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**POLICEMEN'S ANNUITY AND BENEFIT
FUND OF MILWAUKEE**
Milwaukee, Wisconsin

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

The Retirement Board
Policemen's Annuity and
Benefit Fund of Milwaukee

We have audited the accompanying statements of plan assets available for benefits of Policemen's Annuity and Benefit Fund of Milwaukee (the Fund) as of December 31, 2004 and 2003, and the related statements of changes in plan assets available for benefits for the years then ended. These financial statements are the responsibility of the Fund's Retirement Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, information regarding the Fund's assets available for benefits at December 31, 2004 and 2003, and the changes therein for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets held for investment as of December 31, 2004, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 2004 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2004 basic financial statements taken as a whole.

The accompanying supplemental schedule of historical trend information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Reilly, Penner & Benton LLP

April 5, 2005

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Statements of Plan Assets Available for Benefits

	December 31,	
	<u>2004</u>	<u>2003</u>
Assets:		
Cash in bank	\$ 455	\$ 455
Receivables:		
Accrued interest receivable	73	24,857
Tax levy receivable	975,773	505,773
Contributions receivable	400,000	970,000
Total receivables	<u>1,375,846</u>	<u>1,500,630</u>
Investments, at fair value: (Note 4)		
Common stock	2,143,524	2,374,534
Mortgage related securities	---	123,768
Bonds and notes	---	1,804,608
Pooled, common and collective funds	3,764,783	1,150,744
Money market fund	45,556	482,397
Total investments, at fair value	<u>5,953,863</u>	<u>5,936,051</u>
Total assets	<u>7,330,164</u>	<u>7,437,136</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 7,330,164</u>	<u>\$ 7,437,136</u>

The accompanying notes to financial statements
are an integral part of these statements.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Statements of Changes in Plan Assets Available for Benefits

	<u>Year Ended December 31,</u>	
	<u>2004</u>	<u>2003</u>
Additions to Net Assets Available for Benefits Attributed To:		
Contributions:		
Annual tax levy	\$ 975,773	\$ 505,773
Employer - Current	---	1,182
Employer - Supplemental	400,000	970,000
Miscellaneous	762	---
Total contributions	<u>1,376,535</u>	<u>1,476,955</u>
Investment income from investments stated at fair value:		
Net appreciation in fair value	76,546	532,081
Realized gains	111,053	39,290
Interest income	177,026	120,086
Dividend income	31,959	21,450
Net investment income	<u>396,584</u>	<u>712,907</u>
Total additions	1,773,119	2,189,862
Deductions From Net Assets Attributed To:		
Benefits paid to participants	<u>1,880,091</u>	<u>2,504,032</u>
Net decrease	(106,972)	(314,170)
Net Assets Held in Trust for Pension Benefits:		
Beginning of year	<u>7,437,136</u>	<u>7,751,306</u>
End of year	<u>\$ 7,330,164</u>	<u>\$ 7,437,136</u>

The accompanying notes to financial statements
are an integral part of these statements.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2004 and 2003

1. Organization and Significant Accounting Policies

Description of the Fund

The Policemen's Annuity and Benefit Fund of Milwaukee (the Fund) is a single employer, noncontributory, defined benefit plan which was established by the State of Wisconsin Act of 1921, Chapter 589, to provide retirement, disability and widow's benefits for members of the City of Milwaukee Police Department. Eligibility for new members in the Fund was terminated by the creation of a separate pension program on July 29, 1947. The plan exclusively covers governmental employees and their beneficiaries and, therefore, is not subject to ERISA.

Plan Membership

All participants are fully vested and will receive benefits until death. When a participant dies, the surviving spouse continues to receive benefits until death (widow's benefit). Participant statistics as of January 1 were as follows:

	<u>2004</u>	<u>2003</u>
Participants not yet receiving benefits:		
Active	---	1
Inactive	---	---
	<hr/>	<hr/>
	---	1
Participants receiving benefits:		
Annuitants	83	96
Widow annuitants	143	150
	<hr/>	<hr/>
	226	246
Total	<hr/>	<hr/>
	226	247

Investment Valuation

Investments, including bonds, notes and mortgage related securities, are valued at fair value based on the last reported sales price on the last business day of the plan year.

Administrative Expenses

All administrative expenses are paid by the City of Milwaukee (City).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Notes to Financial Statements

December 31, 2004 and 2003

(Continued)

2. Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments that are attributable under the Plan's provisions to the service participants have rendered. Accumulated Plan benefits include benefits expected to be paid to (a) retired participants or their beneficiaries, (b) beneficiaries of participants who have died, and (c) present participants or their beneficiaries. Benefits under the Plan are calculated based on participants' compensation at the time they leave service. Widows' benefits are calculated based on the spouse's age at the time of the participant's retirement and the participant's length of service. The actuarial present value of accumulated Plan benefits at January 1 is as follows:

	<u>2004</u>	<u>2003</u>
Actuarial present value of accumulated plan benefits:		
Retirees and beneficiaries	\$ 10,709,972	\$ 9,843,707
Current employees:		
Accumulated employee contributions	---	46,173
Payable to vested current employees	---	224,891
Total	<u>\$ 10,709,972</u>	<u>\$ 10,114,771</u>
Net assets available for plan benefits	<u>\$ 7,198,630</u>	<u>\$ 8,012,736</u>
Unfunded pension benefit obligation	<u>\$ 3,511,342</u>	<u>\$ 2,102,035</u>

Benefits payable under all circumstances - retirement, death and termination of employment - are included to the extent they are deemed attributable to participant service rendered to the valuation date.

The actuarial present value of accumulated plan benefits was calculated by an independent actuary (Gucciardi Benefit Resources, Inc.) in compliance with Financial Accounting Standards Board Statement No. 35. The actuarial present value of accumulated plan benefits is a standardized disclosure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date.

For the actuarial valuation as of January 1, 1998 and thereafter, the valuation of the net assets available for plan benefits was changed from cost basis to a rolling five-year average fair value basis. The change is due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 25, which requires the use of a market-related asset value.

The more significant assumptions used in the actuarial valuations were (a) life expectancy of participants (the Combined Annuity Mortality Table was used); (b) retirement age assumptions (all employees are assumed to be retired); and (c) assumed rates of investment return and annuity discount factor. The 2004 valuations used an interest rate of 6.00% for the regular and supplemental accounts. The 2003 valuations used an interest rate of 6.75% for the regular account, and 5.12% for the supplemental account. The foregoing actuarial assumptions are based upon the presumption that the Fund will continue.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Notes to Financial Statements
December 31, 2004 and 2003
(Continued)

3. Funding Policy

The State of Wisconsin Act of 1921, Chapter 589, provides for a tax to be levied upon all real and personal taxable property in the City. This tax shall not exceed 3/4 of one mill. In order to liquidate prior obligations, the Common Council may direct that there may be an additional levy but not to exceed one mill in the aggregate.

The annual tax levy is based upon actuarially determined amounts necessary to provide the amount of future benefits payable to annuitants on the basis of the actuarial assumptions used to determine the actuarial present value of accumulated plan benefits, in accordance with the provisions of the State Act of 1921, Chapter 589 and amendments.

4. Investments

The investments held by the Fund at December 31 are summarized as follows:

	<u>2004</u>	<u>2003</u>
Equity funds	\$ 2,143,524	\$ 2,374,534
Pooled, common and collective funds	3,764,783	1,150,744
Money market fund	45,556	482,397
Bonds and Notes:		
Government agencies	---	674,042
Corporate and institutional	---	1,130,566
Total bonds and notes	---	<u>1,804,608</u>
Mortgage related securities	---	<u>123,768</u>
Total investments	<u>\$ 5,953,863</u>	<u>\$ 5,936,051</u>

The fair value of individual investments that represent 5% or more of the assets available for benefits at December 31, 2004 is as follows:

Stable Return Fund from EBT	\$ 3,764,783
Masters Select International Fund	468,815
Vanguard 500 Index Fund	<u>1,674,600</u>
	<u>\$ 5,908,198</u>

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Notes to Financial Statements

December 31, 2004 and 2003

(Continued)

4. Investments (Continued)

The fair value of individual investments that represent 5% or more of the assets available for benefits at December 31, 2003 is as follows:

Wells Fargo Cash Investments	\$ 482,397
FNMA Zero Cpn	430,406
Stable Return Fund from EBT	1,150,744
Masters Select International Fund	411,636
Vanguard Index TR 500 Portfolio	1,540,050
	<u>\$ 4,015,233</u>

5. Benefits

Participants become eligible for benefits upon attaining 25 years of service with the City. There is no normal retirement date under this plan. The amount of the benefit paid to retired participants is actuarially determined and is payable monthly as a life annuity. Participants who retired prior to 1982 are eligible for supplemental benefits. Supplemental benefits are a percentage of normal benefits and are paid monthly.

6. Plan Termination

The Plan is a closed fund and cannot be terminated until all participants and their spouses are deceased. When this occurs, any amounts remaining in the Fund revert back to the City.

7. Income Taxes

The Plan has obtained its determination letter, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, they believe that the Plan was qualified and the related trust was tax-exempt as of the financial statement date.

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Assets Held for Investment

December 31, 2004

<u>Investment Description</u>	<u>Maturity</u>	<u>Avg Yld (%)</u>	<u>Shares/ Par Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds:					
Wells Fargo Cash Investments	-	Various	45,556	\$ 45,556	\$ 45,556
Pooled, Common and Collective Funds					
Stable Return Fund from EBT	-	Various	100,921.696	3,594,630	3,764,783
Common Stocks:					
Masters Select International Fund	-	Various	27,756.939	370,000	468,815
Vanguard 500 Index Fund	-	Various	15,000.000	1,498,050	1,674,600
Lucent Technologies, Inc	-	Various	65.000	---	103
Ocean West Holding Corp	-	Various	100.000	---	6
Total Common Stocks				<u>1,868,050</u>	<u>2,143,524</u>
Total Assets Held for Investment				<u>\$ 5,508,236</u>	<u>\$ 5,953,863</u>

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE

Milwaukee, Wisconsin

Historical Trend Information

For the Years December 31, 1989 through 2004

Measurement Date is January 1, 1989 through 2004

(Unaudited - See Accountants' Report)

The following tables represent historical trend information. The table provides information about progress made in accumulating sufficient assets to pay benefits when due.

Benefit Obligation and Available Assets						
	Actuarial Present Value of Accumulated Plan Benefits (APV)	Net Assets Available for Plan Benefits		(A)	Unfunded (assets in Excess of)	
		Amount	As a Percentage of APV	Annual Covered Payroll	Pension Benefit Obligation	
					Amount	
2004	\$ 10,709,972	\$ 7,198,630	67.2 %	\$ ---	\$ 3,511,342	
2003	10,114,771	8,012,736	79.2	22,709	2,102,035	
2002	11,015,917	9,070,254	82.3	62,754	1,945,663	
2001	10,609,254	9,152,300	86.2	62,978	1,456,954	
2000	11,905,761	10,928,864	91.8	66,411	976,897	
1999	13,201,668	12,626,720 *	95.6	59,287	574,948	
1998	15,422,204	13,990,783 *	90.7	58,619	1,431,421	
1997	15,137,424	14,630,022	96.6	56,526	507,402	
1996	16,580,923	16,655,127	100.4	55,139	(74,204)	
1995	13,984,390	17,916,123	128.1	50,454	(3,931,733)	
1994	15,361,605	21,044,676	137.0	49,145	(5,683,071)	
1993	15,972,314	21,396,436	134.0	50,461	(5,424,122)	
1992	16,897,674	22,017,558	130.3	124,163	(5,119,884)	
1991	18,070,574	18,524,978	102.5	122,519	(454,404)	
1990	19,714,527	16,211,912	82.2	131,283	3,502,615	
1989	21,100,810	13,913,816	65.9	149,492	7,186,994	

(A) Defined as all compensation paid to active employees covered by the retirement plan on which contributions are based.

* Converted to fair value from cost in 1998

POLICEMEN'S ANNUITY AND BENEFIT FUND OF MILWAUKEE
Milwaukee, Wisconsin

Historical Trend Information
For the Years December 31, 1989 through 2004
(Unaudited - See Accountant's Report)

Year	Revenues and Expenses					
	Covered Payroll	Employer Contribution			Net Investment	
		Amount	As a Percentage of Covered Payroll	Income and Appreciation (Depreciation)	Tax Levy	
2004	\$ ---	\$ ---	---	% \$ 396,583	\$ 975,773	
2003	22,709	1,182	5.20	712,907	505,773	
2002	62,754	3,835	6.11	(178,895)	473,708	
2001	62,978	4,463	7.09	255,382	352,962	
2000	66,411	4,695	7.07	496,267	236,663	
1999	59,287	3,928	6.63	259,065	100,944	
1998	59,287	3,928	6.63	1,049,024	470,872	
1997	58,619	3,810	6.50	1,322,002	7,554	
1996	56,526	3,787	6.70	355,627	8,118	
1995	55,139	3,783	6.87	3,253,008	8,118	
1994	50,454	2,018	4.00	(1,472,998)	7,554	
1993	49,145	1,969	4.01	2,402,226	7,554	
1992	50,461	1,869	3.70	1,543,731	722,125	
1991	124,163	4,045	3.26	3,367,058	3,100,000	
1990	122,519	4,054	3.31	1,337,579	4,035,834	
1989	131,283	5,072	3.86	2,299,628	3,168,092	

Year	Benefit Payments
2004	\$ 1,880,901
2003	2,504,032
2002	2,208,936
2001	2,137,683
2000	2,457,533
1999	2,477,957
1998	2,711,302
1997	2,938,314
1996	3,092,617
1995	2,469,677
1994	2,075,572
1993	2,763,509
1992	2,888,847
1991	2,978,523
1990	3,064,401
1989	3,174,696