

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

**Annual Actuarial Statement
December 31, 2001**

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ASSETS

Balance Sheet as of December 31, 2001

Assets

Investments at Market Value

Common Stock	\$ 959,101	
Money Market Fund	687,396	
Bonds and Notes	2,703,992	
Mortgage Related Securities	<u>2,893,279</u>	
		\$ 7,243,768

Cash in Bank	<u>455</u>	455
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Receivables

Accrued Interest	35,780	
Tax Levy	<u>360,516</u>	
		396,296

Total Assets		<u>7,640,519</u>
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Liabilities

Distributions Payable	<u>0</u>	0
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Net Assets		\$ 7,640,519
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Unfunded Liability

Deferred Assets (subject to future gains or losses) to be paid by City		<u>1,864,028</u>
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Total Liability

Total Net Ledger Assets and Deferred Assets		<u>\$ 9,504,547</u>
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LIABILITIES**Balance Sheet as of December 31, 2001****Annuitants**

Prior Service	\$ 3,966,371	
Age and Service	1,361,832	
Supplemental	1,128,129	
Escal	<u>5,825</u>	
		\$ 6,462,157

Widow Annuitants

Prior Service	79,719	
Age and Service	2,250,234	
Supplemental	<u>712,437</u>	
		<u>3,042,390</u>

Total Liability**\$ 9,504,547**

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. Because the current investment policy was adopted in 1997, the actuarial asset value for 2001 is determined with the 1997, 1998, 1999, 2000 and 2001 asset values.

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%

The pension benefit obligation was computed as part of the actuarial valuation performed as of December 31, 2001. Significant actuarial assumptions used in the 2001 valuation and tax levy include:

Valuation Date	December 31, 2001
Expected Rate of Return on Assets	6.75%
Interest Rate	6.75%
Mortality	1983 Group Annuity Table set forward 3 years
Status	All participants are assumed to be retired. The current number of participants as of December 31, 2001 includes one participant who is an active employee.
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 2002 (to be collected in early 2003) would amount to \$473,708 plus budgeted administrative expenses.

ACTUARIAL ASSETS
Value as of December 31, 2001

The Actuarial Asset Value is based on the asset values as set forth in the Auditor's Report dated December 31, 2001, 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
12/31/1997	\$12,976,319	\$13,104,231	1.00985734
12/31/1998	\$11,166,751	\$11,629,976	1.04148252
12/31/1999	\$10,288,436	\$10,192,489	0.99067429
12/31/2000	\$8,480,041	\$8,583,896	1.01224699
12/31/2001	\$6,355,976	\$6,556,372	1.03152875
Total			5.08578989
			/ 5
Average			1.01715798
			x \$6,355,976
Actuarial value invested assets			\$6,465,032

2) Cash and cash equivalents valued at market value, 687,851

3) And all other investments valued at market value.

Receivables	\$396,296	
Payables	0	
	0	396,296

Total actuarial assets as of December 31, 2001 \$7,549,179

PARTICIPANT STATISTICS

As of December 31, 2001

Active Participants

	Male	Female	Total
Number as of December 31, 2000	1	0	1
Increases	0	0	0
Decreases	<u>0</u>	<u>0</u>	<u>0</u>
Number as of December 31, 2001	<u>1</u>	<u>0</u>	<u>1</u>

Annuitants

	Annuitants	Widow Annuitants	Total
Number as of December 31, 2000	119	181	300
Increases	0	6	6
Decreases	<u>13</u>	<u>20</u>	<u>33</u>
Number as of December 31, 2001	<u>106</u>	<u>167</u>	<u>273</u>

PROJECTION OF ANNUAL BENEFIT DISTRIBUTIONS
As of December 31, 2001

Year	Estimated Distributions	
2002	1,950,878	
2003	1,974,522	*
2004	1,932,047	
2005	1,768,563	
2006	1,438,414	
2007	1,045,834	
2008	623,814	
2009	243,234	
2010	78,194	
2011	82,006	**

* Remaining active participant assumed to retire January 1, 2003.

** Assumes annuity purchase for remaining annuitants on January 1, 2011.

To the Honorable Common Council
of the City of Milwaukee
City Hall, Room 205
200 East Wells Street
Milwaukee, WI 53202

Re: Policemen's Annuity and Benefit Fund of Milwaukee

Dear Council Members:

This is to certify that at a duly called meeting of the Policemen's Annuity and Benefit Fund held on _____ the following resolution was unanimously adopted:

RESOLVED, That pursuant to the provisions of Chapter 589, Laws of 1921, entitled, "An Act relating to the creation of an annuity and benefit funds in cities of the first class for the benefit of policemen employed by such cities, and of the widows and children of such policemen and all contributors to, participants in, and beneficiaries of any policemen's pension fund in operation by authority of law in any such city at the time this Act shall come into effect," as amended (Chapter 35, Milwaukee City Charter, 1971 compilation as amended), the Retirement Board of the said Annuity and Pension Fund hereby certifies to the Common Council of the City of Milwaukee that the amount of the tax to be levied in the year 2002 for the purpose of providing revenue for the year 2003, as determined and prepared by the actuary for the Board, shall be as follows:

An amount determined, as set forth in Sec. 35.01(12)(a)1 of the Milwaukee City Charter, 1971 compilation as amended, for age and service annuities, widows' annuities, and child service annuities.

Total requirement \$466,154

An amount determined, as set forth in Sec. 35.01(12)(a)2 of the Milwaukee City Charter, 1971 compilation as amended, for duty disability benefits, ordinary disability benefits and child annuities.

Total requirement \$ 7,554

and, be it

FURTHER RESOLVED, That in addition to the certification aforementioned, the actuary's estimate of the amount currently required for the cost of the administration to be reviewed by the Mayor and the Common Council of the City of Milwaukee, as are all other budget requirements, is as follows:

\$103,795

and , be it

FURTHER RESOLVED, That the President and Secretary be instructed to submit immediately a copy of said resolution to the Common Council of the City of Milwaukee.

WE HEREBY CERTIFY that the above and foregoing Resolution is a true and correct copy of the Resolution adopted by the Retirement Board of the Policemen's Annuity and Benefit Fund of the City of Milwaukee on _____ and contains the amount that is certified to be levied in the year 2002, and the amount that is estimated as currently required for the costs of administration in 2003.

Sincerely,

THE RETIREMENT BOARD OF THE
POLICEMEN'S ANNUITY AND BENEFIT
FUND OF MILWAUKEE

President

Secretary

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

**SETTLEMENT
Annual Actuarial Statement
December 31, 2001**

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ASSETS**Balance Sheet as of December 31, 2001****Assets**

Investments at Market Value

Common Stock	\$	0	
Money Market Fund		1,369,781	
Bonds and Notes		0	
Mortgage Related Securities		<u>0</u>	
	\$		1,369,781

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

Accrued Interest		1,294	
Remaining City Payment		<u>150,000</u>	

Total Assets			<u>151,294</u> <u>1,521,075</u>
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Liabilities

Distributions Payable		<u>0</u>	0
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Net Assets\$ 1,521,075

LIABILITIES

Balance Sheet as of December 31, 2001

Annuitants

\$94 Monthly Settlement Payment \$ 922,891

Widow Annuitants

\$94 Monthly Settlement Payment 588,479

Total Liability

\$ 1,511,370

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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%

The pension benefit obligation was computed as part of the actuarial valuation performed as of December 31, 2001. Significant actuarial assumptions used in the 2001 valuation.

Valuation Date	December 31, 2001
Expected Rate of Return on Assets	5.12%
Interest Rate	5.12%
Mortality	1983 Group Annuity Table set forward 3 years
Status	All participants are assumed to be retired. The current number of participants as of December 31, 2001 includes one participant who is an active employee.
Asset Valuation Method	Market Value

ACTUARIAL ASSETS

Value as of December 31, 2001

The Actuarial Asset Value is based on the asset values as set forth in the Auditor's Report dated December 31, 2001, and is the Market Value of Assets as reported in Exhibit A.

PARTICIPANT STATISTICS

As of December 31, 2001

Active Participants

	Male	Female	Total
Number as of December 31, 2000	1	0	1
Increases	0	0	0
Decreases	<u>0</u>	<u>0</u>	<u>0</u>
Number as of December 31, 2001	<u>1</u>	<u>0</u>	<u>1</u>

Annuitants

	Annuitants	Widow Annuitants	Total
Number as of December 31, 2000	119	181	300
Increases	0	6	6
Decreases	<u>13</u>	<u>20</u>	<u>33</u>
Number as of December 31, 2001	<u>106</u>	<u>167</u>	<u>273</u>

PROJECTION OF ANNUAL BENEFIT DISTRIBUTIONS

As of December 31, 2001

Year	Estimated Distributions	
2002	298,262	
2003	294,126	*
2004	286,982	
2005	262,448	
2006	217,516	
2007	169,858	
2008	120,508	
2009	77,268	
2010	40,326	
2011	18,612	

* Remaining active participant assumed to retire January 1, 2003.