An outline of the assumptions and methods used to value the plan is provided in Table XII. In addition, an outline of the plan provisions is provided in Table XIII.

The market and actuarial value of assets are equal to \$92,405,268 as of the valuation date. This amount reflects a gain during the prior year of 7.78%, which was slightly lower than the expected 8.00% annualized return.

The plan's unfunded accrued liability changed due to a net experience loss. Net salary increases were more than the 5% expected increase, giving rise to an \$815,631 experience loss, while other experience losses increased the unfunded accrued liability by \$4,372,403. When added together, the net experience for the prior year was a loss of \$5,188,034. This loss will be spread over five years and resulted in an increase in the required contribution of \$1,203,126.

The minimum required contribution also increased by \$268,393 due to the scheduled increase in the initial unfunded accrued liability payment and increased by \$123,341 due to an increase in the plan's normal cost. Finally, the elimination of the five-year charge attributable to the 2000/01 experience loss reduced the minimum required contribution by \$3,275,893.

In total, the minimum required contribution decreased by \$1,681,033 for the 2006/07 plan year.

Contents of the Report

A summary of the results of the valuation is presented in Table I. An analysis of the unfunded liability gain and loss by source from the prior year, as well as a detailed breakdown of the liabilities of the plan by type of benefit, is presented in Tables II and III. Table IV shows a projection of the funded status of the plan assuming that the current level of contributions and expected investment earnings is maintained. Information for the auditors can be found in Tables V and VI. Tables VII through IX provide information about the fund's assets. In particular, Table VII provides a breakdown of the fund assets by investment type and Tables VIII and IX provide a historical record of the growth, expenditures, and annual yields of the fund. Finally, Tables X through XI provide a variety of useful information concerning the member population, including in Table XI a historical record of the employee and City contribution percentages.



Certification

To the best of my knowledge, this report fairly and accurately represents the liabilities of the fund as of October 1, 2006 based on the membership data and asset information provided by the fund office and the plan provisions and actuarial assumptions set forth herein. I believe that these assumptions are reasonable both individually and in the aggregate and represent my best estimate of anticipated experience. All calculations set forth herein conform to generally accepted actuarial principles and practices and comply with my current understanding of the requirements of the Governmental Accounting Standards Board.

Respectfully submitted,



Charles T. Carr
Consulting Actuary
Enrolled Actuary No. 05-04927



SUMMARY OF VALUATION RESULTS

TABLE I

	As of October 1, 2005	As of October 1, 2006
1. Number of Members		
a. Active Members:		
i. Regular active employees	872	868
ii. DROP program	40	41
iii. Sub-total	<u>912</u>	<u>909</u>
b. Deferred Vested Members	7	7
c. Retired Members:		
i. Service retirement	488	500
ii. Disability retirement	68	64
iii. Beneficiaries	136	141
iv. Sub-total	<u>692</u>	<u>705</u>
d. Total Members	<u>1,611</u>	<u>1,621</u>
2. Expected Payroll	\$32,055,235	\$33,158,518
3. Determination of Minimum Required Contribution		
a. Actuarial Accrued Liability	\$197,225,687	\$205,362,700
b. Actuarial Value of Assets	(\$83,819,260)	(\$92,405,268)
c. Unfunded Actuarial Accrued Liab. (UAL)	<u>\$113,406,427</u>	<u>\$112,957,432</u>
d. UAL Amortization Payment (see page 6)	\$13,619,947	\$11,815,573
e. Normal Cost	\$4,169,148	\$4,292,489
f. Expected Expenses	\$0	\$0
g. Minimum Required Contribution	<u>\$17,789,095</u>	<u>\$16,108,062 *</u>
	<i>* (to be contributed on or before March 31, 2008)</i>	
4. Contribution by Source		
a. Employees	\$2,393,737	\$2,384,062 **
b. Fire insurance premium tax	\$1,006,993	\$1,077,652 **
c. Municipal court receipts	\$100,193	\$116,055 **
d. City of Mobile	\$14,288,172	\$12,530,293 **
e. Total	<u>\$17,789,095</u>	<u>\$16,108,062</u>
		** Estimated
5. Estimated Contribution by Source (as a % of payroll)		
a. Employees	7.47%	7.19%
b. Fire insurance premium tax	3.14%	3.25%
c. Municipal court receipts	0.31%	0.35%
d. City of Mobile	44.58%	37.79%
e. Total	<u>55.50%</u>	<u>48.58%</u>
6. Asset Yield (Based on Market Value)	20.88%	7.78%

GAIN AND LOSS ANALYSIS**TABLE II**

1. Actual Unfunded Accrued Liability as of October 1, 2005	\$113,406,427
2. Expected Change in Unfunded Liability During the 2005/06 Plan Year	
a. Due to Normal Cost (including expenses)	\$4,169,148
b. Due to Interest on the Normal Cost and Unfunded Liability	\$9,406,046
c. Due to Employer Contributions	(\$15,395,358)
d. Due to Employee Contributions	(\$2,393,737)
e. Due to Interest on Contributions	(\$1,423,128)
f. Total Expected Change	<u>(\$5,637,029)</u>
3. Expected Unfunded Accrued Liability as of October 1, 2006	<u><u>\$107,769,398</u></u>
4. Change in Unfunded Liability During the 2005/06 Plan Year Due to:	
a. Investment experience different from that assumed	\$184,402
b. Contributions different from those assumed	\$0
c. Salary increases different from those assumed	\$815,631
d. Other experience different from that assumed	\$4,188,001
e. Actuarial method changes	\$0
f. Actuarial assumption changes	\$0
g. Plan changes	\$0
h. Total change	<u>\$5,188,034</u>
5. Actual Unfunded Accrued Liability as of October 1, 2006	<u><u>\$112,957,432</u></u>
6. Items Affecting Calculation of Accrued Liability	
a. Plan provisions reflected in the accrued liability (see Table XIII on page 26)	
b. Plan amendments reflected in item 4.g. above (if applicable; see Table XIIIa on page 32)	
c. Actuarial assumptions and methods used to determine accrued liability (see Table XII on page 23)	
d. Changes in actuarial assumptions and methods reflected in items 4.e. and 4.f. above (if applicable; see Table XIIa on page 25)	

SCHEDULE OF UAL AMORTIZATION BASES**TABLE IIa**

Description	Original Amount	Outstanding Balance as of October 1, 2005	2005/06 Amortization Payment	Outstanding Balance as of October 1, 2006	2006/07 Amortization Payment	Years Remaining ***
10/1/96 Initial UAL	\$85,097,273	\$99,153,421	\$6,709,819	\$99,839,092	\$6,978,212	20 years
10/1/97 Assump. Chg.	\$11,271,281	\$2,995,445	\$1,555,327	\$1,555,327	\$1,555,327	1 year
10/1/01 Method Chg.	(\$8,304,472)	(\$5,721,330)	(\$1,145,936)	(\$4,941,426)	(\$1,145,936)	5 years
10/1/05 Method Chg.	(\$15,761,551)	(\$15,761,551)	(\$2,174,941)	(\$14,673,539)	(\$2,174,941)	9 years
10/1/97 Amendment	\$9,984,153	\$9,046,698	\$821,173	\$8,883,567	\$821,173	21 years
10/1/98 Amendment	\$1,282,237	\$1,181,241	\$105,461	\$1,161,842	\$105,461	22 years
10/1/99 Amendment	\$63,319	\$59,217	\$5,208	\$58,330	\$5,208	23 years
10/1/00 Amendment	\$3,603,937	\$3,460,584	\$296,415	\$3,417,303	\$296,415	25 years
10/1/05 Amendment	\$4,761,492	\$4,761,492	\$391,621	\$4,719,461	\$391,621	29 years
2000/01 Exp. Loss	\$14,126,062	\$3,275,893	\$3,275,893	\$0	\$0	0 years
2001/02 Exp. Loss	\$6,123,140	\$2,734,780	\$1,419,981	\$1,419,981	\$1,419,981	1 year
2002/03 Exp. Loss	\$1,902,264	\$1,227,817	\$441,143	\$849,608	\$441,143	2 years
2003/04 Exp. Loss	\$7,516,983	\$6,235,665	\$1,743,219	\$4,851,842	\$1,743,219	3 years
2004/05 Exp. Loss	\$757,055	\$757,055	\$175,564	\$628,010	\$175,564	4 years
2005/06 Exp. Loss	\$5,188,034			\$5,188,034	\$1,203,126	5 years
Total		\$113,406,427	\$13,619,947	\$112,957,432	\$11,815,573	

*** Years remaining as of October 1, 2006

LIABILITIES AS OF October 1, 2006

TABLE III

	Retirement Benefits	Pre-Ret. Disability Benefits	Vesting Benefits	Pre-Ret. Spouse Benefits	Pre-Ret. Contrib. Match	Refund of Employee Contribs.	Total
1. Actuarial Accrued Liability							
a. Active members:							
Regular active employees	\$58,599,547	\$3,663,933	\$404,821	\$907,419	\$20,986	*	\$63,596,706
DROP program	\$12,545,345						\$12,545,345
Sub-total	\$71,144,892	\$3,663,933	\$404,821	\$907,419	\$20,986	*	\$76,142,051
b. Def. vested members			\$1,318,394				\$1,318,394
c. Retired members:							
Service retirements	\$109,369,010						\$109,369,010
Disability retirements	\$11,202,207						\$11,202,207
Beneficiaries	\$7,331,038						\$7,331,038
Sub-total	\$127,902,255						\$127,902,255
d. Total	\$199,047,147	\$3,663,933	\$1,723,215	\$907,419	\$20,986	*	\$205,362,700

* Funded on a termination liability basis

2. Normal Cost	\$3,673,018	\$302,843	\$30,019	\$72,769	\$2,524	\$211,316	\$4,292,489
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3. Present Value of Vested Benefits

a. Active members:							
Regular active employees	\$25,414,847	\$5,019,532	\$3,872,467	\$454,947	\$47,399	\$1,075,508	\$35,884,700
DROP program	\$12,545,345						\$12,545,345
Sub-total	\$37,960,192	\$5,019,532	\$3,872,467	\$454,947	\$47,399	\$1,075,508	\$48,430,045
b. Def. vested members			\$1,318,394				\$1,318,394
c. Retired members:							
Service retirements	\$109,369,010						\$109,369,010
Disability retirements	\$11,202,207						\$11,202,207
Beneficiaries	\$7,331,038						\$7,331,038
Sub-total	\$127,902,255						\$127,902,255
d. Total	\$165,862,447	\$5,019,532	\$5,190,861	\$454,947	\$47,399	\$1,075,508	\$177,650,694

4. Present Value of Accrued Benefits

a. Active members:							
Regular active employees	\$40,970,658	\$5,435,662	\$332,501	\$644,022	\$20,986	\$826,615	\$48,230,444
DROP program	\$12,545,345						\$12,545,345
Sub-total	\$53,516,003	\$5,435,662	\$332,501	\$644,022	\$20,986	\$826,615	\$60,775,789
b. Def. vested members			\$1,318,394				\$1,318,394
c. Retired members:							
Service retirements	\$109,369,010						\$109,369,010
Disability retirements	\$11,202,207						\$11,202,207
Beneficiaries	\$7,331,038						\$7,331,038
Sub-total	\$127,902,255						\$127,902,255
d. Total	\$181,418,258	\$5,435,662	\$1,650,895	\$644,022	\$20,986	\$826,615	\$189,996,438

PROJECTED ASSETS AND LIABILITIES

TABLE IV

Plan Year Beginning October 1	Fund at Beginning of Year	Contribs.	Benefit Payments & Expenses	Investment Income	Net Increase in Fund	Fund at Year End	Actuarial Accrued Liability	Percent of AAL Funded
2006	92,405,268	16,108,062	15,836,792	7,425,349	7,696,619	100,101,887	205,362,700	45.00%
2007	100,101,887	13,626,507	16,120,070	7,936,915	5,443,352	105,545,239	210,247,413	47.61%
2008	105,545,239	13,701,013	16,383,171	8,365,627	5,683,469	111,228,708	215,454,249	48.99%
2009	111,228,708	12,496,323	16,654,118	8,764,882	4,607,087	115,835,795	221,039,887	50.32%
2010	115,835,795	12,883,195	17,009,325	9,135,155	5,009,025	120,844,820	227,038,053	51.02%
2011	120,844,820	13,413,423	17,406,681	9,541,471	5,548,213	126,393,033	233,409,319	51.77%
2012	126,393,033	14,026,947	17,700,483	9,997,841	6,324,305	132,717,338	240,153,808	52.63%
2013	132,717,338	14,667,751	18,037,053	10,515,773	7,146,471	139,863,809	247,417,975	53.64%
2014	139,863,809	15,337,063	18,454,663	11,097,609	7,980,009	147,843,818	255,214,323	54.80%
2015	147,843,818	18,211,109	18,865,437	11,829,761	11,175,433	159,019,251	263,518,767	56.10%
2016	159,019,251	18,941,349	19,290,263	12,735,955	12,387,041	171,406,292	272,393,891	58.38%
2017	171,406,292	19,704,128	19,706,812	13,740,609	13,737,925	185,144,217	281,887,152	60.81%
2018	185,144,217	20,500,914	20,143,259	14,853,897	15,211,552	200,355,769	292,072,925	63.39%
2019	200,355,769	21,333,242	20,568,309	16,086,833	16,851,766	217,207,535	303,004,194	66.12%
2020	217,207,535	22,202,718	21,136,643	17,447,177	18,513,252	235,720,787	314,770,349	69.01%
2021	235,720,787	23,111,020	21,740,208	18,940,627	20,311,439	256,032,226	327,314,169	72.02%
2022	256,032,226	24,059,903	22,539,756	20,572,334	22,092,481	278,124,707	340,682,871	75.15%
2023	278,124,707	25,051,204	23,395,243	22,346,094	24,002,055	302,126,762	354,767,710	78.40%
2024	302,126,762	26,086,842	24,122,495	24,278,963	26,243,310	328,370,072	369,592,347	81.75%
2025	328,370,072	27,168,824	24,933,421	26,389,840	28,625,243	356,995,315	385,367,626	85.21%

	For the 2005/06 Plan Year	For the 2006/07 Plan Year
A. Number of Plan Members as of October 1		
a. Retirees and beneficiaries receiving benefits	692	705
b. Terminated plan members entitled to but not yet receiving benefits	7	7
c. Active plan members	912	909
d. Total	1,611	1,621
B. Development of Annual Required Contribution (ARC)		
a. Employer normal cost:		
i. Total normal cost (EOY)	\$4,502,680	\$4,635,888
ii. Expected employee contribution	(\$2,460,015)	(\$2,477,590)
iii. Employer normal cost	<u>\$2,042,665</u>	<u>\$2,158,298</u>
b. 40-year amortization of UAAL:		
i. PV of future benefits	\$239,526,980	\$252,533,450
ii. PV of future employer normal costs	(\$19,764,573)	(\$23,798,816)
iii. PV of future employee contributions	(\$22,536,720)	(\$23,371,934)
iv. Actuarial accrued liability (AAL)	\$197,225,687	\$205,362,700
v. Actuarial value of assets	(\$83,819,260)	(\$92,405,268)
vi. Unfunded AAL (UAAL)	\$113,406,427	\$112,957,432
vii. 40-year amort. of UAAL	<u>\$4,793,577</u>	<u>\$4,774,598</u>
c. 40-year amortization of NPO	(\$1,658,075)	(\$2,178,036)
d. ARC	<u>\$5,178,167</u>	<u>\$4,754,860</u>
(Item B.a.iii. plus item B.b.vii. plus item B.c.)		
C. Annual Pension Cost and Net Pension Obligation (NPO)		
a. ARC	\$5,178,167	\$4,754,860
b. Interest on NPO	(\$3,138,139)	(\$4,122,237)
c. Adjustment to ARC	\$1,658,075	\$2,178,036
d. Annual Pension Cost	<u>\$3,698,103</u>	<u>\$2,810,659</u>
e. Contributions made (w/interest to EOY)	(\$15,999,325)	
f. Increase(decrease) in NPO	(\$12,301,222)	
g. NPO (beginning of year)	(\$39,226,735)	
h. NPO (end of year)	<u>(\$51,527,957)</u>	

D. Schedule of Employer Contributions

Year Ended September 30	Annual Required Contribution	Percentage Contributed	Annual Pension Cost	Percentage Contributed
2001	\$6,314,884	121%	\$6,018,223	127%
2002	\$6,439,736	158%	\$6,082,221	167%
2003	\$6,563,855	204%	\$6,052,585	221%
2004	\$6,115,088	206%	\$5,327,591	236%
2005	\$6,169,345	262%	\$5,107,537	317%
2006	\$5,178,167	309%	\$3,698,103	433%

E. Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) ÷ (2)	(5) Covered Payroll	(6) UAAL as % of Covered Payroll (3) ÷ (5)
10/1/2001	\$65,335,510	\$181,462,320	\$116,126,810	36.0%	\$31,496,159	368.7%
10/1/2002	\$60,638,533	\$183,496,114	\$122,857,581	33.0%	\$30,259,246	406.0%
10/1/2003	\$61,521,737	\$184,055,017	\$122,533,280	33.4%	\$29,428,553	416.4%
10/1/2004	\$61,705,780	\$190,094,181	\$128,388,401	32.5%	\$30,974,684	414.5%
10/1/2005	\$83,819,260	\$197,225,687	\$113,406,427	42.5%	\$32,055,235	353.8%
10/1/2006	\$92,405,268	\$205,362,700	\$112,957,432	45.0%	\$33,158,518	340.7%

F. Additional Information

Valuation date	October 1, 2005	October 1, 2006
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level percent open	Level percent open
Remaining amortization period	40 years	40 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return *	8.00%	8.00%
Projected salary increases *	5.00%	5.00%
* Includes inflation at:	3.50%	3.50%
Cost-of-living adjustments **	None	None

** Except for certain retirees who are assumed to receive an automatic 2.50% annual COLA

PRESENT VALUE OF ACCRUED BENEFITS**TABLE VI****1. Actuarial Present Value of Accrued Benefits**

	As of October 1, 2005	As of October 1, 2006
a. Vested Benefits:		
i. Members currently receiving benefits	\$123,715,969	\$127,902,255
ii. Other members	\$45,060,071	\$49,748,439
iii. Sub-total	\$168,776,040	\$177,650,694
b. Non-vested Benefits	\$13,876,936	\$12,345,744
c. Total Benefits	\$182,652,976	\$189,996,438

2. Statement of Change in Actuarial Present Value of Accrued Benefits

a. Actuarial Present Value as of October 1, 2005	\$182,652,976
b. Increase (Decrease) During 2005/06 Plan Year Due to:	
i. Interest	\$14,612,238
ii. Benefits accumulated	\$8,479,835
iii. Benefits paid	(\$15,748,611)
iv. Plan amendments	\$0
v. Changes in actuarial assumptions or methods	\$0
vi. Net increase (decrease)	\$7,343,462
c. Actuarial Present Value as of October 1, 2006	\$189,996,438

3. Items Affecting Calculation of Actuarial Present Value of Accrued Benefits

- a. Plan provisions reflected in the accrued benefits (see Table XIII on page 26)
- b. Plan amendments reflected in item 2.b.iv. above (if applicable; see Table XIIIa on page 32)
- c. Actuarial assumptions and methods used to determine present values (see Table XII on page 23)
- d. Changes in actuarial assumptions and methods reflected in item 2.b.v. above (if applicable; see Table XIIa on page 25)

ASSETS**TABLE VII**

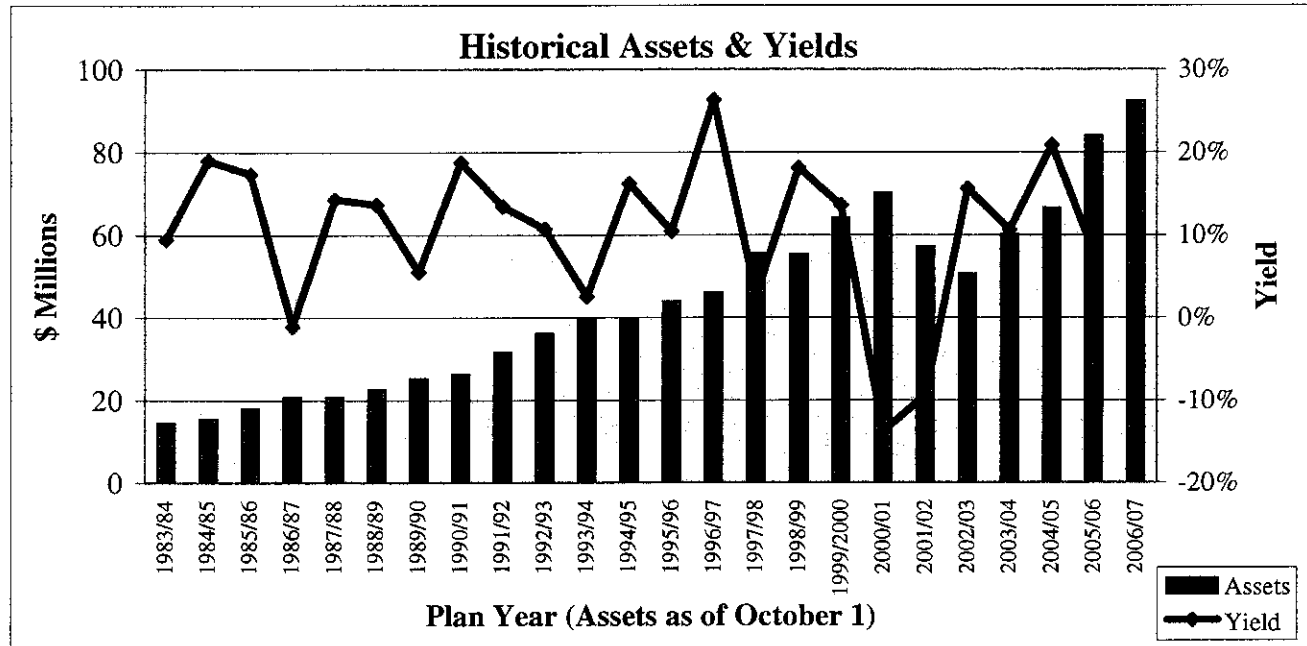
	<u>As of October 1, 2005</u>		<u>As of October 1, 2006</u>
1. Market Value of Assets			
a. Cash and cash equivalents (0%)	\$75,128		\$64,170
b. Government bonds & notes (9%)	\$6,737,128		\$7,895,863
c. Corporate bonds (15%)	\$13,056,005		\$13,485,199
d. Equities (11%)	\$16,628,074		\$9,837,354
e. Insurance contracts (0%)	\$0		\$0
f. Real estate (20%)	\$14,992,259		\$18,791,774
g. Collective investment trusts (36%)	\$25,493,771		\$33,701,383
h. Accrued income receivable (0%)	\$232,394		\$273,725
i. Contributions receivable (11%)	\$8,381,461		\$10,569,339
j. Other receivables (0%)	\$0		\$0
k. Benefits and accounts payable (-2%)	(\$1,776,960)	(see Note 2)	(\$2,213,539)
l. Other payables (0%)	\$0		\$0
m. Market value of assets	\$83,819,260		\$92,405,268
2. Actuarial Value of Assets	\$83,819,260		\$92,405,268

Notes:

1. The percentages in parentheses indicate the proportion of assets committed to each type of investment as of October 1, 2006.
2. Includes \$1,711,390 as of September 30, 2005 and \$2,176,808 as of September 30, 2006 which is payable to employees who are participating in the DROP program

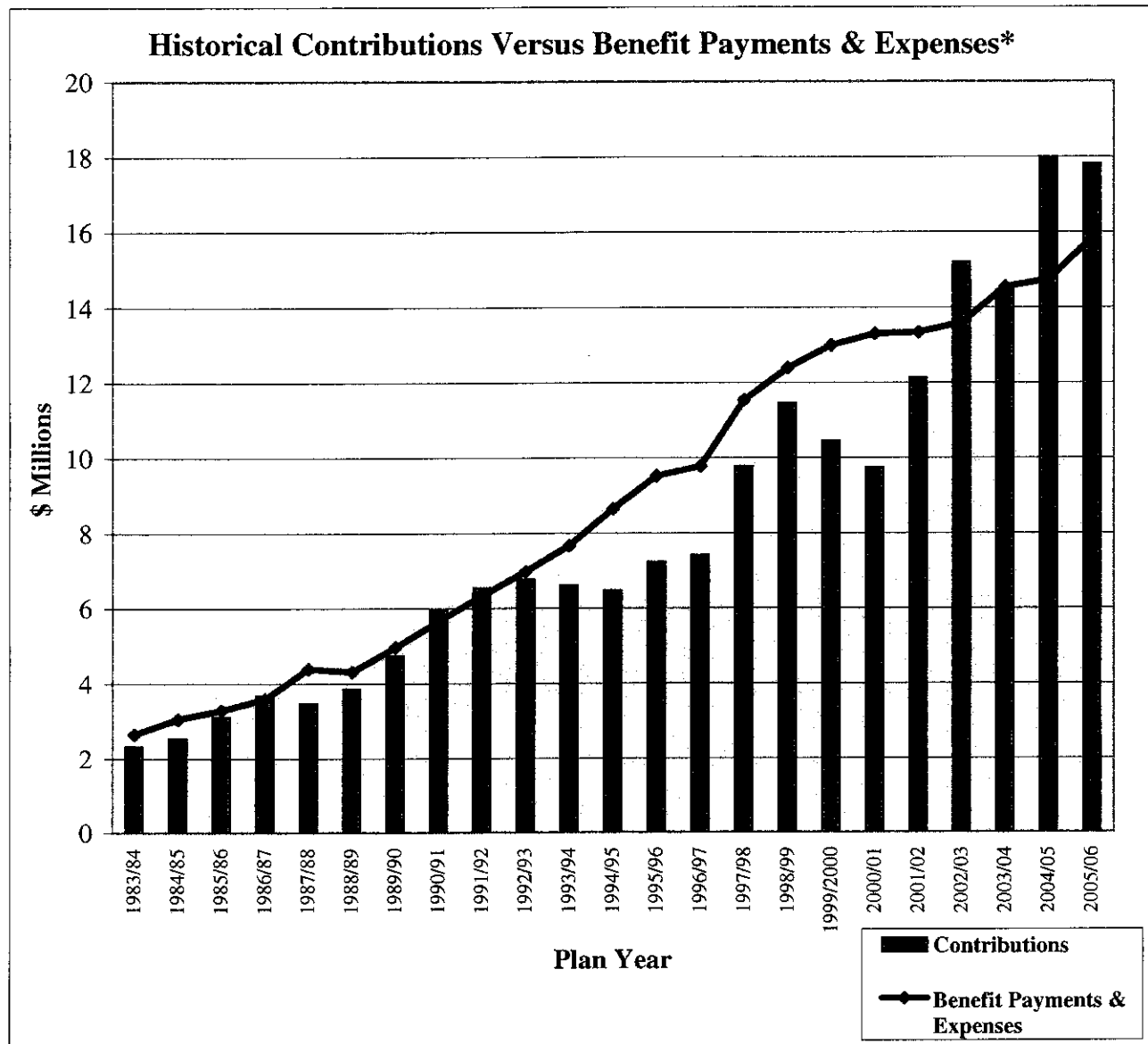
HISTORICAL ASSET INFORMATION

TABLE VIII



Plan Year	Market Value as of October 1	Actuarial Value as of October 1	Benefit Payments	Expenses	Contributions	Market Yield	Actuarial Yield
1983/84	\$14,494,127	\$14,494,127	\$2,533,649	\$117,839 *	\$2,322,143	9.45%	9.45%
1984/85	\$15,519,148	\$15,519,148	\$2,921,825	\$126,985 *	\$2,535,626	19.00%	19.00%
1985/86	\$17,905,956	\$17,905,956	\$3,208,497	\$72,232 *	\$3,106,739	17.34%	17.34%
1986/87	\$20,821,994	\$20,821,994	\$3,518,842	\$65,787 *	\$3,664,181	-1.06%	-1.06%
1987/88	\$20,680,556	\$20,680,556	\$4,325,089	\$64,978 *	\$3,461,733	14.29%	14.29%
1988/89	\$22,641,559	\$22,641,559	\$4,191,072	\$119,775 *	\$3,845,572	13.66%	13.66%
1989/90	\$25,236,812	\$25,236,812	\$4,874,776	\$89,715 *	\$4,738,516	5.52%	5.52%
1990/91	\$26,396,465	\$26,396,465	\$5,541,252	\$111,063 *	\$5,954,200	18.75%	18.75%
1991/92	\$31,674,855	\$31,674,855	\$6,163,575	\$172,425 *	\$6,547,219	13.45%	13.45%
1992/93	\$36,160,560	\$36,160,560	\$6,800,303	\$174,940 *	\$6,761,864	10.72%	10.72%
1993/94	\$39,813,005	\$39,813,005	\$7,425,256	\$240,946 *	\$6,600,353	2.56%	2.56%
1994/95	\$39,750,797	\$39,750,797	\$8,358,878	\$274,472 *	\$6,464,668	16.20%	16.20%
1995/96	\$43,844,677	\$43,844,677	\$9,269,000	\$250,263 *	\$7,219,936	10.44%	10.44%
1996/97	\$46,002,448	\$46,002,448	\$9,509,735	\$265,821 *	\$7,402,708	26.31%	26.31%
1997/98	\$55,420,842	\$55,420,842	\$11,340,373	\$197,589 *	\$9,777,170	2.71%	2.71%
1998/99	\$55,136,709	\$55,136,709	\$12,164,402	\$227,159 *	\$11,448,704	18.09%	18.09%
1999/2000	\$64,084,554	\$64,084,554	\$12,968,649	\$30,467	\$10,440,609	13.55%	13.55%
2000/01	\$70,038,085	\$70,038,085	\$13,291,840	\$13,598	\$9,734,395	-13.82%	-1.66%
2001/02	\$57,031,038	\$65,335,510	\$13,289,869	\$54,979	\$12,123,839	-9.35%	-5.37%
2002/03	\$50,532,111	\$60,638,533	\$13,519,882	\$82,711	\$15,192,882	15.62%	-1.15%
2003/04	\$60,137,534	\$61,521,737	\$14,495,710	\$45,380	\$14,452,767	10.61%	0.44%
2004/05	\$66,422,499	\$61,705,780	\$14,687,900	\$55,358	\$17,937,199	20.88%	29.89%
2005/06	\$83,819,260	\$83,819,260	\$15,748,611	\$72,288	\$17,810,565	7.78%	7.78%
2006/07	\$92,405,268	\$92,405,268					

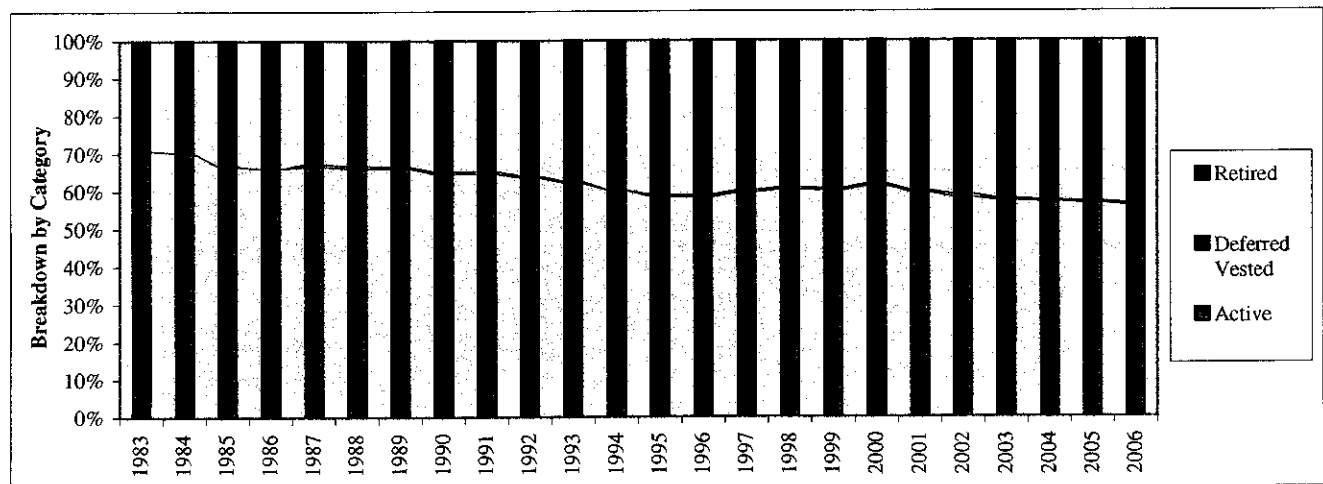
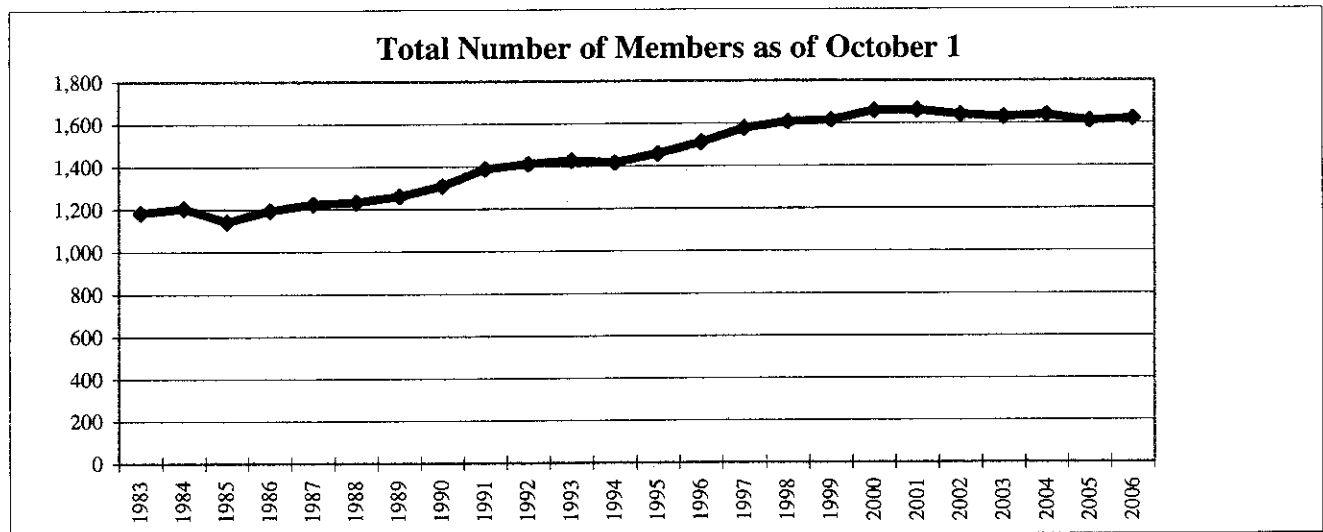
* Includes investment expenses



* Please reference Table VIII on page 13 for the historical benefit payments, expenses, and contributions.

SUMMARY OF MEMBERSHIP DATA

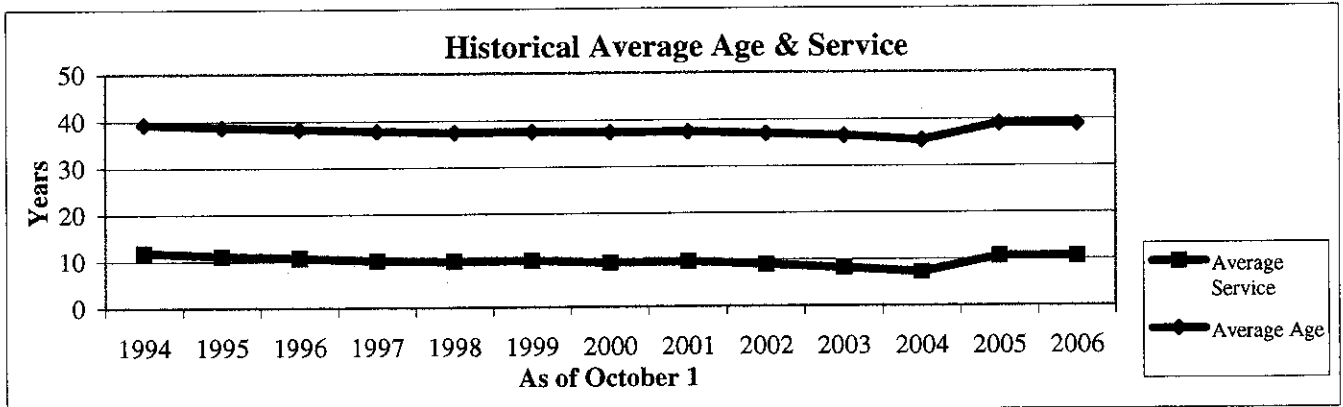
TABLE X



	As of October 1, 2005	As of October 1, 2006
1. Active Members		
a. Regular Active Employees	872	868
b. DROP Program	40	41
c. Sub-total	<u>912</u>	<u>909</u>
2. Deferred Vested Members	7	7
3. Retired Members		
a. Service Retirement	488	500
b. Disability Retirement	68	64
c. Beneficiaries	136	141
d. Sub-total	<u>692</u>	<u>705</u>
4. Total Members	<u><u>1,611</u></u>	<u><u>1,621</u></u>

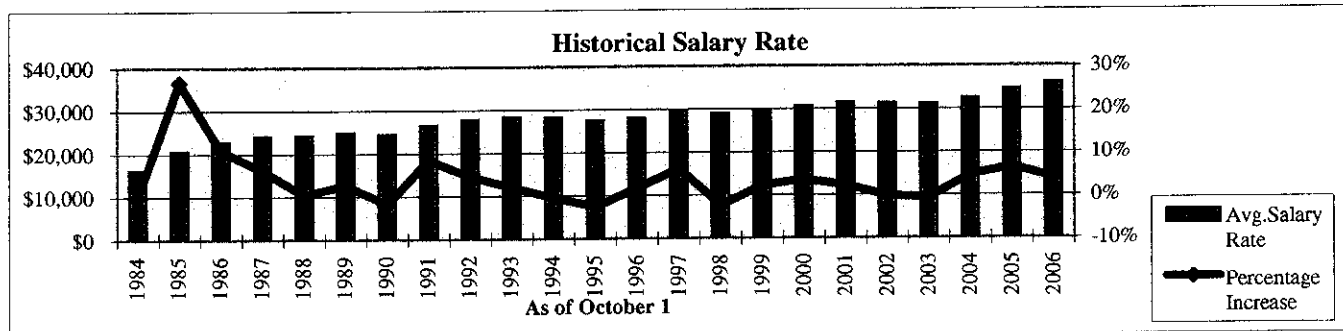
ACTIVE DATA

TABLE Xa



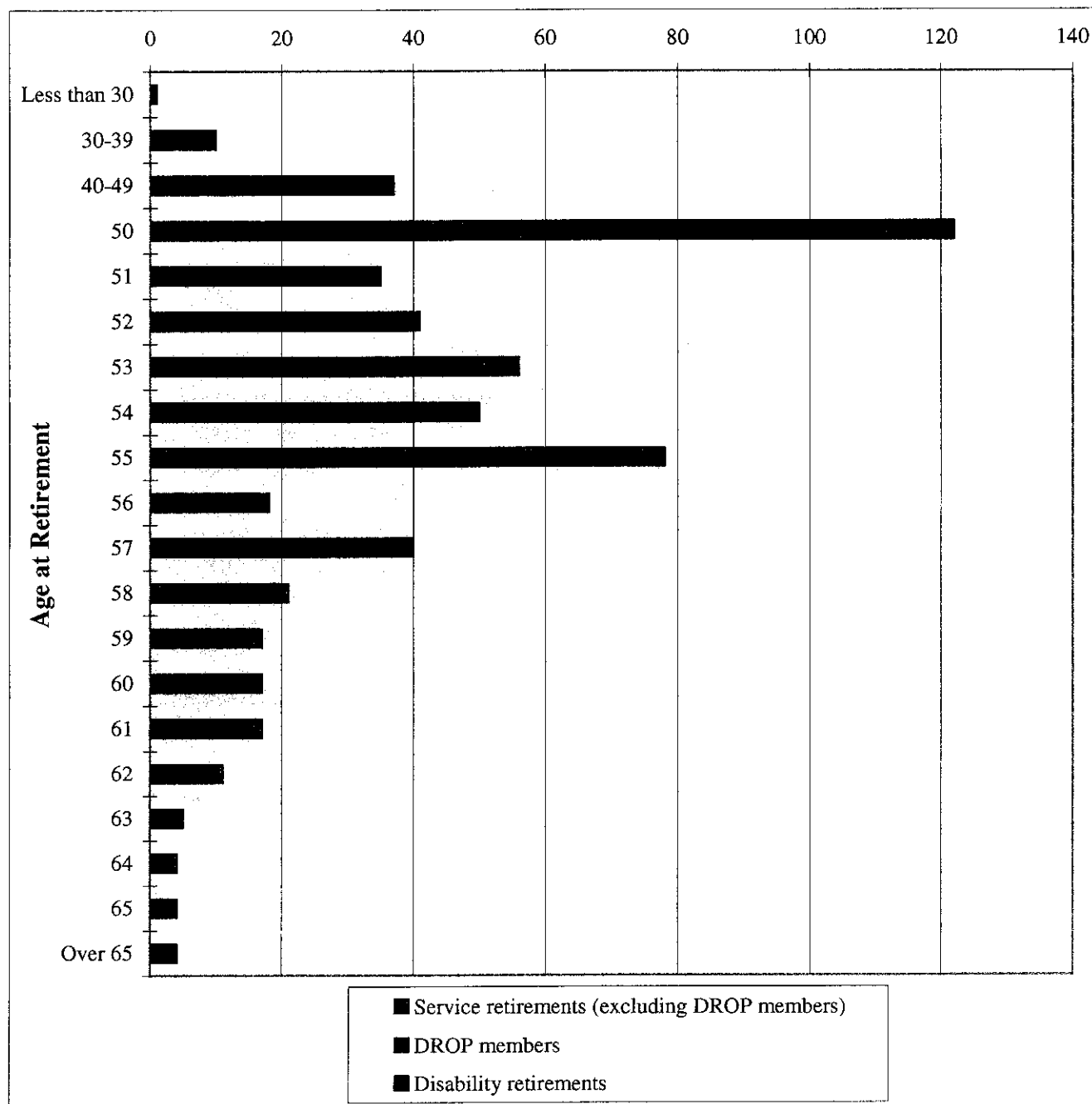
Date	Average Service Earned	Average Attained Age	Date	Average Service Earned	Average Attained Age
10/1/1994	11.90	39.25	10/1/2001	9.66	37.54
10/1/1995	11.16	38.69	10/1/2002	9.02	37.02
10/1/1996	10.67	38.26	10/1/2003	8.21	36.53
10/1/1997	10.09	37.77	10/1/2004	7.19	35.53
10/1/1998	9.87	37.51	10/1/2005	10.62	38.95
10/1/1999	10.00	37.58	10/1/2006	10.64	38.93
10/1/2000	9.51	37.36			

* weighted by salary



Date	Average Salary Rate	Increase from Prior Year	Date	Average Salary Rate	Increase from Prior Year
10/1/1984	\$16,289	N/A	10/1/1996	\$27,973	1.68%
10/1/1985	\$20,620	26.59%	10/1/1997	\$29,706 *	6.20%
10/1/1986	\$22,835	10.74%	10/1/1998	\$28,981 *	-2.44%
10/1/1987	\$24,218	6.06%	10/1/1999	\$29,641 *	2.28%
10/1/1988	\$24,320	0.42%	10/1/2000	\$30,700 *	3.57%
10/1/1989	\$24,958	2.62%	10/1/2001	\$31,389 *	2.24%
10/1/1990	\$24,494	-1.86%	10/1/2002	\$31,314 *	-0.24%
10/1/1991	\$26,582	8.52%	10/1/2003	\$31,114 *	-0.64%
10/1/1992	\$27,795	4.56%	10/1/2004	\$32,550 *	4.62%
10/1/1993	\$28,367	2.06%	10/1/2005	\$34,667 *	6.50%
10/1/1994	\$28,238	-0.45%	10/1/2006	\$36,024 *	3.91%
10/1/1995	\$27,510	-2.58%			

* excluding DROP participants



Note: Results are based on retiree data as of October 1, 2006.

Average benefit being paid to members on service retirement is \$1,957.21 per month.

Average benefit being paid to members on disability retirement is \$1,661.06 per month.

Average benefit being paid to DROP members is \$2,191.59 per month.

Average benefit being paid to beneficiaries is \$542.35 per month.

Average benefit to be paid to deferred vested members is \$1,789.14 per month.

	<u>Active</u>	<u>Deferred Vested</u>	<u>Retired</u>	<u>Total</u>
1. Number of members as of October 1, 2005	912	7	692	1,611
2. Change in status during the plan year:				
a. Actives who terminated svc.	(1)	1		
b. Actives who retired	(28)		28	
c. Term. vest. who were rehired				
d. Term. vesteds who retired		(1)	1	
e. Retirees who were rehired				
3. No longer a member due to:				
a. Death			(25)	(25)
b. Termination of service	(58)			(58)
c. Included in error last year				
4. New member due to:				
a. Initial membership	84			84
b. Death of another member			9	9
c. Omitted in error last year				
5. Number of members as of October 1, 2006	909	7	705	1,621

AGE-SERVICE-SALARY TABLE**TABLE Xd****(All Active Members Excluding DROP Members)**

Attained Age	<u>Completed Years of Service</u>										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	21	23	3	0	0	0	0	0	0	0	47
Avg.Pay	25,790	28,711	29,338	0	0	0	0	0	0	0	27,446
25 to 29	34	52	28	0	0	0	0	0	0	0	114
Avg.Pay	27,841	29,765	31,198	0	0	0	0	0	0	0	29,543
30 to 34	11	49	66	10	0	0	0	0	0	0	136
Avg.Pay	29,174	30,482	32,041	34,876	0	0	0	0	0	0	31,456
35 to 39	4	31	67	52	27	0	0	0	0	0	181
Avg.Pay	29,675	30,048	32,806	36,581	39,204	0	0	0	0	0	34,303
40 to 44	3	14	29	35	58	27	0	0	0	0	166
Avg.Pay	27,495	29,788	31,687	35,937	41,623	47,935	0	0	0	0	38,462
45 to 49	1	5	13	23	43	35	7	0	0	0	127
Avg.Pay	27,935	31,935	31,618	35,989	41,043	47,784	49,806	0	0	0	41,042
50 to 54	0	4	3	5	10	21	16	3	0	0	62
Avg.Pay	0	34,501	63,628	34,043	42,733	42,783	57,615	53,083	0	0	46,870
55 to 59	1	1	3	4	6	8	6	4	0	0	33
Avg.Pay	127,733	33,960	31,367	31,592	36,765	39,862	61,289	59,963	0	0	46,340
60 to 64	0	0	0	0	0	0	1	0	0	0	1
Avg.Pay	0	0	0	0	0	0	2,030	0	0	0	2,030
65 to 69	0	0	0	0	0	0	0	1	0	0	1
Avg.Pay	0	0	0	0	0	0	0	90,118	0	0	90,118
70 & up	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
Total	75	179	212	129	144	91	30	8	0	0	868
Avg.Pay	28,879	30,067	32,496	35,915	40,871	45,978	54,675	61,152	0	0	36,024

AGE-SERVICE-SALARY TABLE**TABLE Xe****(Active Male Members Excluding DROP Members)**

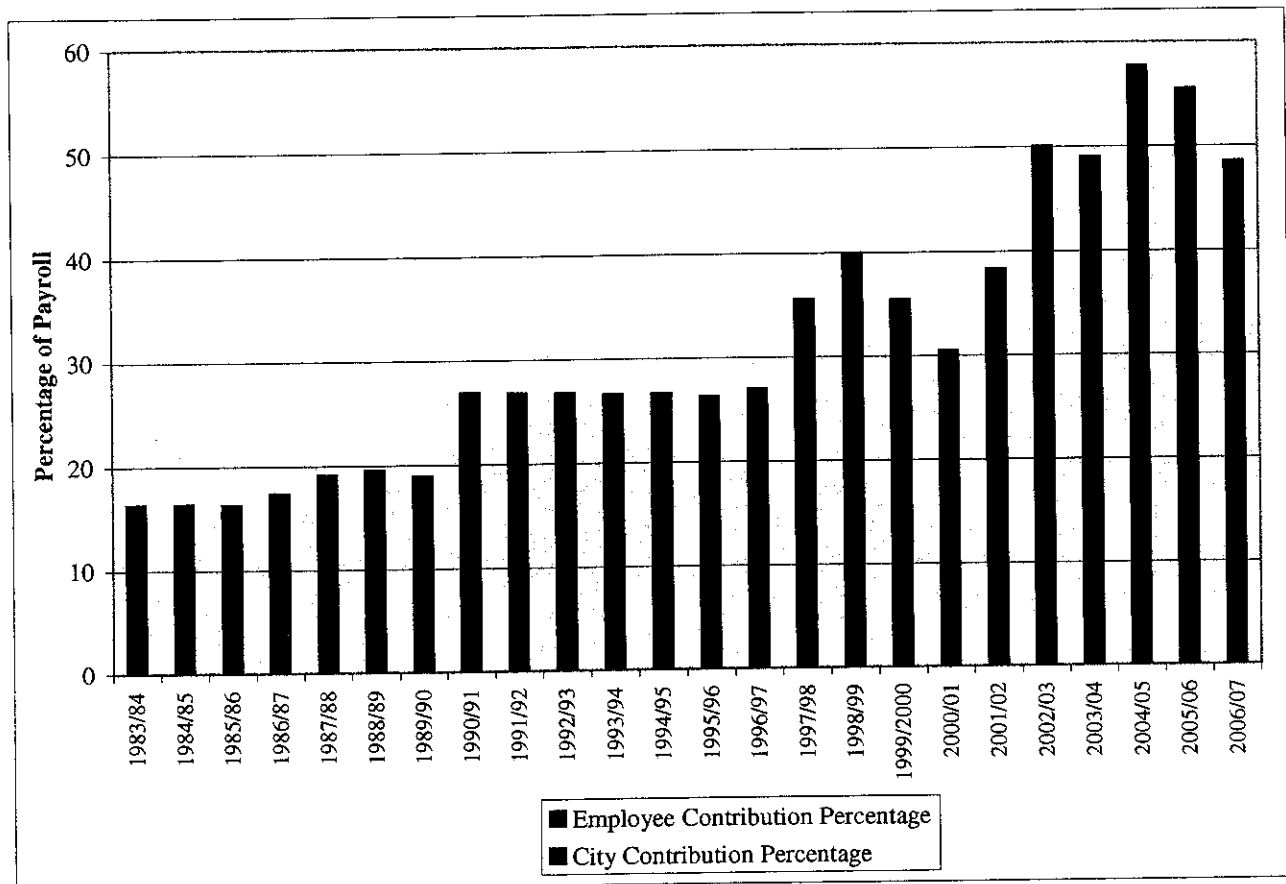
Attained Age	<u>Completed Years of Service</u>										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	20	23	3	0	0	0	0	0	0	0	46
Avg.Pay	25,613	28,711	29,338	0	0	0	0	0	0	0	27,405
25 to 29	31	49	27	0	0	0	0	0	0	0	107
Avg.Pay	27,825	29,730	31,096	0	0	0	0	0	0	0	29,523
30 to 34	10	47	61	7	0	0	0	0	0	0	125
Avg.Pay	29,158	30,467	31,898	35,452	0	0	0	0	0	0	31,340
35 to 39	3	31	64	49	25	0	0	0	0	0	172
Avg.Pay	30,695	30,048	32,608	36,465	39,375	0	0	0	0	0	34,196
40 to 44	3	14	28	33	54	24	0	0	0	0	156
Avg.Pay	27,495	29,788	31,482	36,000	41,250	48,005	0	0	0	0	38,132
45 to 49	1	5	11	19	40	33	5	0	0	0	114
Avg.Pay	27,935	31,935	31,899	34,815	41,126	47,784	54,848	0	0	0	41,194
50 to 54	0	4	3	5	7	17	16	3	0	0	55
Avg.Pay	0	34,501	63,628	34,043	41,837	43,473	57,615	53,083	0	0	47,493
55 to 59	1	1	3	4	6	5	5	3	0	0	28
Avg.Pay	127,733	33,960	31,367	31,592	36,765	45,887	61,929	64,023	0	0	47,639
60 to 64	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
65 to 69	0	0	0	0	0	0	0	1	0	0	1
Avg.Pay	0	0	0	0	0	0	0	90,118	0	0	90,118
70 & up	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
Total	69	174	200	117	132	79	26	7	0	0	804
Avg.Pay	28,937	30,053	32,388	35,735	40,685	46,803	57,913	63,062	0	0	35,945

AGE-SERVICE-SALARY TABLE**TABLE Xf****(Active Female Members Excluding DROP Members)**

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	1	0	0	0	0	0	0	0	0	0	1
Avg.Pay	29,338	0	0	0	0	0	0	0	0	0	29,338
25 to 29	3	3	1	0	0	0	0	0	0	0	7
Avg.Pay	28,011	30,342	33,958	0	0	0	0	0	0	0	29,860
30 to 34	1	2	5	3	0	0	0	0	0	0	11
Avg.Pay	29,338	30,844	33,786	33,531	0	0	0	0	0	0	32,777
35 to 39	1	0	3	3	2	0	0	0	0	0	9
Avg.Pay	26,616	0	37,023	38,474	37,073	0	0	0	0	0	36,361
40 to 44	0	0	1	2	4	3	0	0	0	0	10
Avg.Pay	0	0	37,439	34,895	46,664	47,371	0	0	0	0	43,600
45 to 49	0	0	2	4	3	2	2	0	0	0	13
Avg.Pay	0	0	30,070	41,564	39,935	47,784	37,200	0	0	0	39,705
50 to 54	0	0	0	0	3	4	0	0	0	0	7
Avg.Pay	0	0	0	0	44,823	39,852	0	0	0	0	41,982
55 to 59	0	0	0	0	0	3	1	1	0	0	5
Avg.Pay	0	0	0	0	0	29,821	58,090	47,784	0	0	39,067
60 to 64	0	0	0	0	0	0	1	0	0	0	1
Avg.Pay	0	0	0	0	0	0	2,030	0	0	0	2,030
65 to 69	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
Total	6	5	12	12	12	12	4	1	0	0	64
Avg.Pay	28,221	30,543	34,295	37,672	42,923	40,546	33,630	47,784	0	0	37,024

HISTORICAL CONTRIBUTION RATE

TABLE XI



Plan Year	Employee Contribution Percentage	City Contribution Percentage	Plan Year	Employee Contribution Percentage	City Contribution Percentage
1983/84	6.00%	10.36%	1995/96	8.00%	18.30%
1984/85	6.00%	10.39%	1996/97	8.00%	19.00%
1985/86	6.00%	10.34%	1997/98	8.00%	27.56%
1986/87	6.00%	11.33%	1998/99	7.75%	32.21%
1987/88	6.00%	13.15%	1999/2000	7.85%	27.57%
1988/89	6.00%	13.59%	2000/01	7.43%	23.04%
1989/90	6.00%	12.97%	2001/02	7.43%	30.92%
1990/91	7.68%	19.21%	2002/03	7.54%	42.53%
1991/92	7.84%	18.96%	2003/04	7.49%	41.51%
1992/93	7.91%	18.88%	2004/05	7.42%	50.31%
1993/94	7.94%	18.70%	2005/06	7.47%	48.03%
1994/95	7.97%	18.70%	2006/07	7.19%	41.39%

1. **Actuarial Cost Method**

Projected Unit Credit Cost Method, except that the liability for the return of employee contributions is funded on a termination cost basis

2. **Decrements**

- **Pre-Retirement Mortality**

Mortality rates set forth in the 1995 Buck Hourly Mortality Table

- **Post-Retirement Healthy Mortality**

Mortality rates set forth in the 1995 Buck Hourly Mortality Table

- **Post-Retirement Disabled Mortality**

Mortality rates set forth in the 1995 Buck Hourly Mortality Table, with the disabled member's age set forward five years

- **Disability**

Representative values of the assumed annual rates of disability among members in active service are shown in the following table. 80% of disabilities are assumed to be service-related. Members entitled to a disability benefit are assumed to receive 60% of their final salary.

Age	Rate	Age	Rate	Age	Rate	Age	Rate
20	0.00%	35	0.32%	50	0.56%	60	0.64%
25	0.00%	40	0.43%	55	0.60%	65	0.67%
30	0.19%	45	0.50%				

- **Permanent Withdrawal from Active Status**

Representative values of the assumed annual rates of withdrawal among members in active service are shown in the following table.

Age	Rate	Age	Rate	Age	Rate	Age	Rate
20	7.07%	35	3.05%	50	0.00%	60	0.00%
25	6.36%	40	1.47%	55	0.00%	65	0.00%
30	4.81%	45	0.34%				

ACTUARIAL ASSUMPTIONS**TABLE XII**

(continued)

- **Retirement**

Retirement is assumed to occur in accordance with the following rates:

Age	Rate	Age	Rate	Age	Rate	Age	Rate
50	25%	54	33%	57	25%	60	20%
51	20%	55	35%	58	20%	61	20%
52	20%	56	30%	59	15%	62	100%
53	22%						

3. **Interest Rate**

- **Used for Calculating All Liabilities (including GASB 25 and 27 liabilities)**
8.00% per annum

4. **Salary Increases**

Salaries are assumed to increase at the rate of 5.00% per annum, but are limited to \$220,000 pursuant to Internal Revenue Code (IRC) §401(a)(17).

5. **Marriage Assumptions**

- **Percent Married**
100% of non-retired members are assumed married.
- **Age Difference Between Spouses**
Male spouses are assumed to be three years older than female spouses.

6. **Expenses**

Administrative expenses are assumed to be paid by the City.

7. **Assets**

The actuarial value of assets is equal to the market value of assets.

8. **Cost of Living Adjustment**

A 2.50% automatic annual cost of living increase has been assumed for those members (excluding their beneficiaries) who retired during the period October 1, 1977 to April 14, 1985.

9. **Maximum Benefit Limitation Under IRC §415**

The maximum benefit limitation under IRC §415 has been applied and has been assumed not to increase from the current level.

The following assumptions have been changed during the past several years:

1. Effective October 1, 1994, the assumed annual rate of salary increase has been decreased from 6.00% to 5.00%.
2. Effective October 1, 1995, the assumed administrative expenses have been increased from 0.40% of covered payroll to 1.00% of covered payroll.
3. Effective October 1, 1997:
 - a) The healthy mortality decrement has been changed from the 1984 Uninsured Pensioner (UP84) Mortality Table set forward one year for males and set back four years for females to the mortality rates set forth in the 1995 Buck Hourly Mortality Table; and
 - b) The disabled mortality decrement has been changed from the 1984 Uninsured Pensioner (UP84) Mortality Table set forward six years for males and set forward one year for females to the mortality rates set forth in the 1995 Buck Hourly Mortality Table set forward five years.
4. Effective October 1, 2001:
 - a) Administrative expenses have been assumed to be paid by the City; and
 - b) The actuarial value of assets has been changed from market value to the market value adjusted to reflect a five-year phase-in of the net investment appreciation after September 30, 2000.
5. Effective October 1, 2005, the actuarial value of assets has been changed from the market value adjusted to reflect a five-year phase-in of the net investment appreciation after September 30, 2000 to market value.

* Note: Assumption changes that have first been reflected in this valuation are shown in bold print.

1. Monthly Accrued Benefit

For Members who became a Uniformed Officer prior to March 28, 1990:

2.50% of Final Average Salary multiplied by Service up to 30 years

For all other Members:

2.50% of Final Average Salary multiplied by Service up to 20 years, plus

2.25% of Final Average Salary multiplied by Service in excess of 20 years up to 30 years

2. Service Retirement Age and Benefit

- **Age**

For Members who became a Uniformed Officer prior to March 28, 1990:

The later of age 50 and the attainment of 20 years of Service (the last 10 years of which must be without a Break in Service exceeding one year)

For all other Members:

The later of age 55 and the attainment of 20 years of Service (the last 10 years of which must be without a Break in Service exceeding one year)

- **Amount**

Monthly Accrued Benefit

- **Form of Payment**

Life annuity (normal form for unmarried Members; optional for married Members);

Actuarially reduced 50% joint and contingent annuity (normal form for married Members, with the Member's spouse as Beneficiary; optional for unmarried Members);

Actuarially reduced 100% joint and contingent annuity (optional);

Actuarially reduced 50% joint and contingent annuity with "pop-up" feature¹ (optional);
or

Actuarially reduced 100% joint and contingent annuity with "pop-up" feature¹ (optional)

¹ An annuity with a "pop-up" feature is one that increases to the amount of the unreduced accrued benefit upon the death of the contingent annuitant.

3. Disability Retirement Age and Benefit

- **Condition**

The Member must become permanently physically or mentally disabled such that he is unable to perform any other job or service within his merit system classification. If his disability is non-service related, then the Member must also have earned at least 15 years of Service. In addition to disabilities incurred by the Member while performing his duties as a Uniformed Officer, the definition of *service-related disability* includes disabilities caused by hypertension, heart disease, respiratory disease, AIDS, hepatitis, and cancer, provided that: (a) the Member has completed at least three years of continuous Service as a Uniformed Officer and has successfully passed a physical examination upon entry into Service, (b) the AIDS, hepatitis, or cancer manifests itself no later than 10 years after the Member is no longer employed as a Uniformed Officer, and (c) the City fails to prove by a preponderance of the evidence that the hypertension, heart disease, respiratory disease, AIDS, hepatitis, or cancer was caused by some other means. The definition of *non-service related disability* includes any disability that is not found to be a *service-related disability*.

- **Amount**

2.50% of final salary multiplied by Service up to 24 years (for a non-service related disability);
45% of final salary (for a service-related disability); or
60% of final salary (for a Member who has incurred a service-related *total disability* which prevents the Member from working in any gainful employment).

- **Offset**

Prior to age 50 (for Members who became a Uniformed Officer prior to March 28, 1990) or age 55 (for all other Members), the Disability Benefit will be reduced so that the total of the Member's Disability Benefit plus any other earnings as defined in Section 203(f)(5) of the Social Security Act will not exceed 150% of the Member's rate of salary as of the date he became disabled.

- **Form of Payment**

Same as for Service Retirement

4. Withdrawal Retirement Age and Benefit

- **Age**

Any age upon withdrawal from Service as a Uniformed Officer prior to eligibility for a Service Retirement Benefit.

- **Amount**

For Members with at least 20 years of Service (the last 10 years of which must be without a Break in Service exceeding one year):

Monthly Accrued Benefit (payable at Service Retirement Age);

For Members with at least 15 but less than 20 years of Service (the last 10 years of which must be without a Break in Service exceeding one year):

Monthly Accrued Benefit (payable at age 65);

For all other Members, return of Member Contributions without interest.

- **Form of Payment**

Same as for Service Retirement (for Members with at least 15 years of Service, the last 10 years of which are without a Break in Service exceeding one year);

Lump sum payment (for all other Members)

5. Pre-Retirement Death Benefits

For Members with at least 15 years of Service (the last 10 years of which are without a Break in Service exceeding one year) who have an eligible spouse or children:

The Member's eligible spouse or children receive 50% of the Monthly Accrued Benefit that would have been payable to the Member in the form of a 50% joint and contingent annuity had the Member been eligible for a Service Retirement Benefit and retired on his date of death. The monthly Death Benefit is payable either to the Member's spouse for life or to his dependent children until each child attains age 18. In lieu of the monthly Death Benefit, the Member's eligible spouse or children will receive a return of Member Contributions without interest plus a matching amount up to \$5,000 if this amount is greater than the actuarially equivalent value of the monthly Death Benefit described above.

For all other Members:

The Member's Beneficiary receives a return of Member Contributions without interest plus a matching amount up to \$5,000.

6. Final Average Salary

The average of the Member's salary for his final 60 months of Service (for Members who become a Uniformed Officer on or after March 28, 1990) and the average of the Member's salary for his final 36 months of Service (for all other Members); salary used for any purpose under the plan cannot exceed \$200,000 (as adjusted annually pursuant to IRC §401(a)(17)(B)).

7. Service

A Member's Service is equal to his period of service as a Uniformed Officer as determined in accordance with the Mobile County Personnel Board Rules. In addition, military service will be recognized in accordance with the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), provided that the Member makes the required Member Contributions for such period of military service within the period of time specified by USERRA.

8. Restoration to Service after Retirement or Termination of Active Membership

If a Member is restored to Service as a Uniformed Officer after a Break in Service, then any benefit that he was receiving will cease and any benefit payment option previously elected will be void. If a Member who has received a distribution of his Member Contributions is restored to Service as a Uniformed Officer, the Member can repay the Member Contributions previously distributed to him plus interest computed at the rate of 10% per annum in order to "buy back" the Service earned prior to such distribution. The Member Contributions plus interest must be repaid within the same time period as that specified by USERRA for the payment of Member Contributions pursuant to military service.

If such a Member is restored to Service having incurred a Break in Service of one year or less, then, upon subsequent termination or retirement, the Member's benefit will be based on his Service and salary both before and after the Break in Service but reduced by the Actuarial Equivalent of any benefits paid to the Member prior to his restoration to Service.

If such a Member is restored to Service having incurred a Break in Service of more than one year, then, upon subsequent termination or retirement, the Member's benefit will be equal to his original benefit plus an additional benefit earned during his period of subsequent Service (if the Member has earned at least 10 consecutive years of additional Service after his Break in Service).

9. Membership

Membership is mandatory for all Uniformed Officers, where Uniformed Officers refers to any person employed by the City's police department or fire department who: (a) is certified as a police officer or firefighter by the State of Alabama, (b) is in training to be certified as a police officer or firefighter by the State of Alabama, (c) is in the police or fire cadet program, or (d) was a participant in the plan as of September 30, 1997.

10. Break in Service

A Break in Service is a period of absence which would constitute a break in the Member's Service under the Mobile County Personnel Board rules, except that periods of absence due to military service pursuant to USERRA and leaves of absence pursuant to the Family and Medical Leave Act of 1993 will not count towards a break in service.

11. Forfeiture of Benefits

If a Member is convicted of a Class A felony under the laws of the State of Alabama as in effect on October 1, 1997 or of an offense under any local, state, or federal law that would result in the conviction of a Class A felony in the State of Alabama, then any benefits that would otherwise be payable to the Member are forfeited and the Member will be treated under the plan as if he had died on the date immediately preceding his conviction.

12. Beneficiary

Each Member can designate a Beneficiary. If no Beneficiary designation is made, then the Member's spouse (if any) or estate will be the designated Beneficiary.

13. Definition of Actuarially Equivalent

- **Interest Rate**
7.00% per annum
- **Mortality Table**
1995 Buck Mortality Table (Male) is used for Members;
1995 Buck Mortality Table (Female) is used for Beneficiaries.

14. Cost-of-Living Adjustment

For Members who retired during the period October 1, 1977 to April 14, 1985 (excluding their beneficiaries), retirement benefits are increased annually by 50% of the blanket pay raise given to active Members for that year of the same class that the retiree held on his date of retirement.

15. Member Contributions

Members who have earned less than 30 years of Service are required to contribute 8% of salary per year; Member Contributions are deemed to be "picked-up" by the City pursuant to IRC §414(h)(2).

(continued)**16. City Contributions**

The City is required to contribute an amount each plan year which, when added to the Member Contributions and Other Contributions for that plan year, is equal to the Minimum Required Contribution for that plan year. The City's contribution is determined as of each October 1 and the contribution must be made within 18 months following that October 1.

17. Other Contributions

The plan receives 5% of all fines and moneys paid as a result of prosecutions for violations of ordinances and laws of the City of Mobile. In addition, the plan receives 2% of the gross fire insurance premiums collected on policies which cover property within the City limits of Mobile and its police jurisdiction.

18. Minimum Required Contribution

The Minimum Required Contribution is the sum of the following amounts:

- (a) the normal cost for the plan year;
- (b) the increasing 30-year amortization payment required to amortize the initial unfunded actuarial accrued liability determined as of October 1, 1996, which amortization payment is scheduled to increase at the rate of 4% per annum;
- (c) the level-dollar 30-year amortization payment required to amortize changes in the unfunded actuarial accrued liability due to plan changes;
- (d) the level-dollar 10-year amortization payment required to amortize changes in the unfunded actuarial accrued liability due to assumption and method changes; and
- (e) the level-dollar five-year amortization payment required to amortize changes in the unfunded actuarial accrued liability due to experience.

19. Initial Plan Effective Date

September 2, 1964

20. Deferred Retirement Option Plan (DROP)

Members who are otherwise eligible for retirement may elect to continue their employment with the City for up to three years while their retirement benefit is accumulated on their behalf in a DROP account. The election to participate in the DROP is irrevocable and is available only once to each eligible plan Member. While participating in the DROP, Members do not accrue additional retirement benefits and do not make the 8% Member Contribution to the plan. DROP accounts earn a rate of interest that is based on the actual investment return of the fund for the prior plan year, less two percent if the return is at least equal to the assumed investment return.

The following plan amendments have been adopted within the past several years:

1. Effective October 1, 1997:
 - a) The optional forms of benefit payment will be determined on an actuarially equivalent basis, where actuarial equivalence is based on 7% interest and on the 1995 Buck Mortality Table (Male) for members and the 1995 Buck Mortality Table (Female) for beneficiaries;
 - b) 50% and 100% joint and contingent annuities with "pop-up" feature have been added to the plan as optional forms of benefit payment;
 - c) The disability benefit has been changed from a flat 60% of final salary to 2.50% of final salary for each year of service up to 24 years (except as noted in item 3. of Table XIII);
 - d) A non-service related disability benefit has been added to the plan as described in item 3. of Table XIII;
 - e) A withdrawal retirement benefit payable at age 65 has been added to the plan for those members who terminate service after earning at least 15 years of service but prior to earning at least 20 years of service;
 - f) A pre-retirement death benefit as described in item 5. of Table XIII has been added to the plan for the children of a member who dies prior to retirement with no eligible spouse, provided that the member has earned at least 15 years of service;
 - g) The required 8% member contributions have been eliminated for those members who have earned at least 30 years of service;
 - h) The required City contribution has been changed from 16.50% of member salaries to the amount described in item 16. of Table XIII; and
 - i) A DROP program has been added to the plan as described in item 20. of Table XIII.
2. Effective October 1, 1998, certain retirees were given a cost-of-living adjustment as follows:
 - a) Retirees who retired prior to October 1, 1977 received a \$75 per month pension increase;
 - b) Retirees who retired during the period October 1, 1977 through April 14, 1985 received no pension increase;
 - c) Retirees who retired during the period April 15, 1985 through September 30, 1998 received a \$5 per month pension increase for each complete year of retirement, with a maximum increase of \$25 per month;
 - d) Retirees who were participating in the DROP as of October 1, 1998 received no pension increase;
 - e) Beneficiaries of deceased retirees who retired prior to April 14, 1985 received a \$50 per month pension increase;
 - f) Future beneficiaries of retirees who retired prior to April 14, 1985 and were still living as of October 1, 1998 received a \$50 per month pension increase; and
 - g) Beneficiaries of all other deceased retirees received a \$5 per month pension increase for each complete year of retirement, with a maximum increase of \$25 per month.

3. Effective October 1, 2000, retirees and beneficiaries (other than those who retired during the period October 1, 1977 through April 14, 1985) were given a 4% benefit increase.
4. Effective May 17, 2001:
 - a) The service-related disability benefit was changed as described in item 3. of Table XIII; and
 - b) Membership was extended to those employees who are in the fire cadet program.
5. Effective October 1, 2005, retirees and beneficiaries (other than those who retired during the period October 1, 1977 through April 14, 1985) were given a 4% benefit increase.

* Note: Amendments that have first been reflected in this valuation are indicated in bold print.