

**POLICEMEN'S ANNUITY AND BENEFIT FUND
OF MILWAUKEE**

**Annual Actuarial Statement
December 31, 2004**

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Table of Contents

	Pages
Assets - Balance Sheet	Exhibit A
Liabilities - Balance Sheet	Exhibit B
GASB No. 25 Disclosure	Exhibit C
Actuarial Assets	Exhibit D
Participant Statistics	Exhibit E
Projection of Annual Benefit Distributions	Exhibit F

ASSETS

Balance Sheet as of December 31, 2004

Assets

Investments at Market Value		
Common Stock	\$ 2,143,524	
Money Market Fund	45,554	
Bonds and Notes	0	
Pooled Common and Collective Fund	2,364,011	
Mortgage Related Securities	<u>0</u>	\$ 4,553,089
Cash in Bank	<u>455</u>	455
Receivables		
Accrued Interest	73	
Tax Levy	768,124	
Additional City Payment	<u>207,649</u>	
Total Assets		<u>975,846</u> 5,529,390

Liabilities

Distributions Payable	<u>0</u>	0
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Net Assets

\$ 5,529,390

Unfunded Liability

Deferred Assets (subject to future gains or losses) to be paid by City	<u>1,930,535</u>
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Total Liability

Total Net Ledger Assets and Deferred Assets	<u>\$ 7,459,925</u>
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LIABILITIES

Balance Sheet as of December 31, 2004

Annuitants

Prior Service	\$ 2,779,855	
Age and Service	1,023,029	
Supplemental	496,535	
Escal	<u>6,442</u>	
		\$ 4,305,861

Widow Annuitants

Prior Service	71,896	
Age and Service	2,163,764	
Supplemental	<u>918,404</u>	
		<u>3,154,064</u>

Total Liability**\$ 7,459,925**

GASB No. 25 DISCLOSURE

The Government Accounting Standards Board (GASB) has issued Statement No. 25, Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans. This statement is effective for periods beginning after June 15, 1996. The purpose of the statement is to make the pension plan information more understandable and more useful. In the past, the measures of a plan's funded status and the employer's required contributions have not always been consistent with accounting concepts. This statement requires more consistency in the measurement of funding status and determining whether amounts measured in accordance with the plan's funding policy are acceptable measures for financial reporting or whether different measures are required.

GASB requires the use of actuarial asset value related to the market value of assets. The actuarial asset value is a 5-year smoothed market value. However, the smoothing only applies to those years in which the current investment policy is in effect. The current investment policy was adopted in 1997.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)
12/31/1997	\$13,990,783	\$15,422,204	\$1,431,421	90.72%
12/31/1998	\$12,626,720	\$13,201,668	\$574,948	95.64%
12/31/1999	\$10,928,864	\$11,905,761	\$976,897	91.79%
12/31/2000	\$9,152,300	\$10,609,254	\$1,456,954	86.27%
12/31/2001	\$7,549,179	\$9,504,547	\$1,955,368	79.43%
12/31/2002	\$6,200,086	\$8,287,809	\$2,087,723	74.81%
12/31/2003	\$5,547,884	\$8,783,501	\$3,235,617	63.16%
12/31/2004	\$5,281,524	\$7,459,925	\$2,178,401	70.80%

The pension benefit obligation was computed as part of the actuarial valuation performed as of December 31, 2004. Significant actuarial assumptions used in the 2004 valuation and tax levy include:

Valuation Date	December 31, 2004
Expected Rate of Return on Assets	6.00%
Interest Rate	6.00%
Mortality	1994 Group Annuity Reserving Table
Status	All participants are retired.
Amortization Method	Level Dollar
Amortization Period	5 Years
Asset Valuation Method	5-Year Smoothed Market (phased in)

Exhibit C

The plan's funding policy is specified in the Milwaukee City Charter, Chapter 35, as amended by Charter Ordinances, Numbers 356 and 357. The annual requirement consists of an amount sufficient to amortize the present value of benefits to all active and retired employees less the value of actuarial assets in the Fund by a series of level payments over the remainder of the funding period. File numbers 950930 and 970052 provide that the Board shall adopt the assumptions which the actuary uses in the annual valuation and tax levy certification. This contribution will comply with GASB, which requires that the annual required contribution of the employer (ARC) should be actuarially determined and have a provision for amortizing the unfunded liability. In general, GASB allows an amortization period of up to 40 years, but 5 years is appropriate for this Fund. The Tax Levy for 2005 (to be collected in early 2006) would amount to \$517,144 plus budgeted administrative expenses.

ACTUARIAL ASSETS
Value as of December 31, 2004

The Actuarial Asset Value is based on the asset values as set forth in the Auditor's Report dated December 31, 2004, and is computed as the sum of:

- 1) Invested assets are valued at cost times the average ratio of market to cost for the current year and up to the prior 4 years, but only for the years when the current investment policy was in effect,

Plan Year	Cost	Market	Ratio
12/31/2000	\$8,480,041	\$8,583,896	1.01224699
12/31/2001	\$6,355,976	\$6,556,372	1.03152875
12/31/2002	\$5,101,100	\$4,871,147	0.95492090
12/31/2003	\$4,015,448	\$4,302,910	1.07158902
12/31/2004	\$4,125,217	\$4,507,535	1.09267828
Total			5.16296394
			/ 5
Average			1.03259279
			x \$4,125,217
Actuarial value invested assets			\$4,259,669

2) Cash and cash equivalents valued at market value, 46,009

3) And all other investments valued at market value.

Receivables	\$975,846	
Payables	0	
		975,846

Total actuarial assets as of December 31, 2004 \$5,281,524

PARTICIPANT STATISTICS
As of December 31, 2004

Active Participants

	Male	Female	Total
Number as of December 31, 2003	0	0	0
Increases	0	0	0
Decreases	<u>0</u>	<u>0</u>	<u>0</u>
Number as of December 31, 2004	<u>0</u>	<u>0</u>	<u>0</u>

Annuitants

	Annuitants	Widow Annuitants	Total
Number as of December 31, 2003	83	143	226
Increases	0	4	4
Decreases	<u>13</u>	<u>22</u>	<u>35</u>
Number as of December 31, 2004	<u>70</u>	<u>125</u>	<u>195</u>

PROJECTION OF ANNUAL BENEFIT DISTRIBUTIONS
As of December 31, 2004

Year	Estimated Distributions	
2005	1,379,200	
2006	1,365,400	
2007	1,361,200	
2008	1,284,800	
2009	1,128,700	
2010	898,600	
2011	551,500	
2012	307,500	
2013	101,500	
2014	307,400	*

* Assumes annuity purchase for remaining annuitants on January 1, 2014.

**POLICEMEN'S ANNUITY AND BENEFIT FUND
OF MILWAUKEE**

**SUPPLEMENTAL
Annual Actuarial Statement
December 31, 2004**

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ASSETS**Balance Sheet as of December 31, 2004****Assets**

Investments at Market Value

Common Stock	\$	0	
Money Market Fund		0	
Bonds and Notes		0	
Pooled Common and Collective Fund		1,400,772	
Mortgage Related Securities		<u>0</u>	
			\$ 1,400,772

Cash in Bank		<u>0</u>	0
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Receivables

Accrued Interest		2	
Additional City Payment		<u>400,000</u>	
			<u>400,002</u>

Total Assets			<u>1,800,774</u>
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Liabilities

Distributions Payable		<u>0</u>	0
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Net Assets\$ 1,800,774

LIABILITIES

Balance Sheet as of December 31, 2004

\$94 Monthly Supplemental Payment (effective December 1, 2001)

Annuitants	\$ 462,673	
Widow Annuitants	<u>747,205</u>	\$ <u>1,209,878</u>

\$200 Additional Monthly Supplemental Payment (effective February 1, 2003)

Annuitants	0	
Widow Annuitants	<u>0</u>	<u>0</u>

\$33 Additional Monthly Supplemental Payment (assumed effective January 1, 2004)

Annuitants	162,427	
Widow Annuitants	<u>262,324</u>	<u>424,751</u>

Additional Single Sum Payment (December 31, 2005)

Annuitants	257,143	
Widow Annuitants	<u>142,857</u>	<u>400,000</u>

Total Liability		\$ <u><u>2,034,629</u></u>
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GASB requires the use of actuarial asset value related to the market value of assets. The actuarial asset value is market value of assets.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)
12/31/2001	\$1,521,075	\$1,511,370	-\$9,705	100.64%
12/31/2002	a \$1,312,650	\$1,326,962	\$14,312	98.92%
	b \$500,000	\$500,000	\$0	100.00%
12/31/2003	a \$1,150,746	\$1,425,879	\$275,133	80.70%
	b \$0	\$0	\$0	100.00%
	c \$500,000	\$500,592	\$592	99.88%
12/31/2004	a \$1,036,789	\$1,209,878	\$173,089	85.69%
	b \$0	\$0	\$0	100.00%
	c \$363,985	\$424,751	\$60,766	85.69%
	d \$400,000	\$400,000	\$0	100.00%

The pension benefit obligation was computed as part of the actuarial valuation performed as of December 31, 2004. Significant actuarial assumptions used in the 2004 valuation.

Valuation Date	December 31, 2004
Expected Rate of Return on Assets	6.00%
Interest Rate	6.00%
Mortality	1994 Group Annuity Reserving Table
Status	All participants are retired.
Asset Valuation Method	Market Value

- a \$94 Monthly Supplemental Payment
- b \$200 Additional Monthly Supplemental Payment
- c \$33 Additional Monthly Supplemental Payment
- d Additional Single Sum Payment

ACTUARIAL ASSETS
Value as of December 31, 2004

The Actuarial Asset Value is based on the asset values as set forth in the Auditor's Report dated December 31, 2004, and is the Market Value of Assets as reported in Exhibit A.

PARTICIPANT STATISTICS
As of December 31, 2004

Active Participants

	Male	Female	Total
Number as of December 31, 2003	0	0	0
Increases	0	0	0
Decreases	<u>0</u>	<u>0</u>	<u>0</u>
Number as of December 31, 2004	<u>0</u>	<u>0</u>	<u>0</u>

Annuitants

	Annuitants	Widow Annuitants	Total
Number as of December 31, 2003	83	143	226
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Number as of December 31, 2004	<u>70</u>	<u>125</u>	<u>195</u>

PROJECTION OF ANNUAL BENEFIT DISTRIBUTIONS
As of December 31, 2004

Year	(December 1, 2001) \$94 Supplemental Distributions	(January 1, 2004) \$33 Supplemental Distributions
2005	209,100	73,400
2006	206,400	72,500
2007	205,600	72,100
2008	192,700	67,700
2009	168,200	59,100
2010	135,000	47,400
2011	100,700	35,300
2012	76,000	26,700
2013	50,700	17,800
2014	28,800	10,100