CITY OF LINCOLN NEBRASKA

LINCOLN-LANCASTER COUNTY
HUMAN RESOURCES DEPARTMENT
555 South 10th Street Room 302 Lincoln, NE 68508
402-441-7597 fax: 402-441-8748 lincoln.ne.gov

LANCASTER COUNTY NEBRASKA

June 12, 2015

Nebraska Public Employees Retirement Board
Phyllis Chambers, Executive Director
P.O. Box 94816
Lincoln, NE 68509-4816
Phyllis.Chambers@nebraska.gov

Retirement Systems Committee
Patrick O'Donnell, Clerk of the Legislature
State Capitol
Room 2018
Lincoln, NE 68509-4604
podonnel@leg.ne.gov

Nebraska Auditor of Public Accounts
State Capitol
P.O. Box 98917
Lincoln, NE 68509-8917
Charlie.Janssen@nebraska.gov

Dear Ladies and Gentlemen,

The August 31, 2014 actuarial valuation was presented to the Lincoln, Nebraska City Council on June 8, 2015.

Pursuant to State of Nebraska Revised Statute §15-1017 the City of Lincoln, Nebraska is filing the August 31, 2014 Actuarial valuation Report, and the attached Public Employer Retirement Plan Annual Report.

Pursuant to State of Nebraska Revised Statute §13-2402 the City of Lincoln, is reporting that the Police and Fire Pension Plan had an actuarial funding ratio of 66%, therefore pursuant to §13-2402 (3)(a) the City is required to file the additional report described in §13-2402(3)(b).

> (b) The report shall include, but not be limited to, an analysis of the conditions and a recommendation for the circumstances and timing of any future benefit changes, contribution changes, or other corrective action, or any combination of actions, to improve the conditions. The committee may require a governing entity to present its report to the committee at a public hearing. The report shall be submitted electronically.

The following is provided as the report required by §13-2402(3)(b):

1. For an analysis of the conditions please refer to the August 31, 2014 Actuarial Valuation Report accompanying this letter and online at : http://lincoln.ne.gov/city/person/pfpen/documents/Actuary083114.pdf
2. No future benefit changes or employee contribution changes are currently anticipated.
3. Minimum City contributions are mandated by Lincoln Municipal Code §2.62.010 and §2.62.180. Additional contributions to pay the Unfunded Accrued Liability are expressed as a percent of valuation payroll. Page 22 of the August 31, 2014 Actuarial Valuation contains a table with estimates of these amounts for each of the next five fiscal years. The Recommended UAL Contribution Percent, shown in column 6, was calculated using a 30 year closed period amortization, with 30 years remaining. Pension Administration will seek to have the full Budget Request, shown in column 8, of the Actuarial Valuation report fulfilled.

Respectfully,

Douglas J. McDaniel
Human Resource Administrator
Police and Fire Pension Administrator

Paul D. Lutomski
Police and Fire Pension Officer

cc by email to:
Kate Allen, Committee Legal Counsel
Nebraska Retirement Systems Committee
Senator Jeremy Nordquist, Chairman
State Capitol -- Room 2004
Lincoln, NE 68509
(402) 471-2721
kallen@leg.ne.gov

PUBLIC EMPLOYER RETIREMENT PLAN ANNUAL REPORT

(Due on or before December 31 each calendar year)
(attach copy of most recent actuary report each year)

Public Employer:		City of Lincoln, Nebraska
Type of Retirement Plan:		Defined Benefit
Plan Year:		September 1 - August 31
Plan year covered by this report:		September 1, 2013 to August 31, 2014
Number of plan participants		1099 (See page 29 of actuary report for details)
Contributions rates:	Employee:	6.75% (weighted average. See actuary report page 48 for details)
	Employer:	11.58% (Normal Cost)
Plan Assets:		$174,569,411 (smoothed actuarial value of assets, market value below)
Plan Liabilities:		$262,918,401 (Actuarial Accrued Liability)

Names and Positions of persons administering the plan:

Mr. Douglas J. McDaniel, Human Resources Director and Plan Administrator

Mr. Paul Lutomski, Pension Officer

Names and positions of persons investing plan assets, the Investment Board.

Mr. Douglas J. McDaniel, Human Resources Director and Plan Administrator, Investment Board Member
Mr. Steve Hubka, Finance Director, Investment Board Member
Mr. Mark Westphalen, Registered Representative Edward Jones, Investment Board Member
Mr. Gerry Finnegan, Private Practice Financial Planner,Investment Board Member
Mr. Becky Ferguson, Investment Officer and Private Client Advisor Union Bank and Trust, Investment Board Member
Mr. Steven Niemeyer, Police Investigator, Investment Board Member
Mr. Matthew Franken, Police Investigator, Investment Board Member
Mr. Guy Pinkman, Fire Captain, Investment Board Member
Mr. Jeremy Gegg, Fire Captain, Investment Board Member

The Investment Board is advised by Watershed Investment Consultants.

Form and nature of investments:

City of Lincoln Nebraska Police and Fire Pension

Financial Information for August 31, 2014 Actuary Valuation Report

EXHIBIT 1: Balance Sheet at August 31, 2014

	MARKET VALUE
Cash and External Money Markets	$9,668,120.14
Accrued Interest & Dividends	$71,139.99
Other Receivables	$0.00
Alternative Investments	$46,141,565.19
Equity	$124,264,364.96
Income	$33,197,624.34
TOTAL SYSTEM ASSETS	**$213,342,814.62**
Less: Accounts Payable	$0.00
INTERIM SYSTEM ASSETS	**$213,342,814.62**
Less: 13th Check COLA Pool	28,508,052.84
NET SYSTEM ASSETS	**$184,834,761.78**

The pension amortizes premiums and discounts.

If a defined contributions plan, full description of investment policies and options available to plan participants.

If a defined benefit plan, the number of members who are eligible for a benefit and the total present value and level of such member's benefits, as well as the funding sources which will pay for such benefits:

Number of members eligible for benefit: 1099

Total Present value of such member's benefits: $262,918,401

Funding Source which will pay for such benefits: $184,834,762 Market value of assets detailed above, future employee and employer contributions and earnings on same.

Signature: Paul Lutomski

Date: June 12, 2015

Printed Name and Title/Position: Paul Lutomski, Pension Officer

Mailing address: 555 South 10th Street, Room 302, Lincoln, NE 68508

Telephone Number: (402) 441-8749

Email address: Plutomski@Lincoln.ne.gov

8/31/14 Actuarial Valuation attached and online at:
http://www.lincoln.ne.gov/city/person/PFpen/documents/Actuary082014.pdf

Mail to each location:
Nebraska Public Employees Retirement Board, 301 Centennial Mall South, P.O. Box 94816, Lincoln, NE 68509-4816
Retirement Systems Committee c/o Clerk of the Legislature, State Capitol, Room 2018, Lincoln, NE 68509-4604
Nebraska Auditor of Public Accounts, State Capital, Suite 2302, P.O. Box 98917, Lincoln, NE 68509-8917

City of Lincoln Police and Fire Pension Fund

Actuarial Valuation as of August 31, 2014

Prepared by:

Gregg Rueschhoff, ASA
Principal & Consulting Actuary

Charles Erickson, FSA
Associate Actuary

Milliman, Inc.
1120 South 101st Street, Suite 400
Omaha, NE 68124
Tel 402 393 9400 Fax 402 393 1037
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February 6, 2015

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February 6, 2015

The City Council
City of Lincoln
555 South 10th Street, Room 201
Lincoln, NE 68508

Re: City of Lincoln Police and Fire Pension Fund

Dear Council Members:

At your request, we have performed an annual actuarial valuation of the City of Lincoln Police and Fire Pension Fund as of August 31, 2014 for determining the actuarial contribution rate for fiscal year 2015. The major findings of the valuation are contained in this report. This report reflects the benefit provisions in effect as of August 31, 2014. There were no changes in the benefit provisions from the prior valuation. Changes to assumptions are listed on page 4 of this report. Our findings are set forth in this report.

In preparing this report, we relied, without audit, on information (some oral and some written) supplied by the Plan's staff. This information includes, but is not limited to, plan provisions, member data and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the Plan

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The City has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix C.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Plan. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Plan's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in Appendix B of this report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the City of Lincoln. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The City may provide a copy of Milliman's work, in its entirety, to the City's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Plan.

(b) The City may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We herewith submit the following report and look forward to discussing it with you.

Respectfully Submitted,

MILLIMAN, INC.

Gregg Rueschhoff, ASA
Principal & Consulting Actuary

Charles Erickson, FSA
Associate Actuary

Executive Summary

OVERVIEW

This report presents the results of the August 31, 2014 actuarial valuation of the City of Lincoln Police and Fire Pension Fund (Plan). The primary purposes of performing a valuation are to:

- determine the employer contribution rate required to fund the Plan on an actuarial basis,
- disclose asset and liability measures as of the valuation date,
- determine the experience of the Plan since the last valuation date, and
- analyze and report on trends in contributions, assets, and liabilities over the past several years.

The valuation results provide a "snapshot" view of the Plan's financial condition on August 31, 2014. The unfunded actuarial accrued liability increased by approximately $23.3 million from the last valuation. A detailed analysis of the change in the unfunded actuarial accrued liability from August 31, 2013 to August 31, 2014 is shown on page 3.

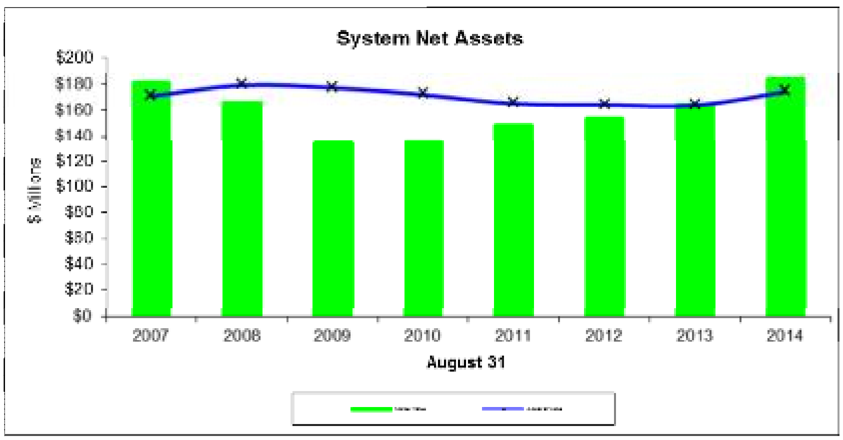
ASSETS

As of August 31, 2014, the Plan had total assets, when measured on a market value basis, of $184.8 million (excluding the COLA Pool assets). This was an increase of $20.2 million from the August 31, 2013 figure of $164.6 million. The market value of assets is not used directly in the calculation of the actuarial contribution rate. An asset valuation method, which smoothes the effect of market fluctuations, is used to determine the value of assets used in the valuation (called the "actuarial value of assets"). Differences between actual return on the market value of assets and the assumed return on the actuarial value of assets are phased-in over a five-year period. Prior to the August 31, 2009 actuarial valuation the gains and losses were phased-in over a four-year period.

See Table 4 on page 12 for a detailed development of the actuarial value of assets. The components of the change in the market and actuarial value of assets for the Retirement Plan (in millions) are set forth in the following table.

	Market Value ($M)	Actuarial Value ($M)
Assets, August 31, 2013	$164.6	$164.2
• City and Member Contributions	10.5	10.5
• Benefit Payments and Refunds	(12.9)	(12.9)
• Administrative Expenses	(0.4)	(0.4)
• Net Investment Income (net of expenses)	23.0	13.2
Assets, August 31, 2014	$184.8	$174.6

The annualized dollar-weighted rate of return, measured on the actuarial value of assets was 8.45% and, measured on the market value of assets, was 16.49%. The actuarial value of assets as of August 31, 2014 was $174.6 million, which reflects an actuarial gain of $1.0 million resulting from the phase-in of investment returns from the current and preceding four years.



The actuarial value of assets has been both above and below the market value during this period. This is to be expected when using an asset smoothing method.

Note: Results for years before 2009 were prepared by the prior actuary.

Due to the asset smoothing method, there is a difference of about $10.2 million between the actuarial value and the market value of assets.

LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the asset value at the same date is referred to as the unfunded actuarial accrued liability (UAAL) or (surplus) if the asset value exceeds the actuarial accrued liability. The unfunded actuarial accrued liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial accrued liability. Benefit improvements, experience gains and losses, and changes in actuarial assumptions and procedures will also impact the total actuarial accrued liability and the unfunded portion thereof.

The Unfunded Actuarial Accrued Liability for the Plan as of August 31, 2014 is:

Actuarial Accrued Liability	$262,918,401
Actuarial Value of Assets	174,569,411
Unfunded Actuarial Accrued Liability	88,348,990

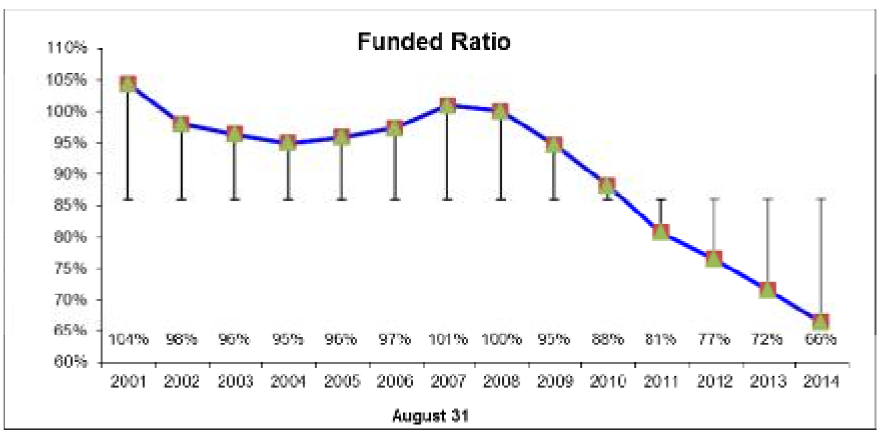
Between August 31, 2013 and August 31, 2014, the change in the unfunded actuarial accrued liability (UAAL) for the Plan was as follows:

	$(M)
UAAL, August 31, 2013	65.0
+ Normal cost for year	6.1
+ Assumed investment return for year	5.1
- Actual contributions (member + City)	10.5
- Assumed investment return on contributions	0.4
+ Changes in assumptions	22.7
= Expected UAAL, August 31, 2014	88.0
Actual UAAL, August 31, 2014	88.3
Experience gain/(loss) (Expected UAAL – Actual UAAL)	(0.3)

The experience loss for the last plan year of $0.3 million was the result of an actuarial gain of $1.0 million on Plan assets (actuarial value) and a $1.3 million actuarial loss on Plan liabilities.

Analysis of the unfunded actuarial accrued liability strictly as a dollar amount can be misleading. Another way to evaluate the unfunded actuarial accrued liability and the progress made in its funding is to track the funded status, the ratio of the actuarial value of assets to the actuarial accrued liability. This information for recent years is shown below (in millions). Historical information is shown in the graph following the chart.

	8/31/07	8/31/08	8/31/09	8/31/10	8/31/11	8/31/12	8/31/13	8/31/14
Actuarial Value of Assets ($M)	$171.3	$179.4	$177.5	$172.3	$165.4	$164.5	$164.2	$174.6
Actuarial Accrued Liability ($M)	$169.6	$179.4	$187.3	$195.2	$205.0	$214.9	$229.2	$262.9
Funded Ratio (Actuarial Assets/AAL)	101%	100%	95%	88%	81%	77%	72%	66%
Market Value of Assets ($M)	$181.1	$165.9	$134.9	$135.8	$148.3	$153.5	$164.6	$184.8
Actuarial Accrued Liability ($M)	$169.6	$179.4	$187.3	$195.2	$205.0	$214.9	$229.9	$262.9
Funded Ratio (MVA/AAL)	107%	92%	72%	70%	72%	71%	72%	70%



Over the past decade, the funded ratio (actuarial value of assets divided by actuarial accrued liability) has been between 66% and 110%.

Note: Results for years before 2009 were prepared by the prior actuary.

As mentioned earlier in this report, due to the asset smoothing method there is about $10.2 million difference between the actuarial and market value of assets. This deferred investment experience will flow through the asset smoothing method over the next five years. If all actuarial assumptions are met and unfavorable investment experience does not occur, the funded ratio will increase to around 70% in five years as the asset smoothing method recognizes the deferred investment experience. The Plan's funded status will continue to be heavily dependent on future investment returns.

CONTRIBUTION RATES

Generally, contributions to the Plan consist of:

- a “normal cost” for the portion of projected liabilities allocated to service of members during the year following the valuation date, by the actuarial cost method,
- an “unfunded actuarial accrued liability or (surplus) contribution” for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets.

Contribution rates are computed with the objective of developing costs that are level as a percentage of covered payroll. Because of the changes in actuarial assumptions, the contribution rate for fiscal year 2016 is computed based on the August 31, 2014 actuarial valuation.

The City is required to contribute no less than the employer normal cost plus administrative expenses. Given the Plan’s funded status and the unrecognized losses, we recommend the City contribute the full actuarial employer contribution rate. Due to the changes in actuarial assumptions, the employer contribution rate increased by more than 3% from the 2013 to the 2014 valuation, as shown below:

	Actuarial Valuation	
Actuarial Contribution Rate	**8/31/14**	**8/31/13**
1) Normal Cost	18.33%	19.13%
a. Member Financed	6.75%	6.82%
b. Employer Portion (1) – (2a)	11.58%	12.31%
2. UAL/(Surplus) Contribution	12.86%	8.88%
3. Employer Contribution Rate	24.44%	21.19%

COMMENTS

As of August 31, 2014, the actuarial accrued liability was $263 million and the actuarial value of assets was $175 million, resulting in a funded ratio of 66%, down from the funded ratio of 72% last year. Using the market value of assets, the funded ratio is 70%.

Retirement plans use several mechanisms to provide more stability in the contribution levels. These include an asset smoothing method, which smoothes out the peaks and valleys of investment returns, and amortization of any actuarial gains or losses over a period of years. The Plan utilizes an asset smoothing method that spreads the difference between expected and actual return over a five-year period. The rate of return on the actuarial value of assets for the plan year ending in 2014 was about 8% as compared to 16% on the pure market value. The increase in the unfunded actuarial liability from the actuarial loss resulting from experience in FY14 is amortized over a 30-year period, which mitigates the impact of the unfavorable experience.

Actuarial calculations are made based on several economic and demographic assumptions that will affect the level of benefits calculated for future retirees or how long current and future retirees will live. Actuarial results are monitored from year to year and actuarial assumptions should be revised as historical patterns arise and future expectations change. An actuarial experience analysis should be performed from time to time to assess current assumptions and to make recommendations for changes in current assumptions. We have performed a five year actuarial experience analysis on the City of Lincoln Police and Fire Pension Fund and based on the results of that analysis, we have made the following changes to the actuarial assumptions effective for the August 31, 2014 calculations:

1) Expected future investment returns have been reduced from 7.50% to 6.75% compounded annually.
2) Assumed salary increase rates have been reduced as shown in Appendix C.
3) Mortality tables have been updated to the RP2000 Mortality table with generational improvements.
4) Assumed rates of retirement have been updated as shown in Appendix C.
5) The payroll growth assumption has been reduced from 4.25% to 3.00%.

The unfunded actuarial accrued liability increased by $22.7 million as a result of the revisions to the plan assumptions. However, the Employer Normal Cost rate decreased from 19.15% to 18.33% of payroll.

As mentioned above, the Plan utilizes an asset smoothing method in the valuation process. While this is a common procedure for public retirement Plans, it is important to identify the potential impact of the deferred (unrecognized) investment experience. The key valuation results from the August 31, 2014 actuarial valuation are shown below using both the actuarial value of assets and the pure market value.

	Using Actuarial Value of Assets	**Using Market Value of Assets**
Actuarial Liability	$ 262,918,401	$ 262,918,401
Asset Value	174,569,411	184,834,762
Unfunded Actuarial Liability	$ 88,348,990	$ 78,083,639
Funded Ratio	66%	70%
Normal Cost Rate	18.33%	18.33%
UAL Contribution Rate	12.86%	11.37%
Total Actuarial Contribution Rate	31.19%	29.70%
Member Contribution Rate	(6.75)%	(6.75)%
Employer Actuarial Contribution Rate	24.44%	22.95%

We conclude this Executive Summary with the following exhibit which compares the principal results of the current and prior actuarial valuation.

SUMMARY OF PRINCIPAL RESULTS

		8/31/2014 Valuation		8/31/2013 Valuation	% Change
1. PARTICIPANT DATA					
Number of:					
Active Members		555		573	(3.1) %
DROP Members		52		48	8.3 %
Retired Members and Beneficiaries		465		448	3.8 %
Inactive Vested Members		27		24	12.5 %
Total Members		1,099		1,093	0.5 %
Projected Valuation Salaries of Active Members	$	37,887,505	$	38,107,652	(0.6) %
Annual Retirement Payments for DROP Members, Retired Members and Beneficiaries	$	12,354,404	$	11,349,256	8.9 %
2. ASSETS AND LIABILITIES					
Total Actuarial Accrued Liability	$	262,918,401	$	229,192,937	14.7 %
Market Value of Assets*		184,834,762		164,617,759	12.3 %
Actuarial Value of Assets*		174,569,411		164,189,914	6.3 %
Unfunded Actuarial Accrued Liability/(Surplus)	$	88,348,990	$	65,003,023	35.9 %
Funded Ratio - Actuarial Value		66%		72%	(7.3) %
Funded Ratio - Market Value		70%		72%	(2.1) %

* Excludes the COLA Pool Fund

	8/31/2014 Valuation	8/31/2013 Valuation	% Change
3. EMPLOYER ACTUARIAL CONTRIBUTION RATE AS A PERCENT OF PAYROLL			
Normal Cost	18.33%	19.13%	(4.2) %
Member Financed	6.75%	6.82%	(1.0) %
Employer Normal Cost	11.58%	12.31%	(5.9) %
Amortization of Unfunded Actuarial Accrued Liability or (Surplus)	12.86%	8.88%	44.8 %
Employer Actuarial Contribution Rate	24.44%	21.19%	15.3 %

Scope of the Report

This report presents the actuarial valuation of the City of Lincoln Police and Fire Pension Fund as of August 31, 2014. This valuation was prepared at the request of the City.

There was no change in the benefit structure from the prior valuation. However, there were significant changes to the actuarial assumptions as summarized in the Executive Summary of this report.

Please pay particular attention to our cover letter, where the guidelines employed in the preparation of this report are outlined. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings which result from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of the Plan. Sections 4 and 5 describe how the obligations of the Plan are to be met under the actuarial cost method in use.

This report includes several appendices:

- Appendix A Schedules of valuation data classified by various categories of members.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on August 31, 2014.
- Appendix C A summary of the actuarial methods and assumptions used to estimate liabilities and determine contribution rates.
- Appendix D A glossary of actuarial terms.

Assets

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is August 31, 2014. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the Plan, which are generally in excess of assets. The actuarial process then leads to a method of determining the contributions needed by members and the employer in the future to balance the Plan assets and liabilities.

Market Value of Assets

The current market value represents the "snapshot" or "cash-out" value of Plan assets as of the valuation date. In addition, the market value of assets provides a basis for measuring investment performance from time to time. Table 1 is a comparison, at market values, of Plan assets as of August 31, 2014, and August 31, 2013, in total and by investment category. Table 2 summarizes the change in the market value of assets from August 31, 2013 to August 31, 2014.

Actuarial Value of Assets

Neither the market value of assets, representing a "cash-out" value of Plan assets, nor the book values of assets, representing the cost of investments, may be the best measure of the Plan's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. Under this methodology, the difference between the actual investment return on the market value of assets and assumed investment return on the actuarial value of assets is phased-in over a four year period. Effective with the August 31, 2009 actuarial valuation, the smoothing period was changed prospectively to five years. Table 4 shows the development of the actuarial value of assets (AVA) as of the current valuation date.

TABLE 1

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

STATEMENT OF NET PLAN ASSETS AT MARKET VALUE

	Market Value	
	August 31, 2014	**August 31, 2013**
Cash & Equivalents	$9,668,120	$6,820,468
Accrued Interest & Dividends	71,140	963,763
Receivables	0	0
Alternative Investments	46,141,565	54,560,678
Debt	33,197,625	29,794,972
Equity	124,264,365	93,628,068
Global Strategy	0	0
Real Estate	0	0
Total Assets	$213,342,815	$185,767,949
Accounts Payable	0	0
Interim Plan Assets	213,342,815	185,767,949
COLA Pool	(28,508,053)	(21,150,190)
Net Assets Available for Benefits	$184,834,762	$164,617,759

TABLE 2

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

STATEMENT OF CHANGES IN NET ASSETS*
DURING YEAR ENDED AUGUST 31, 2014

(Market Value)

1. Market Value of Assets as of August 31, 2013	$	185,767,949
2. Contributions:		
a. Members	$	2,613,971
b. City		7,865,929
c. EMS		0
d. Total	$	10,479,900
[2(a) + 2(b) + 2(c)]		
3. Investment Income		
a. Interest and Dividends	$	3,958,513
b. Realized Gains		11,161,420
c. Investment Expenses		(137,488)
d. Short and Long Term Capital Gains		3,581,000
e. Unrealized Gains		11,842,958
f. Total	$	30,406,403
[3(a) + 3(b) + 3(c) + 3(d) + 3(e)]		
4. Expenditures		
a. Refunds of Member Contributions	$	171,278
b. Benefits Paid:		
(1) Base Pension and Compensation Payments		10,221,360
(2) DROP Payments		2,491,227
(3) Temporary Total Disability		20,428
(4) COLA Pool Payments		525,870
c. Administrative Expenses		407,146
d. Total	$	13,837,309
[4(a) + 4(b) + 4(c)]		
5. Changes and adjustments	$	525,872
6. Net Change	$	27,574,866
[2(d) + 3(f) - 4(d) + (5)]		
7. Market Value of Assets as of August 31, 2014	$	213,342,815

* Includes COLA pool assets of $28,508,053

TABLE 3

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

STATEMENT OF CHANGES IN COLA POOL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2014

(Market Value)

1. Market Value of COLA Pool as of August 31, 2013	$	21,150,190
2. Additions to COLA Pool	$	4,395,295
3. Investment Income on COLA Pool	$	3,488,438
4. COLA Pool Payments		
a. Retirants and Beneficiaries	$	479,966
b. DROP Members		45,904
c. Total	$	525,870
5. Net Change	$	7,357,863
6. Market Value of COLA Pool as of August 31, 2014	$	28,508,053

Cost-of-Living Adjustments

Effective October 1992, the Pension Fund Ordinance provides for cost-of-living (COLA) benefits to pensioners. The source of funding for the COLA benefits is not guaranteed. The City has indicated that the payment of a COLA is not guaranteed and has chosen not to pre-fund this benefit. Therefore, COLA benefits and the corresponding pool of assets were not included in this valuation of the Pension Fund or in the determination of the employer contribution.

TABLE 4

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

Year Ended August 31:	2012	2013	2014
Beginning of Year Values			
(1) Market Value	148,347,670	153,546,978	164,617,759
(2) Actuarial Value	165,436,361	164,500,414	164,189,914
(3) Noninvestment Net Cash Flow	(3,861,790)	(3,683,125)	(3,357,409)
(4) Expected Income (7.5%)	12,265,528	12,201,911	12,190,617
(5) Actual Income	9,061,098	14,753,906	23,574,412
(6) Gain/(Loss)	(3,204,430)	2,551,995	11,383,795
(7) Recognized Income			
(a) Expected	12,265,528	12,201,911	12,190,617
(b) Current Year's Base	(640,886)	510,399	2,276,759
(c) 1 year ago	908,898	(640,886)	510,399
(d) 2 years ago	(1,508,881)	908,898	(640,886)
(e) 3 years ago	(8,098,816)	(1,508,881)	908,898
(f) 4 years ago		(8,098,816)	(1,508,881)
(f) Total Income Recognized	2,925,843	3,372,625	13,736,906
End of Year Values			
(8) Market Value	153,546,978	164,617,759	184,834,762
(9) Actuarial Value (2) + (3) + (7f)	164,500,414	164,189,914	174,569,411
Actuarial Value / Market Value	107.1%	99.7%	94.4%
Net Return - Market Value	5.42%	12.03%	16.49%
Net Return - Actuarial Value	1.79%	2.07%	8.45%

Note: Beginning in 2009, the gain/(loss) is recognized over five years rather than four. Prior years' schedules were unchanged with respect to the amount of gain/(loss) to be recognized in future years.

Plan Liabilities

In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of assets of the City as of the valuation date, August 31, 2014. In this section, the discussion will focus on the commitments (future benefit payments) of the Plan, which are referred to as its liabilities.

Table 5 contains an analysis of the actuarial present value of all future benefits (PVFB) for contributing members, inactive members, retirees and their beneficiaries. The liabilities summarized in Table 5 include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes the measurement of both benefits already earned and future benefits to be earned. For all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and for the lives of the surviving beneficiaries.

All liabilities reflect the benefit provisions in place as of August 31, 2014. No liabilities have been included in this valuation for any future COLA payments to be made from the COLA pool.

Actuarial Accrued Liability

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. An actuarial cost method is a mathematical technique that allocates the present value of future benefits into annual costs. In order to do this allocation, it is necessary for the funding method to "breakdown" the present value of future benefits into two components:

(1) that which is attributable to the past, and

(2) that which is attributable to the future.

Actuarial terminology calls the part attributable to the past the "past service liability" or the "actuarial accrued liability". The portion allocated to the future is known as the present value of future normal costs, with the specific piece of it allocated to the current year being called the "normal cost". Table 7 contains the calculation of actuarial accrued liability for the Plan. The Entry Age Normal actuarial cost method is used to develop the actuarial accrued liability.

TABLE 5

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

PRESENT VALUE OF FUTURE BENEFITS (PVFB)
AS OF AUGUST 31, 2014

1. Active employees		
a. Retirement Benefit	$	164,812,581
b. Pre-Retirement Death Benefit		7,631,068
c. Deferred Vested Benefit		10,358,855
d. Disability Benefit		2,951,855
e. Return of Contributions		1,271,357
f. Total	$	187,025,716
2. Inactive Vested Members	$	3,589,014
3. In Pay Members		
a. Retirees	$	104,150,869
b. DROP members		28,748,663
c. Beneficiaries		6,596,670
d. Total	$	139,496,202
4. Total Present Value of Future Benefits		
(1) + (2) + (3d)	$	330,110,932

TABLE 6

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

ACTUARIAL BALANCE SHEET
AS OF AUGUST 31, 2014

Actuarial value of assets	$	174,569,411
Present value of future normal costs		67,192,531
Present value of future payments on the unfunded actuarial accrued liability		88,348,990
Total Assets	$	330,110,932

Active employees	$	187,025,716
Inactive vested members		3,589,014
In pay members		139,496,202
Total Liabilities	$	330,110,932

TABLE 7

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

ACTUARIAL ACCRUED LIABILITY
AS OF AUGUST 31, 2014

1. Active employees		
a. Present Value of Future Benefits	$	187,025,716
b. Present Value of Future Normal Costs		67,192,531
c. Actuarial Accrued Liability	$	119,833,185
(1a) - (1b)		
2. Inactive Vested Members	$	3,589,014
3. In Pay Members		
a. Retirees	$	104,150,869
b. DROP members		28,748,663
c. Beneficiaries		6,596,670
d. Total	$	139,496,202
4. Total Actuarial Accrued Liability		
(1c) + (2) + (3d)	$	262,918,401
5. Actuarial Value of Assets	$	174,569,411
6. Unfunded Actuarial Accrued Liability	$	88,348,990
(4) - (5)		

TABLE 8

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

DERIVATION OF PLAN EXPERIENCE GAIN/(LOSS)

		($M)	
		Year Ended 08/31/2014	Year Ended 08/31/2013
(1)	UAAL* at start of year	65.0	50.4
(2) +	Normal cost for year	6.1	6.4
(3) +	Assumed investment return on (1) & (2)	5.1	4.0
(4) -	Actual contributions (member + city)	10.5	9.0
(5) -	Assumed investment return on (4)	0.4	0.3
(6) +	Death after retirement liability	0.0	4.3
(7) +	Changes in assumptions	22.7	0.0
(8) =	Expected UAAL at end of year (1) + (2) + (3) - (4) - (5) + (6) + (7)	88.0	55.8
(9) =	Actual UAAL at year end	88.3	65.0
(10) =	Experience gain (loss) (8) – (9)	(0.3)	(9.2)
(11) =	Percent of beginning of year AAL	(0.1%)	(4.3%)

* *Unfunded Actuarial Accrued Liability/(Surplus).*

Valuation Date	Actuarial Gain (Loss) As % of Beginning Accrued Liabilities
Aug. 31, 2002	(5.3%)
Aug. 31, 2003	(0.5%)
Aug. 31, 2004	(0.3%)
Aug. 31, 2005	1.7%
Aug. 31, 2006	2.3%
Aug. 31, 2007	3.2%
Aug. 31, 2008	(0.8%)
Aug. 31, 2009	(7.1%)
Aug. 31, 2010	(6.6%)
Aug. 31, 2011	(7.9%)
Aug. 31, 2012	(4.9%)
Aug. 31, 2013	(4.3%)
Aug. 31, 2014	(0.1%)

TABLE 9

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

PROJECTED CASH FLOWS

The chart below shows estimated benefits expected to be paid over the next twenty years, based on the assumptions used in this valuation. The "Actives" column shows benefits expected to be paid to members currently active on August 31, 2014. The "Retirees" column shows benefits expected to be paid to all other members. This includes those who, as of August 31, 2014, are receiving benefit payments or who terminated employment and are entitled to a deferred vested benefit. No future members are reflected.

Year Ending August 31	Actives	Retirees	Total
2015	$ 586,000	$ 12,289,000	$ 12,875,000
2016	1,190,000	12,174,000	13,364,000
2017	1,829,000	12,039,000	13,868,000
2018	2,575,000	11,948,000	14,523,000
2019	3,338,000	11,835,000	15,173,000
2020	4,200,000	11,726,000	15,926,000
2021	5,167,000	11,550,000	16,717,000
2022	6,211,000	11,374,000	17,585,000
2023	7,356,000	11,210,000	18,566,000
2024	8,475,000	11,061,000	19,536,000
2025	9,662,000	10,844,000	20,506,000
2026	10,914,000	10,621,000	21,535,000
2027	12,289,000	10,367,000	22,656,000
2028	13,619,000	10,137,000	23,756,000
2029	14,984,000	9,875,000	24,859,000
2030	16,318,000	9,588,000	25,906,000
2031	17,674,000	9,291,000	26,965,000
2032	19,012,000	8,983,000	27,995,000
2033	20,261,000	8,665,000	28,926,000
2034	21,508,000	8,337,000	29,845,000

Employer Contributions

The previous two sections were devoted to a discussion of the assets and liabilities of the Plan. A comparison of Tables 4 and 5 indicates that current assets fall short of meeting the present value of future benefits (total liability). This is expected in all but a completely closed fund, where no further contributions are anticipated. In an active Plan, there will almost always be a difference between the actuarial value of assets and total liabilities. This deficiency has to be made up by future contributions and investment returns. An actuarial valuation sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. Under an actuarial cost method, the contributions required to meet the difference between current assets and current liabilities are allocated each year between two elements: (1) the normal cost rate and (2) the unfunded actuarial accrued liability contribution rate.

The term “fully funded” is often applied to a Plan in which contributions at the normal cost rate are sufficient to pay for the benefits of existing employees as well as for those of new employees. More often than not, Plans are not fully funded, either because of past benefit improvements that have not been completely funded or because of actuarial deficiencies that have occurred because experience has not been as favorable as anticipated. Under these circumstances, an unfunded actuarial accrued liability (UAAL) exists. Likewise, when the actuarial value of assets is greater than the actuarial accrued liability, a surplus exists.

Description of Contribution Rate Components

The Entry Age Normal (EAN) actuarial cost method is used for the valuation. Under that method, the normal cost for each year from entry age to assumed exit age is a constant percentage of the member’s year by year projected compensation. The portion of the present value of future benefits not provided by the present value of future normal costs is the actuarial accrued liability. The unfunded actuarial accrued liability/(surplus) represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

In general, contributions are computed in accordance with a level percent-of-payroll funding objective. The contribution rate based on the August 31, 2014 actuarial valuation will be used to determine the actuarial required employer contribution rate to the City of Lincoln Police and Fire Pension Fund for fiscal year end 2016. In this context, the term “contribution rate” means the percentage, which is applied to a particular active member payroll to determine the actual employer contribution amount (i.e., in dollars) for the group.

As of August 31, 2014, the actuarial accrued liability was greater than the valuation assets so an unfunded actuarial accrued liability (UAAL) exists. The UAAL at August 31, 2014 is amortized, as a level percent of payroll, over a period of 30 years.

Contribution Rate Summary

In Table 10, the amortization payment related to the unfunded actuarial accrued liability, as of August 31, 2015, is developed. Table 11 develops the actuarial contribution rate for the employer.

The contribution rates shown in this report are based on the actuarial assumptions and cost methods described in Appendix C.

TABLE 10

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

AUGUST 31, 2014 VALUATION

DERIVATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY CONTRIBUTION RATE

1. Actuarial Accrued Liability	$	262,918,401
2. Actuarial Value of Assets	$	174,569,411
3. Unfunded Actuarial Accrued Liability/(Surplus)	$	88,348,990
4. Amortization Factor (30 years)		18.7299
5. Amortization Payment (3) / (4) x $1.0675^{.5}$	$	4,873,614
6. Total Projected Payroll for FY 2014	$	37,887,505
7. Amortization Payment as a Percent of Payroll		12.86%

TABLE 11

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

EMPLOYER ACTUARIAL CONTRIBUTION RATE

	Valuation Date	
	8/31/2014	8/31/2013
Normal Cost		
Service pensions	14.24%	16.29%
Pre-retirement death pensions	0.88%	0.40%
Disability pensions	0.50%	0.60%
Termination Benefits	2.70%	1.84%
Total Normal Cost	18.33%	19.13%
Total UAAL Amortization Payment	12.86%	8.88%
Total Actuarial Contribution Rate	31.19%	28.01%
Member Portion	6.75%	6.82%
City Portion	24.44%	21.19%

TABLE 12

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

FIVE YEAR BUDGET REQUEST ESTIMATE

Fiscal Year	(1) Valuation Payroll	(2) Employer Normal Cost Percent	(3) Employer Normal Cost Contribution (1) * (2)	(4) Admin. Expenses	(5) **Mandated City Contribution (3) + (4)**	(6) Recommended UAL Contribution Percent	(7) Recommended UAL Contribution (1) * (6)	(8) **Budget Request (5) + (7)**
2015-16	37,887,505	11.58%	4,387,373	407,146	**4,794,519**	12.86%	4,872,333	**9,666,852**
2016-17	39,024,130	11.48%	4,479,970	419,360	4,899,330	12.50%	4,878,016	9,777,346
2017-18	40,194,854	11.38%	4,574,174	431,941	5,006,115	12.25%	4,923,870	9,929,985
2018-19	41,400,700	11.28%	4,669,999	444,899	5,114,898	12.00%	4,968,084	10,082,982
2019-20	42,642,721	11.18%	4,767,456	458,246	5,225,702	11.75%	5,010,520	10,236,222

Accounting Information

The actuarial accrued liability is a measure intended to help the reader assess (i) a retirement Plan's funded status on a going concern basis, and (ii) progress being made toward accumulating the assets needed to pay benefits as due. Allocation of the actuarial present value of projected benefits between past and future service was based on service using the Entry Age Normal actuarial cost method. Assumptions, including projected pay increases, were the same as used to determine the Plan's level percent of payroll annual required contribution between entry age and assumed exit age. Entry age was established by subtracting credited service from current age on the valuation date.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

The Entry Age Normal actuarial accrued liability was determined as part of an actuarial valuation of the plan as of August 31, 2014. The actuarial assumptions used in determining the actuarial accrued liability can be found in Appendix C.

TABLE 13

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

HISTORICAL FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Accrued Liability (AAL)	Valuation Assets	Unfunded Actuarial Accrued Liability (UAAL)	Actuarial Valuation Assets To AAL	Ratio of UAAL to Valuation Payroll
Dec. 31, 1987	46,239	50,417	(4,178)	109%	-
Dec. 31, 1988	50,820	55,693	(4,873)	110%	-
Dec. 31, 1989	54,676	61,144	(6,468)	112%	-
Dec. 31, 1990#@	55,127	66,511	(11,384)	121%	-
Aug. 31, 1991#	59,149	68,390	(9,241)	116%	-
Aug. 31, 1992@	63,407	77,980	(14,573)	123%	-
Aug. 31, 1993	67,910	86,583	(18,673)	127%	-
Aug. 31, 1994	70,517	83,308	(12,791)	118%	-
Aug. 31, 1995#	79,202	92,235	(13,033)	116%	-
Aug. 31, 1996	81,583	94,348	(12,765)	116%	-
Aug. 31, 1997*	91,023	101,476	(10,453)	111%	-
Aug. 31, 1998	94,848	109,213	(14,365)	115%	-
Aug. 31, 1999#@	104,692	113,902	(9,210)	109%	-
Aug. 31, 2000	115,671	121,404	(5,733)	105%	-
Aug. 31, 2001	122,661	128,070	(5,409)	104%	-
Aug. 31, 2002#@	130,875	128,319	2,556	98%	10%
Aug. 31, 2003	137,508	132,578	4,930	96%	18%
Aug. 31, 2004	144,179	136,974	7,205	95%	26%
Aug. 31, 2005	151,978	145,730	6,248	96%	22%
Aug. 31, 2006	161,583	157,527	4,056	97%	13%
Aug. 31, 2007@	169,587	171,264	(1,677)	101%	-
Aug. 31, 2008	179,376	179,390	(14)	100%	-
Aug. 31, 2009	187,292	177,527	9,766	95%	29%
Aug. 31, 2010	195,206	172,317	22,889	88%	67%
Aug. 31, 2011	204,990	165,436	39,554	81%	111%
Aug. 31, 2012	214,879	164,500	50,379	77%	139%
Aug. 31, 2013	229,193	164,190	65,003	72%	171%
Aug. 31, 2014	262,918	174,569	88,349	66%	233%

\# *After changes in benefit provisions*
@ *After changes in actuarial assumptions or methods*
* *After inclusion of "old" plan*

Note: Results for years prior to 2009 were taken from the prior actuary's report.

TABLE 13 (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

Two tests of funding progress based on the relationship between valuation assets and actuarial accrued liabilities are shown above. These tests are, however, dependent upon the actuarial cost method.

The Ratio of Valuation Assets to Actuarial Accrued Liabilities is a traditional measure of a Plan's funding progress. Except in years when the benefit provisions are amended or actuarial assumptions are revised, the ratio can be expected to gradually tend toward 100%, assuming computed contribution amounts are received by the plan.

The Ratio of Unfunded Actuarial Accrued Liabilities to Valuation Payroll is another relative index of condition. In an inflationary economy, the value of dollars is decreasing. This environment results in employee pays increasing in dollar amounts, retirement benefits increasing in dollar amounts, and then, unfunded actuarial accrued liabilities increasing in dollar amounts – all at a time when the actual substance of these items may be decreasing. When looking at dollar amounts, the effects of inflation can hide the actual funding progress from year to year. Unfunded actuarial accrued liabilities dollars divided by active employee payroll dollars provides an index which attempts to eliminate the misleading effects of inflation. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the Plan. Observation of this relative index over a period of years will give an indication of whether the Plan is becoming financially stronger or weaker.

Analysis of the dollar amounts of actuarial value of assets, actuarial accrued liability, or unfunded actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability provides one indication of the Plan's funded status on a going-concern basis. Analysis of this percentage over time indicates whether the Plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan's funding. The unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan's funding.

TABLE 14

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Percent Funded (1)/(2)	Unfunded AAL (2) – (1)	Payroll**	Unfunded AAL As a Percentage of Covered Payroll (4)/(5)
8/31/2002	$128,319,145	$130,875,473	98.00%	$2,556,328	$26,606,881	9.60%
8/31/2003	132,577,506	137,507,824	96.40%	4,930,318	27,415,330	18.00%
8/31/2004	136,973,679	144,178,758	95.00%	7,205,079	28,124,862	25.60%
8/31/2005	145,730,474	151,978,408	95.90%	6,247,934	29,029,309	21.50%
8/31/2006	157,527,392	161,583,285	97.50%	4,055,893	30,724,333	13.20%
8/31/2007	171,263,791	169,587,458	101.00%	(1,676,333)	30,546,235	(5.50%)
8/31/2008	179,390,472	179,376,149	100.00%	(14,323)	32,265,715	0.00%
8/31/2009	177,526,641	187,292,374	94.79%	9,765,733	33,449,977	29.20%
8/31/2010	172,317,463	195,206,353	88.27%	22,888,890	34,233,197	66.86%
8/31/2011	165,436,361	204,990,324	80.70%	39,553,963	35,763,446	110.60%
8/31/2012	164,500,414	214,878,992	76.55%	50,378,578	36,310,880	138.74%
8/31/2013	164,189,914	229,192,937	71.64%	65,003,023	38,107,652	170.58%
8/31/2014	174,569,411	262,918,401	66.40%	88,348,990	37,887,505	233.19%

Note: For valuation dates prior to 2009, information shown is from the prior actuary's report

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Beginning September 1	Actuarial Valuation Date	Annual Required Contribution
2003	8/31/2002	$3,297,577
2004	8/31/2003	3,684,264
2005	8/31/2004	4,077,037
2006	8/31/2005	4,056,195
2007	8/31/2006	4,076,536
2008	8/31/2007	3,316,464
2009	8/31/2008	3,752,124
2010	8/31/2009	4,651,872
2011	8/31/2010	5,574,482
2012	8/31/2011	6,718,467
2013	8/31/2012	7,377,763
2014	8/31/2013	8,418,199
2015	8/31/2014	9,537,497

* *Annual required contribution is equal to the contribution percent times the valuation payroll (item (5)) projected to the appropriate fiscal year. The employer contribution rate from 8/31/02 to 8/31/08 is based on a 10-year amortization of the UAAL/(Surplus). The UAAL is amortized over 30 years effective 8/31/09.*

** *Non-DROP payroll in 2002 and later.*

Appendices

APPENDIX A

SUMMARY OF MEMBERSHIP DATA

MEMBER DATA RECONCILIATION
August 31, 2013 to August 31, 2014

The number of members included in the valuation, as summarized in the table below, is in accordance with the data submitted by the Plan for members as of the valuation date.

	Active Participants	DROP Members	Retirees	Disableds	Beneficiaries	Inactive Vested	Total
Members as of 08/31/13	573	48	350	45	53	24	1,093
New Members	+20	0	0	0	0	0	+20
Terminations							
Refunded	-10	0	0	0	0	0	-10
Deferred Vested	-4	0	0	0	0	+4	0
Retirements							
Service	-5	-11	+17	0	0	-1	0
Disability	-4	0	0	+4	0	0	0
DROP	-15	+15	0	0	0	0	0
Deaths							
Cashed Out	0	0	0	0	0	0	0
With Beneficiary	0	0	0	0	0	0	0
Without Beneficiary	0	0	-2	0	-2	0	-4
Data Adjustments	0	0	0	0	0	0	0
Members as of 08/31/14	**555**	**52**	**365**	**49**	**51**	**27**	**1,099**

APPENDIX A (continued)

Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls No.**	Added to Rolls Annual Benefits	Added to Rolls Post-Ret. Increases	Removed from Rolls No.	Removed from Rolls Annual Benefits	Rolls End of Year No.	Rolls End of Year Annual Benefits	% Incr. Annual Benefits	Average Annual Benefit	Expected Removals
Dec. 31, 1982	8	$ 84,321	$	2	$ 9,043	82	$ 478,419	18.7%	$ 5,834	2.0
Dec. 31, 1983	3	21,512		4	17,233	81	482,698	0.9%	5,959	2.2
Dec. 31, 1984	6	75,732		1	3,600	86	554,830	14.9%	6,452	2.1
Dec. 31, 1985	12	102,224		6	26,240	92	630,814	13.7%	6,857	2.1
Dec. 31, 1986	8	89,719		2	4,810	98	715,723	13.5%	7,303	2.2
Dec. 31, 1987	12	123,986		4	21,530	106	818,178	14.3%	7,719	2.4
Dec. 31, 1988	6	109,203		2	11,578	110	915,803	11.9%	8,325	2.5
Dec. 31, 1989	7	114,257		3	10,800	114	1,019,260	11.3%	8,941	2.6
Dec. 31, 1990	11	116,420		3	19,220	122	1,116,460	9.5%	9,151	2.6
Aug. 31, 1991	22 #	308,940	42,470	2	7,200	142	1,460,670	30.8%	10,286	2.9
Aug. 31, 1992	16	221,944		1	3,816	157	1,678,798	14.9%	10,693	3.0
Aug. 31, 1993	17	219,974		1	10,698	173	1,888,074	12.5%	10,914	3.4
Aug. 31, 1994	16	218,777		4	17,829	185	2,089,022	10.6%	11,292	3.9
Aug. 31, 1995	16	211,219		4	37,158	197	2,263,083	8.3%	11,488	4.0
Aug. 31, 1996	8	149,099		2	16,566	203	2,395,616	5.9%	11,801	4.4
Aug. 31, 1997	73 ##	590,041		4	56,890	272	3,042,547	27.0%	11,186	4.8
Aug. 31, 1998	10	155,262		11	71,670	271	3,126,139	2.7%	11,536	9.5
Aug. 31, 1999	23	414,130		1	22,889	293	3,517,380	12.5%	12,005	9.1
Aug. 31, 2000	17	335,244		7	62,014	303	3,790,610	7.8%	12,510	9.3
Aug. 31, 2001	14	225,737		16	105,022	301	3,911,325	3.2%	12,994	9.3
Aug. 31, 2002	18	278,160		14	115,340	305	4,074,145	4.2%	13,358	9.1
Aug. 31, 2003	15	219,569		11	119,499	309	4,174,215	2.5%	13,509	9.1
Aug. 31, 2004	12	175,551		5	74,835	316	4,274,931	2.4%	13,528	9.4
Aug. 31, 2005	30	702,721		12	73,072	334	4,904,580	14.7%	14,684	9.5
Aug. 31, 2006	10	262,420		4	36,362	340	5,130,638	4.6%	15,090	10.3
Aug. 31, 2007	38	1,101,713		8	55,280	370	6,177,071	20.4%	16,695	10.8
Aug. 31, 2008	24	621,708		10	128,736	384	6,670,043	8.0%	17,370	11.2
Aug. 31, 2009	20	560,105		2	28,641	402	7,185,166	7.7%	17,874	11.7
Aug. 31, 2010	14	408,351		8	66,170	408	7,477,874	4.1%	18,328	12.9
Aug. 31, 2011	15	455,866		8	84,553	415	7,846,879	4.9%	18,908	12.7
Aug. 31, 2012	30	1,083,442		7	101,972	438	8,828,349	12.5%	20,156	13.1
Aug. 31, 2013	21	700,308		11	165,739	448	9,362,919	6.06%	20,899	13.6
Aug. 31, 2014	20	771,356		3	21,973	465	10,112,391	8.01%	21,747	13.9

*** Includes retirements from the DROP*   *# Includes one member not previously reported*   *## Includes the addition of "old Plan" members*

APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF ACTIVE MEMBERS

NOT-IN-PAY MEMBERS INCLUDED IN VALUATION

Valuation Date	Active Members	Inactive Vested Members	Valuation Payroll**	Average Age	Average Service	Average Pay	% Increase
Dec. 31, 1989	496	24	$13,742,308	39.5	14.7	$ 27,706	3.4%
Dec. 31, 1990	510	30	15,014,896	39.6	14.7	29,441	6.3%
Aug. 31, 1991	490	36	15,157,150	39.3	14.4	30,933	5.1%
Aug. 31, 1992	471	37	15,364,976	40.0	15.0	32,622	5.5%
Aug. 31, 1993	516	38	16,721,658	39.3	14.5	32,406	(0.7)%
Aug. 31, 1994	521	42	17,698,377	39.0	13.4	33,970	4.8%
Aug. 31, 1995	526	41	18,561,302	39.1	14.5	35,288	3.9%
Aug. 31, 1996	545	42	19,224,719	39.1	14.3	35,275	0.0%
Aug. 31, 1997	549	43	20,908,549	38.9	13.3	38,085	8.0%
Aug. 31, 1998	561	47	21,860,493	38.8	13.2	38,967	2.3%
Aug. 31, 1999	545	48	23,611,284	39.1	13.5	43,323	11.2%
Aug. 31, 2000	543	45	25,808,088	39.5	13.8	47,529	9.7%
Aug. 31, 2001	584	41	28,215,685	39.3	13.3	48,315	1.7%
Aug. 31, 2002	536	36	26,606,881	38.4	12.3	49,640	2.7%
Aug. 31, 2003	535	31	27,415,330	38.7	12.5	51,244	3.2%
Aug. 31, 2004	533	25	28,124,862	38.8	12.5	52,767	3.0%
Aug. 31, 2005	533	25	29,029,309	39.1	12.9	54,464	3.2%
Aug. 31, 2006	558	25	30,724,333	39.2	12.8	55,062	1.1%
Aug. 31, 2007	531	28	30,546,235	39.5	13.0	57,526	4.5%
Aug. 31, 2008	549	30	32,265,715	39.3	12.7	58,772	2.2%
Aug. 31, 2009	553	27	33,449,977	39.3	12.6	60,488	2.9%
Aug. 31, 2010	561	26	34,233,197	39.4	12.4	61,022	0.9%
Aug. 31, 2011	562	28	35,763,446	39.6	12.7	63,636	4.3%
Aug. 31, 2012	559	26	36,310,880	39.5	12.6	64,957	2.1%
Aug. 31, 2013	573	24	38,107,652	39.4	12.4	66,506	2.4%
Aug. 31, 2014	555	27	37,887,505	39.6	12.5	68,266	2.6%

** *Reflects Non-DROP payroll in 2002 and later*

APPENDIX A (continued)

ADDITIONS TO AND REMOVALS FROM ACTIVE MEMBERSHIP
ACTUAL AND EXPECTED NUMBERS

Year Ended	Number Added During Year		Normal Retirement*		Disability Retirement		Died-In-Service		Terminations		Active Members End of Year
	A	E	A	E	A	E	A	E	A	E	
Aug. 31, 1996	34	15	8	9.2	0	1.2	0	1.4	7	15.8	545
Aug. 31, 1997	31	27	20	8.3	0	1.4	0	1.4	7	16.6	549
Aug. 31, 1998	42	30	8	8.1	0	1.3	0	1.3	22	18.6	561
Aug. 31, 1999	23	39	19	9.4	1	1.3	0	1.3	19	16.8	545
Aug. 31, 2000	29	31	8	12.5	0	0.5	0	0.6	23	13.9	543
Aug. 31, 2001	61	20	6	14.3	3	0.6	0	0.6	11	14.0	584
Aug. 31, 2002	21	69	54	15.7	0	0.6	0	0.6	15	16.5	536
Aug. 31, 2003	21	22	13	11.1	0	0.5	0	0.5	9	15.3	535
Aug. 31, 2004	28	30	19	12.4	0	0.5	0	0.4	11	14.3	533
Aug. 31, 2005	24	24	9	12.7	2	0.5	0	0.4	13	14.6	533
Aug. 31, 2006	42	17	7	14.7	0	0.5	0	0.5	10	14.1	558
Aug. 31, 2007	19	46	23	17.2	3	0.6	1	0.5	19	14.9	531
Aug. 31, 2008	45	27	11	16.4	2	1.0	0	0.4	14	12.3	549
Aug. 31, 2009	32	30	18	15.4	0	0.9	0	0.9	10	12.8	553
Aug. 31, 2010	36	30	17	16.2	2	0.6	0	0.5	9	12.8	561
Aug. 31, 2011	22	30	10	17.0	0	0.6	1	0.4	10	13.2	562
Aug. 31, 2012	28	30	20	19.5	4	0.6	1	0.5	6	12.5	559
Aug. 31, 2013	40	30	13	20.6	0	0.6	2	0.4	11	12.3	573
Aug. 31, 2014	20	30	20	18.5	4	0.6	0	0.4	14	12.9	555
5-Year Total	146	150	80	97.8	10	3.0	4	2.2	50	63.7	

A: Represents actual number

E: Represents expected number based on assumptions outlined in Section C

** Includes new retirements and DROP members (from active status) beginning with August 31, 2002 valuation*

APPENDIX A (continued)

MEMBERSHIP DATA - AUGUST 31, 2014

Active Members (Not Participating in DROP)

Valuation Division	Number	Employee Contribution Percentage For Those Contributing	Employee Contribution Percentage Total	Annual Payroll Total	Average Age	Average Service	Average Pay
Police							
- Old Plan	2	7.60%	7.60%	$ 136,315	46.0	22.0	$ 68,158
- Plan A	260	8.00%	8.00%	16,207,201	36.2	10.9	62,335
- Plan B *	27	7.60%	0.25%	2,096,871	48.1	24.0	77,662
- Plan C *	9	7.00%	0.00%	736,916	62.0	40.6	81,880
Fire							
- Plan A	215	8.00%	8.00%	15,156,806	39.4	10.7	70,497
- Plan B *	42	7.60%	0.00%	3,553,396	50.8	25.7	84,605
Total	555	7.92%	6.75%	$ 37,887,505	39.6	12.5	$ 68,266

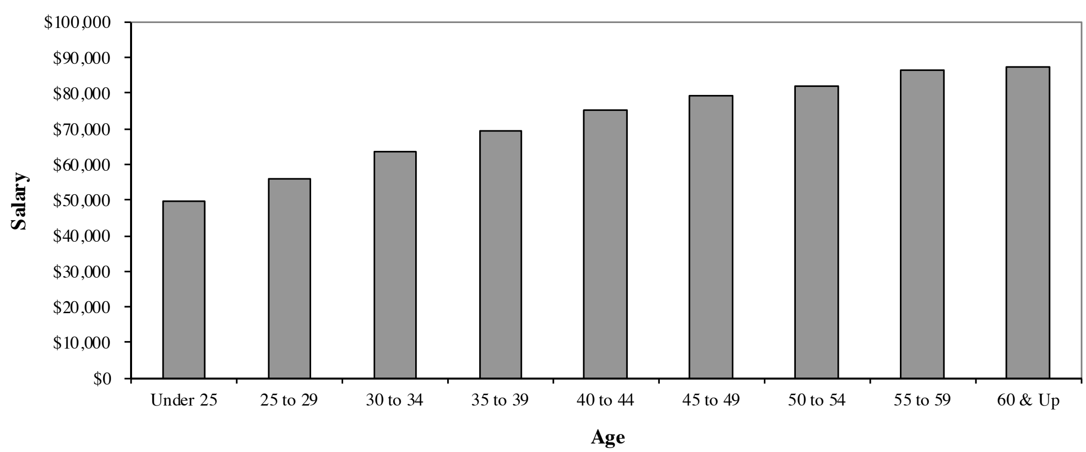
* Employee contributions stop after 21 years of service for this group, therefore the total employee contribution rate will be reduced because not all employees are contributing.

APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF ACTIVE MEMBERS
as of August 31, 2014
(Fire)

	Number			Annual Reported Compensation		
Age	Male	Female	Total	Male	Female	Total
Under 25	1	0	1	$ 49,610	$ -	$ 49,610
25 to 29	20	2	22	1,124,123	104,301	1,228,424
30 to 34	35	5	40	2,195,958	341,525	2,537,483
35 to 39	48	2	50	3,351,046	121,722	3,472,768
40 to 44	45	5	50	3,423,677	345,816	3,769,493
45 to 49	40	2	42	3,180,393	155,423	3,335,816
50 to 54	39	1	40	3,174,035	102,477	3,276,512
55 to 59	8	0	8	690,743	-	690,743
60 & Up	4	0	4	349,353	-	349,353
Total	240	17	257	$ 17,538,938	$ 1,171,264	$ 18,710,202

Average Salary by Age

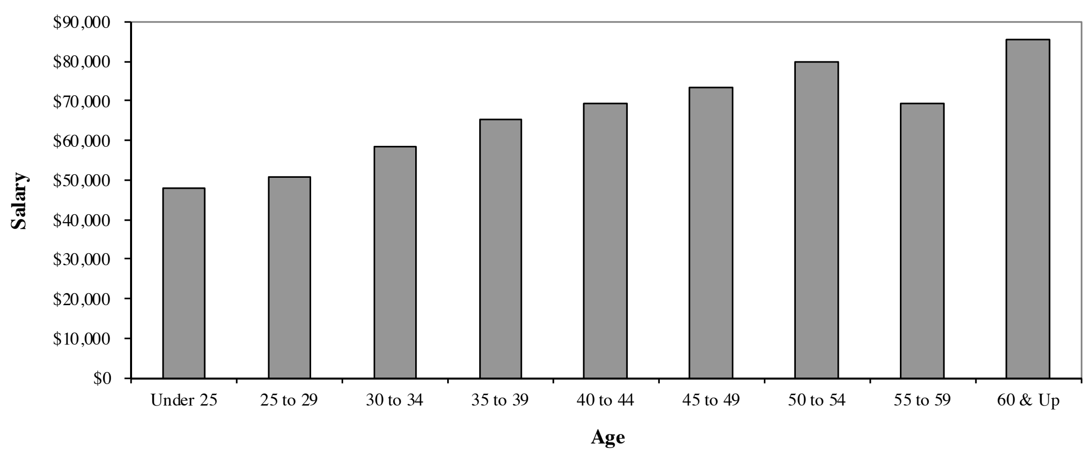


APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF ACTIVE MEMBERS
as of August 31, 2014
(Police)

	Number			Annual Reported Compensation		
Age	Male	Female	Total	Male	Female	Total
Under 25	7	0	7	$ 336,914	$ -	$ 336,914
25 to 29	41	9	50	2,093,272	454,989	2,548,261
30 to 34	49	11	60	2,851,366	648,360	3,499,726
35 to 39	46	7	53	2,960,620	493,147	3,453,767
40 to 44	44	8	52	3,033,381	562,314	3,595,695
45 to 49	48	6	54	3,561,950	405,129	3,967,079
50 to 54	9	4	13	732,582	306,363	1,038,945
55 to 59	2	0	2	138,438	-	138,438
60 & Up	6	1	7	487,010	111,468	598,478
Total	252	46	298	$ 16,195,533	$ 2,981,770	$ 19,177,303

Average Salary by Age

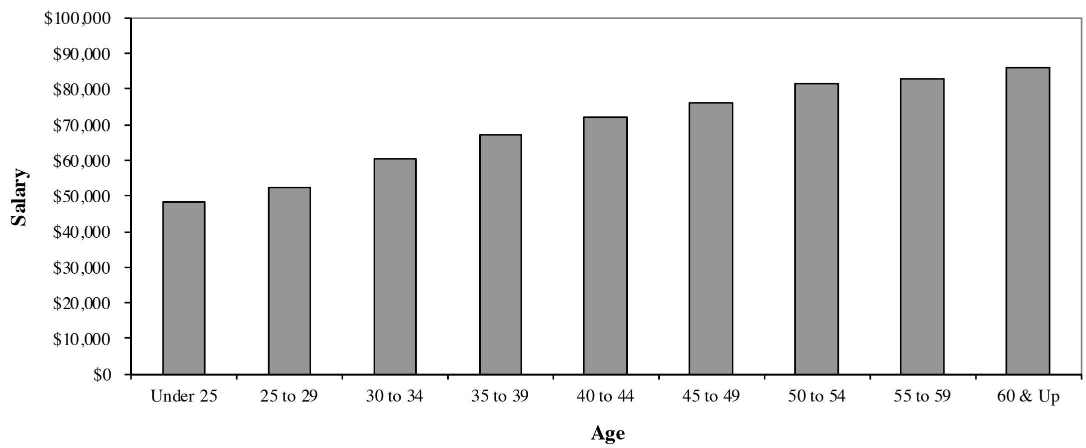


APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF ACTIVE MEMBERS
as of August 31, 2014
(Combined Fire and Police)

	Number			Annual Reported Compensation		
Age	Male	Female	Total	Male	Female	Total
Under 25	8	0	8	$ 386,524	$ -	$ 386,524
25 to 29	61	11	72	3,217,395	559,290	3,776,685
30 to 34	84	16	100	5,047,324	989,885	6,037,209
35 to 39	94	9	103	6,311,666	614,869	6,926,535
40 to 44	89	13	102	6,457,058	908,130	7,365,188
45 to 49	88	8	96	6,742,343	560,552	7,302,895
50 to 54	48	5	53	3,906,617	408,840	4,315,457
55 to 59	10	0	10	829,181	-	829,181
60 & Up	10	1	11	836,363	111,468	947,831
Total	492	63	555	$ 33,734,471	$ 4,153,034	$ 37,887,505

Average Salary by Age

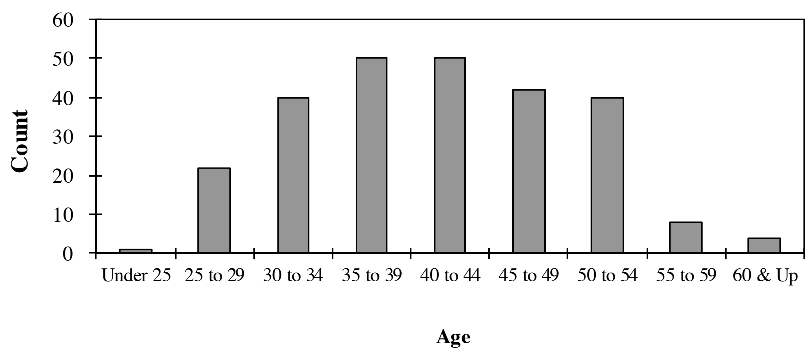


APPENDIX A (continued)

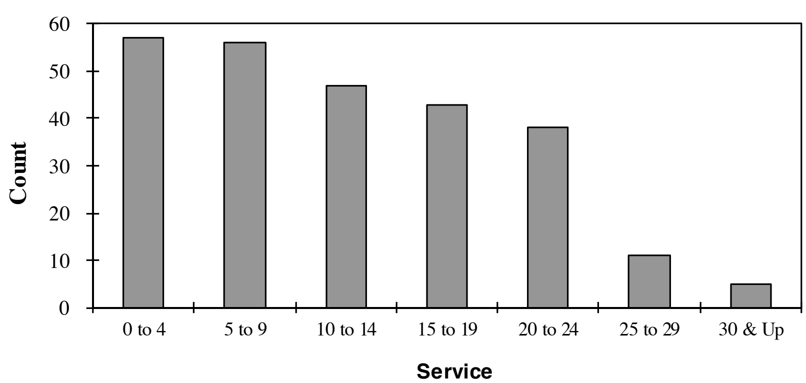
CITY OF LINCOLN POLICE AND FIRE PENSION FUND
DISTRIBUTION OF ACTIVE MEMBERS
as of August 31, 2014
(Fire)

	Years of Service							
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	1	0	0	0	0	0	0	1
25 to 29	20	2	0	0	0	0	0	22
30 to 34	18	20	2	0	0	0	0	40
35 to 39	12	21	16	1	0	0	0	50
40 to 44	3	10	15	20	2	0	0	50
45 to 49	2	2	8	11	16	3	0	42
50 to 54	0	1	5	7	18	8	1	40
55 to 59	1	0	1	3	2	0	1	8
60 & Up	0	0	0	1	0	0	3	4
Total	57	56	47	43	38	11	5	257

Age Distribution



Service Distribution

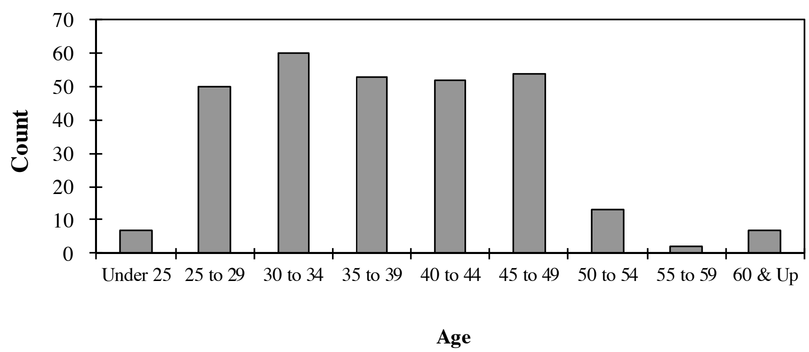


APPENDIX A (continued)

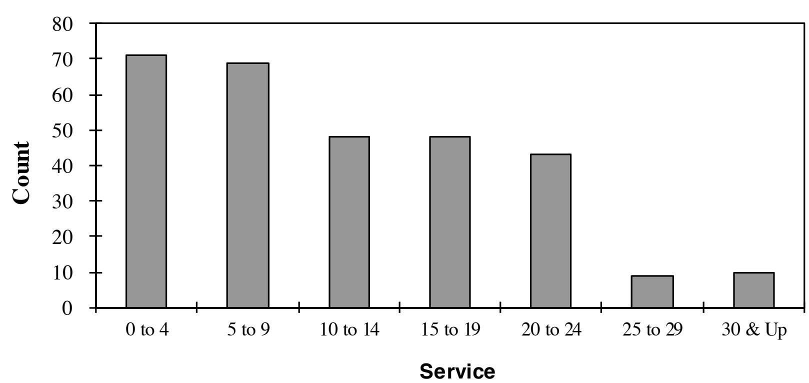
CITY OF LINCOLN POLICE AND FIRE PENSION FUND
DISTRIBUTION OF ACTIVE MEMBERS
as of August 31, 2014
(Police)

	Years of Service							
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	7	0	0	0	0	0	0	7
25 to 29	41	9	0	0	0	0	0	50
30 to 34	17	37	6	0	0	0	0	60
35 to 39	6	19	21	7	0	0	0	53
40 to 44	0	3	16	30	3	0	0	52
45 to 49	0	1	3	9	37	4	0	54
50 to 54	0	0	2	2	3	5	1	13
55 to 59	0	0	0	0	0	0	2	2
60 & Up	0	0	0	0	0	0	7	7
Total	71	69	48	48	43	9	10	298

Age Distribution



Service Distribution

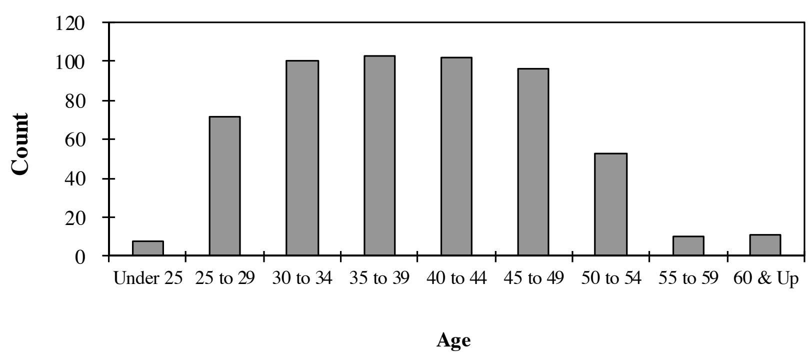


APPENDIX A (continued)

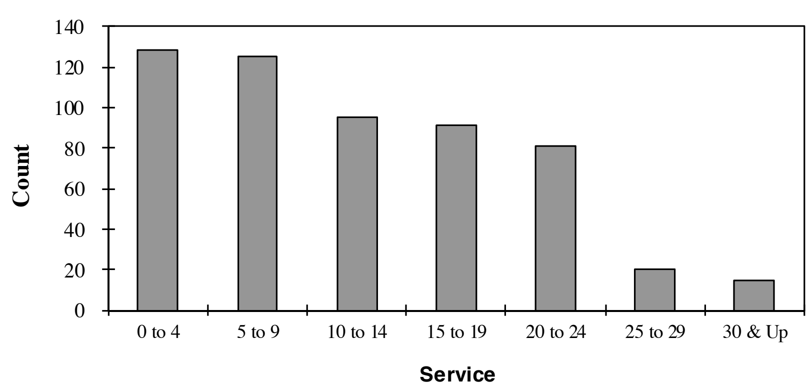
CITY OF LINCOLN POLICE AND FIRE PENSION FUND
DISTRIBUTION OF ACTIVE MEMBERS
as of August 31, 2014
(Combined Fire and Police)

	Years of Service							
Age	0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 & Up	Total
Under 25	8	0	0	0	0	0	0	8
25 to 29	61	11	0	0	0	0	0	72
30 to 34	35	57	8	0	0	0	0	100
35 to 39	18	40	37	8	0	0	0	103
40 to 44	3	13	31	50	5	0	0	102
45 to 49	2	3	11	20	53	7	0	96
50 to 54	0	1	7	9	21	13	2	53
55 to 59	1	0	1	3	2	0	3	10
60 & Up	0	0	0	1	0	0	10	11
Total	128	125	95	91	81	20	15	555

Age Distribution



Service Distribution

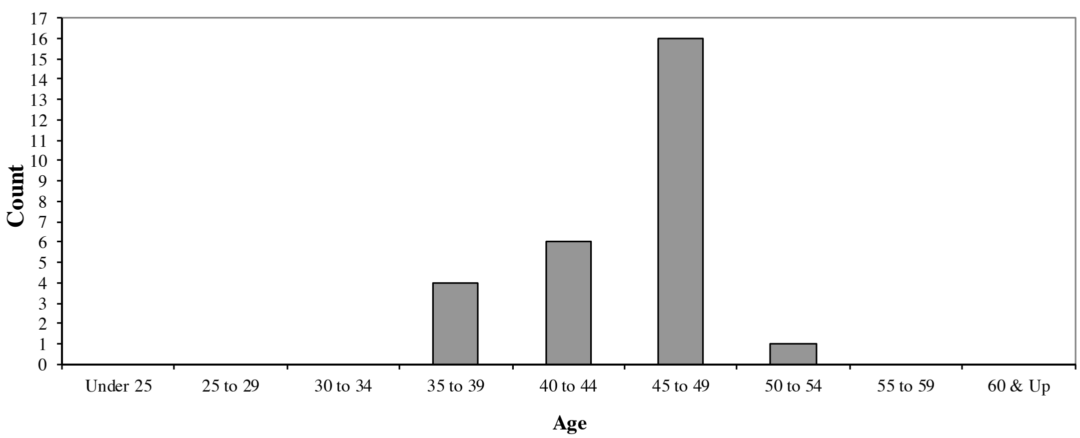


APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF INACTIVE VESTED MEMBERS
as of August 31, 2014

	Number			Annual Benefit at Retirement		
Age	Male	Female	Total	Male	Female	Total
Under 25	0	0	0	$ -	$ -	$ -
25 to 29	0	0	0	-	-	-
30 to 34	0	0	0	-	-	-
35 to 39	3	1	4	52,685	19,521	72,206
40 to 44	5	1	6	108,964	15,225	124,189
45 to 49	8	8	16	115,615	112,611	228,226
50 to 54	1	0	1	1,919	-	1,919
55 to 59	0	0	0	-	-	-
60 & Up	0	0	0	-	-	-
Total	17	10	27	$ 279,184	$ 147,357	$ 426,541

Age Distribution



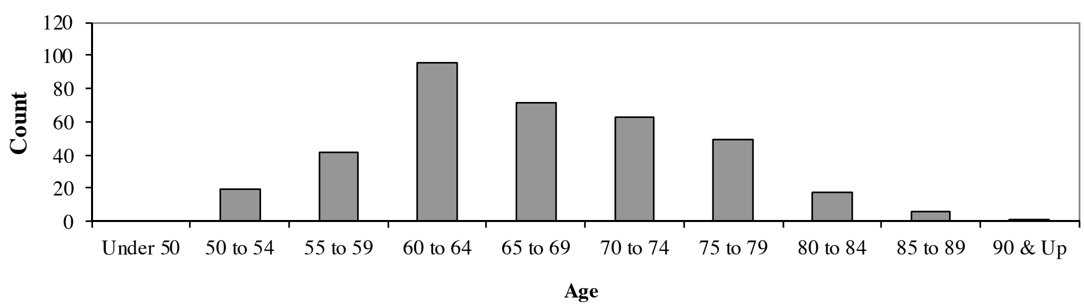
APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF RETIRED MEMBERS
as of August 31, 2014

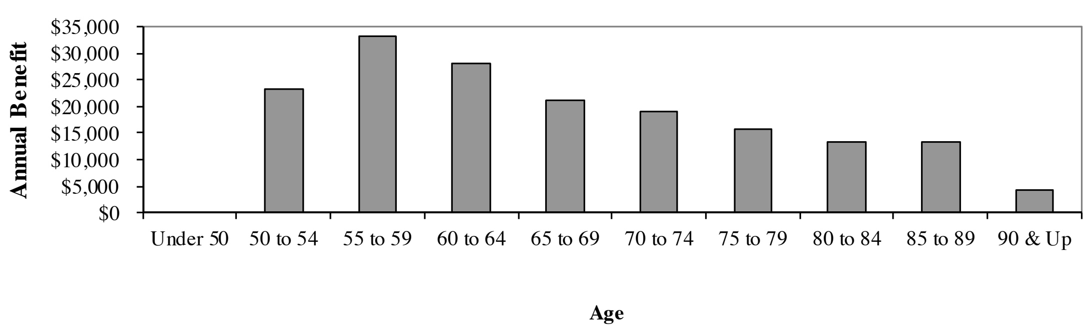
Age and Service Retirees

	Number			Annual Benefit		
Age	Male	Female	Total	Male	Female	Total
Under 50	0	0	0	$ -	$ -	$ -
50 to 54	15	4	19	368,248	71,833	440,081
55 to 59	39	3	42	1,340,118	56,571	1,396,689
60 to 64	92	4	96	2,597,749	99,312	2,697,061
65 to 69	71	0	71	1,494,959	-	1,494,959
70 to 74	61	2	63	1,174,936	24,767	1,199,703
75 to 79	48	1	49	747,366	17,770	765,136
80 to 84	18	0	18	240,181	-	240,181
85 to 89	6	0	6	79,868	-	79,868
90 & Up	1	0	1	4,140	-	4,140
Total	351	14	365	$ 8,047,566	$ 270,253	$ 8,317,819

Age Distribution



Average Benefit



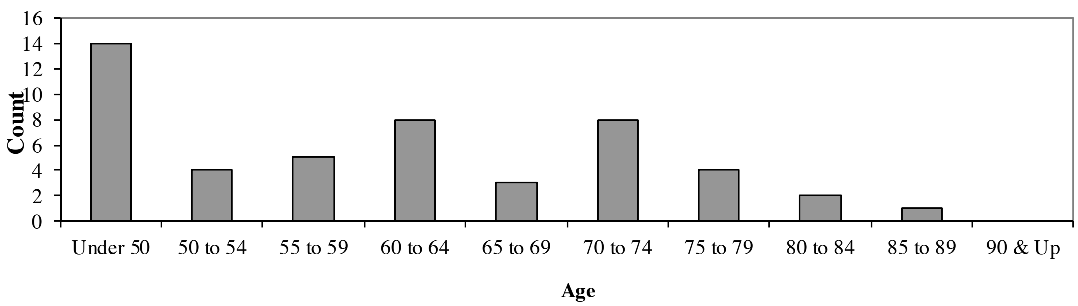
APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF RETIRED MEMBERS
as of August 31, 2014

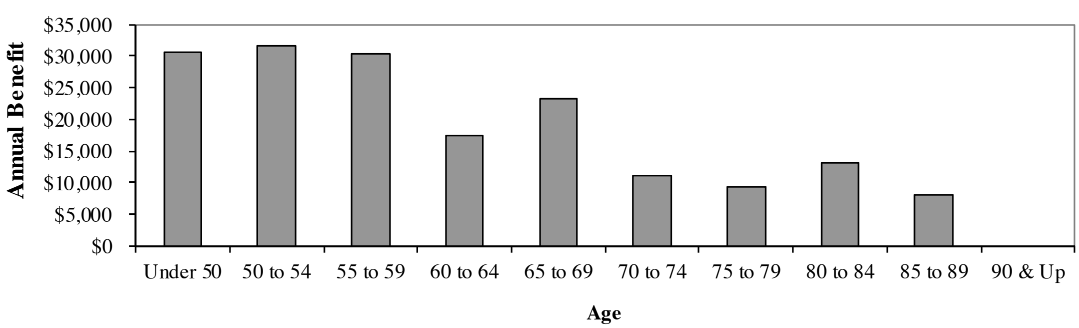
Disabled Retirees

	Number			Annual Benefit		
Age	Male	Female	Total	Male	Female	Total
Under 50	11	3	14	$ 357,800	$ 70,227	$ 428,027
50 to 54	3	1	4	108,137	18,177	126,314
55 to 59	5	0	5	151,221	-	151,221
60 to 64	7	1	8	129,567	9,812	139,379
65 to 69	3	0	3	69,748	-	69,748
70 to 74	8	0	8	89,720	-	89,720
75 to 79	4	0	4	37,779	-	37,779
80 to 84	2	0	2	26,498	-	26,498
85 to 89	1	0	1	7,983	-	7,983
90 & Up	0	0	0	-	-	-
Total	44	5	49	$ 978,454	$ 98,216	$ 1,076,670

Age Distribution



Average Benefit

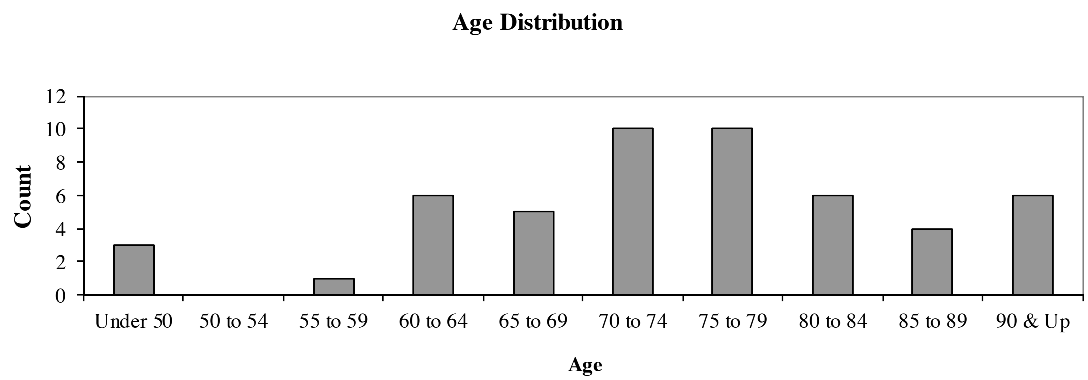


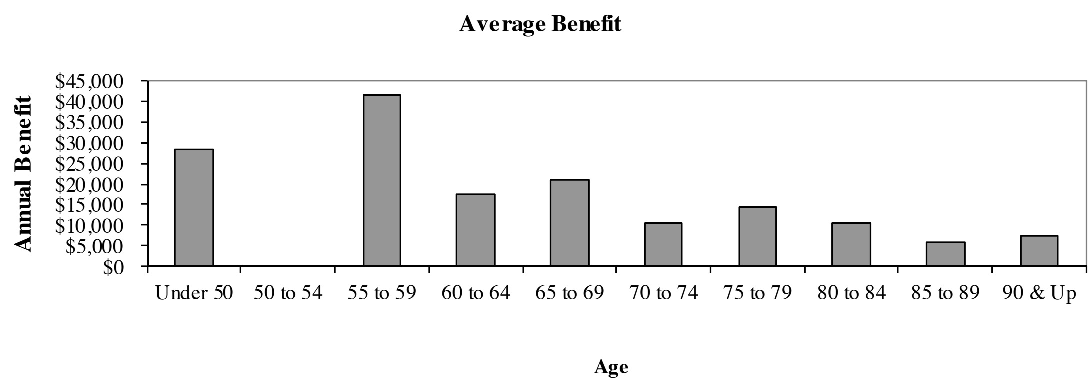
APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF RETIRED MEMBERS
as of August 31, 2014

Beneficiaries

	Number			Annual Benefit		
Age	Male	Female	Total	Male	Female	Total
Under 50	2	1	3	$ 71,349	$ 13,945	$ 85,294
50 to 54	0	0	0	-	-	-
55 to 59	1	0	1	41,387	-	41,387
60 to 64	0	6	6	-	105,625	105,625
65 to 69	1	4	5	9,206	95,268	104,474
70 to 74	1	9	10	4,014	101,508	105,522
75 to 79	2	8	10	26,644	117,358	144,002
80 to 84	0	6	6	-	62,804	62,804
85 to 89	1	3	4	4,104	19,663	23,767
90 & Up	1	5	6	3,870	41,158	45,028
Total	9	42	51	$ 160,574	$ 557,328	$ 717,902





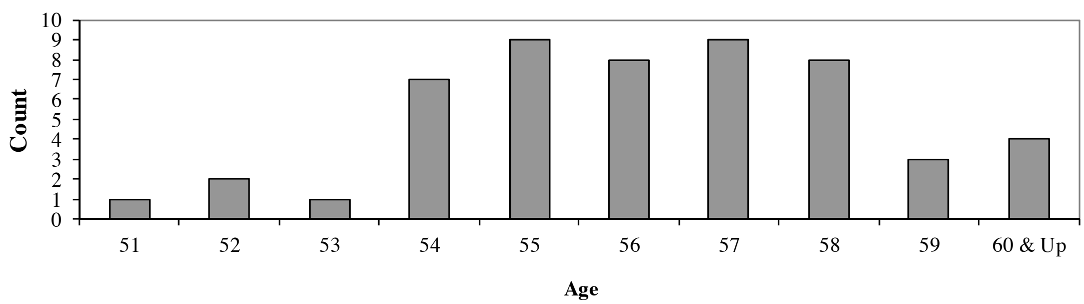
APPENDIX A (continued)

CITY OF LINCOLN POLICE AND FIRE PENSION FUND
SUMMARY OF RETIRED MEMBERS
as of August 31, 2014

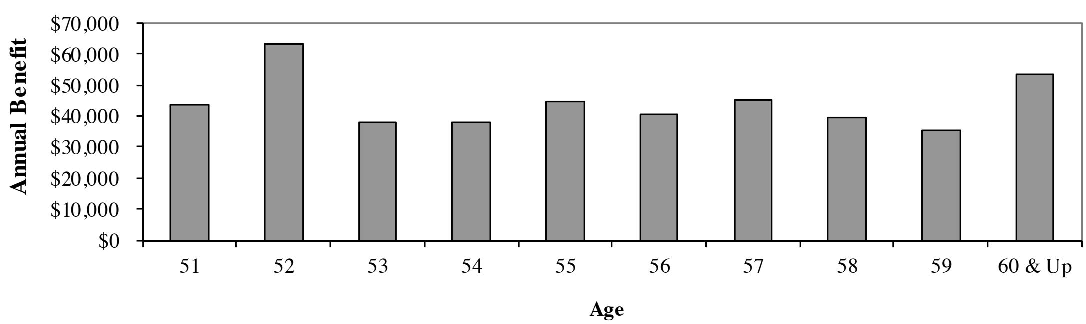
DROP Members

	Number			Annual Benefit		
Age	Male	Female	Total	Male	Female	Total
51	0	1	1	$ -	$ 43,811	$ 43,811
52	2	0	2	125,997	-	125,997
53	1	0	1	38,113	-	38,113
54	7	0	7	266,389	-	266,389
55	8	1	9	355,323	47,478	402,801
56	7	1	8	276,010	48,087	324,096
57	8	1	9	339,483	65,933	405,416
58	7	1	8	249,741	65,339	315,080
59	3	0	3	105,561	-	105,561
60 & Up	4	0	4	214,749	-	214,749
Total	47	5	52	$ 1,971,365	$ 270,648	$ 2,242,013

Age Distribution



Average Benefit



APPENDIX B

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

SUMMARY OF BENEFIT PROVISIONS
(AUGUST 31, 2014)

Plan A is applicable to members who were hired on/after April 1, 1995 or who were hired prior to that date, but elected Plan A coverage.

Plan B is applicable to members who were employed on/after April 11, 1984 or who, prior to April 11, 1984, elected Plan B coverage.

Plan C is applicable to members who were employed before April 11, 1984 and did not elect to move to Plan B or A.

Regular Pay

All plans: Member's base pay and City's contributions to the Post-Employment Health Plan for the last consecutive 26 bi-weekly pay periods. In case of a demotion, or out of class pay, it shall mean the highest consecutive 26 bi-weekly pay periods.

Normal Retirement Age

Plan A: Age 50
Plans B and C: Age 53

Normal Retirement

Eligibility – Plan A: Normal retirement age and 25 years of service.
Plans B and C: Normal retirement age and 21 years of service.

Amount of Pension – Plan A: 2.56% of regular pay times years of service to a maximum of 64% of regular pay.

Plan B: 58% of regular pay with 21 years of service plus 2% of regular pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.

Plan C: 54% of regular pay with 21 years of service plus 2% of regular pay for each year of service rendered after becoming eligible for retirement to a maximum increase of 10%.

APPENDIX B (continued)

Early Retirement

Eligibility – All Plans: Age 50 and 21 years of service

Amount of Pension – Plan A: 2.56% of regular pay times years of service up to a maximum of 64% of regular pay.

Plan B: 52% of regular pay plus 2% of regular pay for each year of service rendered after becoming eligible to a maximum increase of 6%.

Plan C: 48% of regular pay plus 2% of regular pay for each year of service rendered after becoming eligible to a maximum increase of 6%.

Deferred Annuity (Vested Termination)

Eligibility – all plans: 10 years of service until eligibility for early retirement.

Amount of Pension – Plan A: 2.56% of regular pay times years of service.

. ***Plan B:*** 58% of regular pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 58% of regular pay.

Plan C: 54% of regular pay with 21 years of service. Members with less than 21 years of service receive a ratio of years of service to 21 years of 54% of regular pay.

Duty-Related Disability

Eligibility – all plans: permanent inability to perform the duties of position from a cause occurring while in line of duty.

Amount of Pension – Plan A: 58% of regular pay.

Plan B and C: A pension equal to 58% or 54% of regular pay respectively, plus 2% of regular pay for each year of service rendered after becoming eligible for retirement, to a maximum increase of 10% of regular pay.

Such pension shall continue after the member's death to the member's surviving spouse, until death or remarriage, minor children or designated Option A beneficiary (a reduced amount in this case). The above amounts are subject to deduction of the amount received from worker's compensation.

APPENDIX B (continued)

Non-Duty Disability

Eligibility – all plans: permanent inability to perform duties of position from a cause not occurring in the line of duty.

Amount of Pension – A pension equal to the following percent of regular pay:

Years of Service (YOS)	Plan A	Plan B	Plan C
5 ≤ YOS < 10	23%	23%	21%
10 ≤ YOS < 15	39%	39%	36%
YOS ≥ 15	53%	53%	49%

Duty-Related Death

Eligibility – all plans: Active member dies in the line of duty or as a result of injuries received while in the line of duty.

Spouse beneficiary paid at Duty Related Disability rate until remarriage or death.
Upon spouse's remarriage or death, dependent children paid prorate at same rate until age 19.
Non-spouse beneficiary paid at 100% survivor rate for lifetime.

The above amounts are subject to deduction of the amount received from worker's compensation.

Non-Duty Death

Eligibility – All Plans: 5 years of service.

Amount of Pension – All Plans: Pension which would have been payable as a Non-Duty Disability awarded the day prior to death and elected Option A (joint & 100% survivor).

Death After Retirement

Eligibility – all plans: Monthly benefit may continue to surviving spouse or non-spouse beneficiary, and is dependent on form of payment.

After monthly benefits cease a lump sum benefit is payable to survivors of members employed on January 1, 1992 or hired January 1, 1992 to March 31, 2010 equal to the member's unrefunded accumulated contributions and interest multiplied by the ratio of the number of expected payments not received to the number of expected payments. Survivors of other members receive a death benefit after monthly benefits cease, equal to the member's unrefunded accumulated contributions and interest less the sum of monthly benefits received.

APPENDIX B (continued)

Non-Vested Termination

Eligibility – all plans: termination of employment and no pension is or will become payable.

Amount of Benefit – all plans: refund of member's contributions plus annual interest.

Employee Contributions

Plan A: 8.0% of pay.
Plan B: 7.6% of pay.
Plan C: 7.0% of pay.

Upon reaching 21 years of service, member contributions are discontinued for Plan B and Plan C members.

(DROP) Deferred Retirement Option Plan

Eligibility for the DROP:

Members of Plans B and C may join the DROP within 1 year of becoming eligible for Normal retirement benefits as described earlier in this section.

Grandfather provision allows members of Plans B and C who were eligible to retire on the date of DROP implementation, a one time opportunity to join the DROP.

Members of Plan A may join the DROP at any time after meeting the eligibility conditions for normal retirement.

DROP benefits

100% of the member's accrued benefit at the time of DROP will be contributed to the member's DROP account.

If the member elects annuity withdrawal (available to members of Plans B and C) the lump sum payment and corresponding reduced annuity will be credited to the member's DROP account.

DROP funding Period

Both the City and the employee will contribute (in accordance with the provisions of each Plan) to the Plan until the employee enters the DROP.

DROP Period

Maximum of 5 years.

APPENDIX C

CITY OF LINCOLN POLICE AND FIRE PENSION FUND

Investment Return (net of investment expenses):

6.75% a year, compounded annually.

Salary Increases: These assumptions are used to project current salaries to those upon which benefits will be based. The base economic assumption was first used for the August 31, 2014 valuation.

	Annual Rate of Pay Increase for Sample		
Sample Ages	Base (Economic)	Merit and Longevity	Total
20	3.0%	4.3%	7.3%
25	3.0%	3.5%	6.5%
30	3.0%	3.1%	6.1%
35	3.0%	2.7%	5.7%
40	3.0%	2.5%	4.5%
45	3.0%	1.0%	4.0%
50	3.0%	0.5%	3.5%
55	3.0%	0.5%	3.5%

If the number of active members remains constant, the total active member payroll is eventually expected to increase by 3.0% annually, the base portion of the individual pay increase assumptions. This increasing payroll was recognized in amortizing the unfunded actuarial accrued liability.

Mortality Table: RP2000 mortality table with Scale AA full generational improvement projection table.

This assumption is used to measure the probabilities of each benefit payment being made after retirement and was first used in the August 31, 2014 valuation.

Rates of separation from active membership: The 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	Years of	% Separating within Next Year	
Ages	Service	Police	Fire
ALL	0	12.00%	8.00%
	1	8.00%	6.00%
	2	7.00%	4.50%
	3	6.00%	3.00%
	4	5.00%	2.00%
25	5 & Over	4.50%	2.00%
30		4.35%	1.40%
35		3.50%	1.00%
40		2.10%	0.80%
45		1.00%	0.60%
50		0.62%	0.10%
55		0.50%	0.10%

The rates were first used for the August 31, 2007 valuation.

APPENDIX C (continued)

Rates of Disability: These assumptions represent the probabilities of active members becoming disabled as a result of non-duty related causes or as a result of duty related causes.

Sample Ages	% Becoming Disabled Within Next Year
20	0.05%
25	0.05%
30	0.06%
35	0.09%
40	0.14%
45	0.23%
50	0.40%
55	0.60%
60	0.80%

Fifty percent of assumed liabilities were assumed to be duty related and 50% were assumed to be non-duty related.

Rates of Retirement and DROP Entry: These rates are used to measure the probabilities of an eligible member retiring and/or "dropping" at the indicated age.

		Proposed Rates of Retirement and/or DROP Entry			
	Old Plan	Plan A		Plans B & C	
Ages		Police	Fire	Police	Fire
50	35%	15.0%	10.0%	5.0%	6.0%
51	15%	15.0%	10.0%	5.0%	6.0%
52	15%	15.0%	10.0%	5.0%	6.0%
53	15%	25.0%	20.0%	25.0%	24.0%
54	15%	35.0%	20.0%	35.0%	35.0%
55	40%	35.0%	20.0%	35.0%	35.0%
56	15%	25.0%	20.0%	25.0%	18.0%
57	15%	10.0%	20.0%	10.0%	30.0%
58	15%	10.0%	20.0%	10.0%	42.0%
59	15%	10.0%	15.0%	10.0%	15.0%
60	100%	10.0%	15.0%	10.0%	15.0%
61	100%	10.0%	15.0%	10.0%	15.0%
62	100%	35.0%	35.0%	35.0%	35.0%
63	100%	20.0%	25.0%	20.0%	15.0%
64	100%	20.0%	25.0%	20.0%	15.0%
65	100%	100.0%	100.0%	100.0%	100.0%

These rates were first used for the August 31, 2014 valuation.

Active Member Group Size: The number of active members was assumed to remain constant. This assumption is unchanged from previous valuations.

APPENDIX C (continued)

ACTUARIAL METHODS

Funding Method

Under the EAN cost method, the actuarial present value of each member's projected benefits allocates on a level basis over the member's compensation between the entry age of the member and the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date. The unfunded actuarial accrued liability is calculated each year and reflects experience gains/losses.

The UAL is amortized as a level percentage of payroll. The payroll growth assumption is 3.00% so the annual amortization payments will increase 3.00% each year. As a result, if total payroll grows 3.00% per year, as assumed, the amortization payment will remain level as a percentage of total current payroll. The amortization period is 30 years.

Asset Valuation Method

For actuarial purposes, assets are valued using an asset smoothing method. The difference between the actual return on the market value of assets and the expected return (based on the actuarial assumed rate of return) on the actuarial value of assets is calculated each year and recognized equally over a five-year period (prior to 2009, the period was four years).

APPENDIX C (continued)

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption:	100% of both males and females are assumed to be married for purposes of death-in-service benefits.
Decrement Timing:	All decrements are assumed to occur mid year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and years of service on the date the decrement is assumed to occur.
Benefit Service:	Exact fractional service on the decrement date is used to determine the amount of benefit payable.
Decrement Operation:	Disability decrements do not operate during the first five years of service. They also do not operate during retirement eligibility.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the applicable fiscal year based upon the contribution rate shown in this report, and the actual payroll at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.
Funding Period:	Both the City and employee contribute (in accordance with the provisions of each plan) to the Plan until the employee enters the DROP or otherwise exits the Plan.

APPENDIX D

GLOSSARY OF TERMS

Actuarial Accrued Liability	The difference between the actuarial present value of Plan benefits and the actuarial value of future normal costs. Also referred to as “accrued liability” or “actuarial liability.”
Actuarial Assumptions	Estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and salary increases. Decrement assumptions (rates of mortality, disability, turnover 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 in an inflation-free environment plus a provision for a long-term average rate of inflation.
Accrued Service	Service credited under the Plan which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of retirement Plan benefit between future normal cost and actuarial accrued liability. Sometimes referred to as the “actuarial funding method.”
Experience Gain (Loss)	The difference between actual experience and actuarial assumptions anticipated experience during the period between two actuarial valuation dates.
Actuarial Present Value	The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.
Amortization	Paying off an interest-discounted amount with periodic payments of interest and principal, as opposed to paying off with lump sum payment.
Normal Cost	The actuarial present value of retirement Plan benefits allocated to the current year by the actuarial cost method.

APPENDIX D (continued)

Unfunded Actuarial Accrued Liability

The difference between actuarial accrued liability and the valuation assets.

Most retirement Plans have an unfunded actuarial accrued liability. They arise each time new benefits are added and each time an actuarial loss is realized.

The existence of unfunded actuarial accrued liability is not in itself bad, any more than a mortgage on a house is bad. Unfunded actuarial accrued liability does not represent a debt that is payable today. What is important is the ability to amortize the unfunded actuarial accrued liability and the trend in its amount.