CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2008

C O N T E N T S

Crowe Horwath.

Crowe Horwath LLP
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
City of Lakeland, Florida
Employees' Pension and Retirement System

We have audited the accompanying statement of plan net assets of the Employees' Pension and Retirement System of the City of Lakeland, Florida, as of September 30, 2008, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Employees' Pension and Retirement System's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note A, the financial statements present only the Employees' Pension and Retirement System of the City of Lakeland, Florida, and are not intended to present the financial position of the City of Lakeland, Florida, and the results of its operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Employees' Pension and Retirement System of the City of Lakeland, Florida's net assets held in trust for pension benefits, as of September 30, 2008, and the changes therein for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Plan has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

The Schedules of Contributions and Funding Progress on page 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Crowe Horwath LLP

Crowe Horwath LLP

March 2, 2009
Lakeland, Florida

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2008

ASSETS	
Cash and cash equivalents	$ 8,339,908
Investments	438,200,903
Accrued interest receivable	1,111,543
Receivables	191,102
Total assets	447,843,456
LIABILITIES	
Accounts payable	136,941
Accrued liabilities	10,653,690
Due to other funds	2,072,044
Total Liabilities	12,862,675
NET ASSETS	
Held in trust for pension benefits and other purposes	$ 434,980,781

(A Schedule of Funding Progress for the plan is presented on page 13)

See accompanying notes to financial statements.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2008

ADDITIONS	
Contributions:	
Employer	$ 15,219,761
Plan members	8,309,283
Total contributions	23,529,044
Net investment income:	
Interest and dividends	9,788,277
Net investment gains and losses	(106,507,451)
Investment advisor fee	(2,242,784)
Net investment income (loss)	(98,961,958)
Miscellaneous income	262,160
Total additions (deductions)	(75,170,754)
DEDUCTIONS	
Benefits paid	26,251,904
Refunds, former plan members	992,394
Administrative expenses	67,926
Interest on DROP Disbursements	230,342
Transfers to other funds	54,962
Total deductions	27,597,528
CHANGE IN NET ASSETS HELD IN TRUST	(102,768,282)
NET ASSETS, beginning of year	537,749,063
NET ASSETS, end of year	$ 434,980,781

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – These financial statements represent only the Employees' Pension and Retirement System (Plan) of the City of Lakeland, Florida (City). The statements presented herein do not constitute the basic financial statements of the City which are issued separately under the title "Comprehensive Annual Financial Report" (CAFR).

This Plan is a pension trust fund (fiduciary fund type) of the City. This fund is the single-employer, defined benefit pension plan for all employees of the City.

The Plan has elected not to present management's discussion and analysis as required by GASB Statement No.34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."

Basis of Accounting – The Plan is maintained using the accrual basis of accounting. Expenses are recognized when they are incurred and revenues are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Valuations of Investments – Plan investments are reported at fair value. State Board of Administration (SBA) and money market funds are reported at cost, which approximates fair value. Fixed income and equity securities are valued at the last reported sales price.

NOTE B - DESCRIPTION OF PLAN

General - The authority for the establishment and amendment of the Plan, benefits, vesting, and contributions are established by City Ordinances. The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

Plan Membership - The Plan is a single-employer, defined benefit pension plan that covers all full-time, regular employees of the City. Government plans are not subject to the provisions of the Employees' Retirement Income Security Act of 1974 (ERISA). The number of employees currently covered by the Plan is shown in the following table.

Active plan participants	1,969
Retirees and beneficiaries	852
Terminated vested participants	67
Total number of participants	2,888

Administrative Costs - Administrative costs are paid by the Plan from contributions and investment income.

Plan Benefits

Pension Benefits - A member employee may retire after attaining age 50 and contributing for 10 or more years to this plan. The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor. Plan members who enter the plan on or after October 1, 2003 may retire after attaining age 62 and contributing to the plan for 10 or more years.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 36 months. For members who enter the plan on or after October 1, 2003, the average monthly salary is calculated using the average of the highest total earnings over a consecutive period of 60 months.

- The service factor is based on the length of continuous service and is calculated by accumulating 3% per year for the first 25 years of service plus 1% per year for all service exceeding 25 years. The service factor for plan participants who enter the plan on or after October 1, 2003 is computed using 2% per year for the first 10 years of service, then 3% for the next 20 years plus 1% for each year over 30 years of service.

- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Cost of Living Increase - The Plan allows an increase in the benefit paid to all retirees if it is determined such funds are sufficient. The Board can instruct a plan actuary to conduct an actuarial impact study to determine the amount of the increase that can be funded. The Board can recommend a benefit increase to the City Commission and the Commission shall have the option to approve or disapprove the benefit increase. As defined in the Plan, any increase is subject to limitation by an actuarially calculated "assumed investment return" valuation. The maximum increase is 4% per year.

NOTE B - DESCRIPTION OF PLAN (Continued)

Termination Benefits - If a member employee is terminated, either voluntarily or involuntarily, the following benefits are payable:

- If the employee has less than ten years of credited service, the employee will be entitled to his or her contributions to the Plan.
- If the employee has ten or more years of credited service (terminated vested), the benefits will be calculated as described in the *Pension Benefits* section above, provided that the benefit calculation is based upon the benefits which existed at the time of termination of employment. If the participant elects to leave his or her contributions in the fund upon separation from service and is entitled to a vested deferred pension, the monthly pension income will be adjusted to reflect any increase in benefits becoming effective after the date of separation from service.

Terminated membership in the plan - Effective September 7, 2004, a member can terminate membership in the Plan if he or she is not subject to collective bargaining, has attained normal retirement status or has attained thirty years of credited service. Sworn Police Officer and certified Firefighter members with twenty-five years of service or who has attained age fifty-two with ten years of credited service can elect to receive a lump sum payment, defer the receipt of the defined benefits and contribute to a defined contribution plan or the Deferred Retirement Option Program (DROP).

- The Lump Sum Payment benefit is calculated using the actuarial assumed rate of return plus one percent. The one-time lump-sum payment is based upon the present value of the retirement benefit.
- A member may elect to terminate membership in the plan with a vested benefit while still employed. This election allows the members to defer receipt of defined benefits until a later date and commence participation in the City's Deferred Compensation Plan. The member is guaranteed a life time defined benefit for the years of service vested and has the ability to manage his or her investments in the defined contribution plan.
- DROP allows members to continue working while their monthly pension benefit is deposited into a DROP account earning an annual rate of 6.5 percent. Once a member enters the DROP the decision is irrevocable. The members benefit shall be calculated as if the member had actually separated from service. The member remains an active employee of the City and agrees to terminate active service no later then sixty months following the date of entry into the DROP. Nothing prohibits a member to terminate service prior to the sixty months. If a member chooses to continue employment past the sixty months, beginning on the 61st month the DROP account will no longer be credited with the monthly pension benefits or interest.
- The termination of the DROP can be lump-sum payment, direct rollover into eligible retirement plan or partial lump-sum payment which is a combination of the lump-sum payment and direct rollover.

Death Benefits - If an employee were to die prior to normal retirement, his beneficiary would receive benefits payable as provided in the Plan including various payment options elected by the employee prior to death.

- If the employee has less than 10 years of service, the contribution is refunded.
- If the employee has more than 10 years of credited service, the benefit received is actuarially equivalent to 50% of the benefit the employee would have received on the date of death. The percentage of the benefit payment increases to 75% if the employee is age 50.

Disability Benefits - There are no disability benefits available.

Funding Requirements

Member Contributions - Employees are required to contribute 8% of their basic annual compensation.

Employer Contributions - The City's contribution to the Plan equals 14.89% of employees' salaries. The amount of the covered payroll for the Plan for the year ending September 30, 2008 was $102,198,089 (adjusted basis).

Termination of Plan

Should the Plan terminate at some future time, its net assets generally will not be available on a pro-rata basis to provide participants' benefits. Some benefits may be fully or partially provided, while other benefits may not be provided at all. This provision depends upon the priority of the benefits and the availability of plan assets existing at the time of such termination.

NOTE C - CONTRIBUTIONS

As described above, the funding policy for the Plan is a contribution rate of 14.89% from the City and a contribution rate of 8% from the employee. The actuarially determined contribution rate for the report dated October 1, 2007 was 8.0% General and Fire, 9% for Police and the actuary required rate is 14.89% of actuarially determined covered payroll.

NOTE D - INVESTMENTS AND CASH EQUIVALENTS

Authorized Investments - Several forms of legal provisions govern the types of investments in which the Plan monies may be invested. Plan monies may be invested in any of the following:

- Direct obligations of the Federal Government
- Interest-bearing time deposits
- The Florida State Board of Administration
- Corporate stocks and bonds
- Money market and mutual funds
- Obligations guaranteed by the Federal National Mortgage Association
- Obligations of the Federal Home Loan Mortgage Corporation
- Obligations of the Federal Home Loan Bank
- Obligations of the Federal Farm Credit Bank
- Obligations guaranteed by the Government National Mortgage Association

The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the Plan.

Investment Violations - There were no significant violations of legal or contractual provisions for deposits and investments during the year.

Custodial Credit Risk - Custodial credit risk, for an investment, is the risk that, in the event of the failure of the counterparty, the City of Lakeland will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2008, the City of Lakeland held $8,821,458, $147,151,399 and $10,395,534 in Money Market Funds, Mutual Funds, and Commingled Trust Funds respectively. These investments are held by an investment's counterparty, not in the name of the City

Foreign Currency Risk The Employee Pension Fund held $8,997,718 in fixed income (4.97%) and equity investments of foreign issuers or non-US companies (0.78%), of which, $3,069,724 is denominated in foreign currencies. The Employee Pension Fund also held $1,888,127 in fixed income investments in US issuers or companies denominated in foreign currencies. According to the investment policy, Fixed Income Managers of the Employee Pension Fund are authorized to invest up to 10% of their respective portfolio's fair value in issuers not domiciled in the U.S. and, except for specifically hired International Fund Managers, Equity Managers are authorized to invest up to 5% in equity investments of non-U.S. companies listed on a major U.S. exchange.

NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)

As of September 30, 2008, the Employee Pension Fund held the following fixed income and equity investments in non-U.S. companies and/or investments denominated in a foreign currency:

Corporate Bonds:	Market Value	$ Denomination	Maturity
US Companies:			
General Electric Capital Corporation	$ 1,147,322	SGD	03/08/12
General Electric Capital Corporation	740,805	SGD	05/18/12
Total US Companies	1,888,127		
Non-US Companies:			
Eurofima	43,907	ISK	11/03/08
Rabobank Nederland	88,515	ISK	02/17/09
Nordic Investments	41,938	ISK	04/16/09
KFW	36,588	ISK	02/01/10
Eurofima	105,282	ISK	02/05/10
European Investment Bank	1,356,080	IDR	04/24/13
Bell Canada	81,501	CAD	02/15/17
Telus Corporation	314,215	CAD	03/15/17
Enel Finance International S.A.	199,499	USD	09/15/17
Standard Chartered Bank	217,406	USD	09/26/17
Covidien International Finance S.A.	431,583	USD	10/15/17
Petrobras International Finance Company	360,877	USD	03/01/18
Rio Tinto Finance (USA) Limited	461,953	USD	07/15/18
Abu Dhabi National Energy Company	463,887	USD	08/01/18
Hong Kong and China Gas Finance Limited	417,019	USD	08/07/18
ICICI Bank, Bahrain Branch	222,206	USD	04/30/22
Bell Canada	28,009	CAD	05/01/29
Bell Canada	73,847	CAD	02/23/32
Telecom Italia Capital S.A.	113,194	USD	11/15/33
Telecom Italia Capital S.A.	40,745	USD	09/30/34
Bell Canada	228,391	CAD	03/16/35
Telefonica Emisiones S.A.U.	83,573	USD	06/20/36
Telecom Italia Capital S.A.	317,011	USD	07/18/36
America Movil S.A.B. de C.V.	671,450	MXN	12/18/36
Talisman Energy Inc.	26,610	USD	02/01/37
Vodafone Group PLC	392,243	USD	02/27/37
Talisman Energy Inc.	59,019	USD	02/01/38
Total Non-US Companies	6,876,548		
Total Corporate Bonds	$ 8,764,675		

NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)

Corporate Stocks:	Market Value	$ Denomination	Maturity
Non-US Companies:			
Ace Limited	$ 321,532	USD	N/A
Aspen Insurance Holdings LTD	327,250	USD	N/A
Assured Guaranty LTD	37,398	USD	N/A
Astrazeneca PLC Spons ADR	460,740	USD	N/A
Flagstone Insurance Holdings LTD	45,188	USD	N/A
Frontline LTD	100,947	USD	N/A
Herbalife LTD	106,704	USD	N/A
Nortel Networks Corp	6,075	USD	N/A
Santander Bancorp	74,520	USD	N/A
Teekay Tankers LTD	89,729	USD	N/A
Textainer Group Holdings LTD	103,292	USD	N/A
Tim Hortons Inc	5,926	USD	N/A
Validus Holdings LTD	32,550	USD	N/A
Willbros Group Inc.	409,319	USD	N/A
Total Corporate Stocks	$ 2,121,170		

Credit Risk - Credit risk is the risk of loss due to the failure of the security issuer or other counterparty. The purpose of the City of Lakeland's investment policy is to minimize credit risk by limiting investments in securities that have higher credit risks, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City of Lakeland's investment policy requires the following Standard & Poor's or Moody's credit quality ratings for fixed income securities of the Employee Pension Fund:

Investment Class	S &P Rating	Moody's Rating	Maximum %
Employee Pension Fund			
Fixed Income	BBB	Baa	20%
Fixed Income	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%
Commercial Paper	A-1	P-1	
Money Market Funds	A-1	P-1	

NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)

As of September 30, 2008, the City of Lakeland's Employee Pension Fund's debt security investments had the following credit quality ratings:

S&P Rating:

	Cost	% of Total	Market	% of Total
AAA	$ 21,751,120	22.63%	$ 20,256,743	24.76%
AA+ to AA-	3,095,180	3.22%	2,843,495	3.48%
A+ to A-	11,630,319	12.10%	8,726,523	10.67%
BBB+ to BBB-	19,062,861	19.83%	14,800,711	18.09%
BB+ to BB-	6,349,283	6.60%	4,938,573	6.04%
Below BB-	5,236,497	5.45%	2,900,277	3.55%
NR	29,007,408	30.17%	27,331,539	33.41%
	$ 96,132,668	100.00%	$ 81,797,861	100.00%

Moody's Rating:

	Cost	% of Total	Market	% of Total
Aaa	$ 25,201,895	26.21%	$ 23,239,097	28.41%
Aa1 to Aa3	4,948,246	5.15%	4,019,842	4.91%
A1 to A3	8,414,556	8.75%	6,559,694	8.02%
Baa1 to Baa3	24,264,150	25.24%	18,527,745	22.65%
Ba1 to Ba3	3,927,110	4.09%	3,016,250	3.69%
Below Ba3	6,277,885	6.53%	3,418,939	4.18%
NR	23,098,826	24.03%	23,016,294	28.14%
	$ 96,132,668	100.00%	$ 81,797,861	100.00%

As of September 30, 2008, The City of Lakeland's Employee Pension Fund's investment types had the following credit quality ratings:

S&P Rating:

	Corporate Bonds		US Government Agency Obligations		Foreign Securities		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
AAA	$ 12,509,437	28.19%	$ -	0.00%	$ 272,323	3.11%	$ 7,474,982	100.00%
AA+ to AA-	2,379,609	5.36%	-	0.00%	463,887	5.29%	-	0.00%
A+ to A-	7,068,774	15.91%	-	0.00%	1,657,749	18.91%	-	0.00%
BBB+ to BBB-	13,023,515	29.34%	-	0.00%	1,777,197	20.28%	-	0.00%
BB+ to BB-	4,304,618	9.70%	-	0.00%	633,954	7.23%	-	0.00%
Below BB-	2,900,277	6.53%	-	0.00%	-	0.00%	-	0.00%
NR	2,206,207	4.97%	21,165,767	100.00%	3,959,565	45.18%	-	0.00%
	$ 44,392,437	100.00%	$ 21,165,767	100.00%	$ 8,764,675	100.00%	$ 7,474,982	100.00%

Moody's Rating:

	Corporate Bonds		US Government Agency Obligations		Foreign Securities		Money Market Funds	
	Market	% of Total	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	$ 12,240,265	27.58%	$ -	0.00%	$ 3,523,850	40.20%	$ 7,474,982	100.00%
Aa1 to Aa3	3,555,955	8.01%	-	0.00%	463,887	5.29%	-	0.00%
A1 to A3	4,592,368	10.34%	-	0.00%	1,967,326	22.45%	-	0.00%
Baa1 to Baa3	15,754,721	35.49%	-	0.00%	2,773,024	31.64%	-	0.00%
Ba1 to Ba3	3,016,250	6.79%	-	0.00%	-	0.00%	-	0.00%
Below Ba3	3,418,939	7.70%	-	0.00%	-	0.00%	-	0.00%
NR	1,813,939	4.09%	21,165,767	100.00%	36,588	0.42%	-	0.00%
	$ 44,392,437	100.00%	$ 21,165,767	100.00%	$ 8,764,675	100.00%	$ 7,474,982	100.00%

NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)

In the City of Lakeland's Employee Pension Fund, assets shall be diversified among equities and fixed income investments to minimize overall portfolio risk consistent with the level of expected return and thereby improve the long-term return potential of assets. The diversification of the equity and fixed income securities held in the portfolio among sectors and issuers is the responsibility of the respective Investment Manager, subject to general policy and specific guidelines of each manager. The Investment Manager is expected to diversify the portfolio sufficiently to minimize the risk of a large loss from a single security. Accordingly, no single company's fixed securities shall represent more than 3% of the market value assets of the fund and no more than 7% of the market value of assets shall be in common stock of one company. Equity portfolios and all equity investments must be traded on national stock exchange or NASDAQ. As of September 30, 2008, no single company's fixed securities and common stock represented more than 3% and 7% respectively of the market value assets of the fund. The City of Lakeland's investment allocation limits and actual limits for the Employee Pension Fund as of September 30, 2008 are as follows:

Asset Class (Market)	Maximum%	Minimum%	Actual %
Domestic Equity:			
Large Cap Equity	50%	40%	42%
Small Cap Equity	15%	5%	10%
International Equity	15%	5%	9%
Total Equity	70%	60%	61%
Total Fixed Income (Incl. Cash)	40%	30%	39%

The following investments and maturities held by the Employee Pension fund of the City as of September 30, 2008 are collateralized by registered securities held by the City or its agents in the City's name:

	Fair Value	Investment Maturities (in years)			
Investment Type	Employee Pension	Less than 1	1-5	6-10	More than 10
US Treasury Notes	$ 1,455,945	$ 448,285	$ 1,007,660	$ -	$ -
U.S. Treasury Bonds	1,338,673	-	-	1,338,673	-
Fed Home Loan Mortgage Corp.	7,787,910	-	-	115,286	7,672,624
Federal National Mortgage Assoc	13,377,857	-	-	-	13,377,857
Corporate Notes and Bonds	46,594,778	729,172	7,053,700	16,699,884	22,112,022
Corporate Stocks	225,169,541	225,169,541	-	-	-
Foreign Stocks	2,121,170	2,121,170	-	-	-
Foreign Securities	6,562,331	174,360	1,497,950	2,633,724	2,256,297
Subtotal	304,408,205	228,642,528	9,559,310	20,787,567	45,418,800

Other investments of the fund are collateralized by securities that exist in physical or book entry form and thus cannot be held in the City's name. The breakdown of investments, held as of September 30, 2008, by type and category of credit risk are as follows:

	Reported Amount Fair Value	Investment Maturities (in years)			
Investment Type	Employee Pension	Less than 1	1-5	6-10	More than 10
Money Market (1)	7,474,982	7,474,982	-	-	-
Mutual Funds (1)	133,792,698	133,792,698	-	-	-
Total	$ 445,675,885	$ 369,910,208	$ 9,559,310	$ 20,787,567	$ 45,418,800

(1) The rate of interest earned fluctuates during the year based on market conditions. Also, there is no stated maturity date for these types of investments. Funds may be invested, withdrawn, or reinvested at the discretion of the Plan.

NOTE D - INVESTMENTS AND CASH EQUIVALENTS (Continued)

Cash Equivalents - Cash equivalents in the accompanying Statement of Plan Net Assets is composed of the following:

Cash	$	864,926
Money market funds		7,474,982
Total cash equivalents	$	8,339,908

NOTE E - TRANSFER TO GENERAL FUND

For the year ended September 30, 2008, the Plan reimbursed $54,962 to the City of Lakeland General Fund for payroll costs associated with employees involved with the internal administration of the Plan. There is also an interfund receivable/payable from the General Fund to the Plan in the amount of $2,072,044 which represents the cash the General Fund is deemed to have loaned the Plan to cover the Money Market deficit in the fund.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTIONS – The contributions from the City are shown in the following schedule:

	Fiscal Year	Employer Contributions	Annual Required Contribution (ARC)
	2008	$ 15,444,937	$ 15,388,062
% of the ARC		100%	
	2007	14,151,537	14,735,539
% of the ARC		96%	
	2006	13,359,576	13,913,026
% of the ARC		96%	
	2005	13,283,684	12,047,146
% of the ARC		110%	
	2004	13,474,963	11,942,056
% of the ARC		113%	
	2003	11,492,503	15,845,033
% of the ARC		73%	

During fiscal year 2006, a correction regarding the calculation of the net pension obligation (NPO) was made. In prior fiscal years, the employee's annual required contributions and actual contributions (approximately $2.4 million since 1988) were included in the calculation of the NPO. Under the correct policy, only the City's annual required contribution and actual contributions are used in computing the NPO.

SCHEDULE OF FUNDING PROGESS

Employee's Pension
& Retirement System

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ration	Covered Payroll	UAAL % of Covered Payroll
10/1/2007	$515,648,042	$586,105,616	$70,457,574	88%	$105,037,964	67%
10/1/2006	$478,396,090	$540,833,785	$62,437,695	88%	$95,616,093	65%
10/1/2005	433,459,145	483,329,674	49,870,529	90%	95,815,348	52%
10/1/2004	410,451,251	439,216,904	28,765,653	93%	95,390,235	30%
10/1/2003	389,641,017	404,103,398	14,462,381	96%	91,854,151	16%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General – As of October 1, 2006, the actuarial cost method utilized in the actuarial report was changed from Aggregate cost method to Frozen Entry Age cost method. The information disclosed in the Schedule of Funding Progress is based on the newly adopted actuarial cost method.

The Frozen Entry Age cost method divides the cost of funding benefits into two parts; normal cost and the amortization of the frozen actuarial liability. Normal cost under this method is a level percentage of salary payable over the working lifetime of the current members. The payment is used to fund the current and future pension benefits of the current members taking into consideration the assets of the Plan and the current frozen actuarial liability. The initial actuarial liability (frozen actuarial liability) is the present value of the entry age normal costs years prior to the valuation year adjusted for the assets of the plan at the date the plan establishes the use of the frozen entry age cost method. The initial frozen actuarial liability is amortized using the level percentage of payroll method over thirty years. The minimum payment includes a payment to amortize the unfunded actuarial liability. Actuarial gains or losses will arise each year from mortality, turnover rates, salary increases, new entrants, and investment gains or losses as actual experience differs from the assumptions made in the valuation.

Actuarial Assumptions Utilized:

Interest Rate	7.25 %
Projected Salary Increase	Service Based
Inflation Rate	3.0 %
Post Retirement Benefit Increases	0 %