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GUCCIARDI  
BENEFIT RESOURCES  
*Actuarial & Benefits Consulting*

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March 9, 2004

Ms. Bonnie Stahl  
Policemen's Annuity and Benefit Fund  
608 City Hall  
200 East Wells Street  
Milwaukee, WI 53202-3551

 COPY

Re: Cost of Service Catch-up

Dear Bonnie,

As requested, we have updated our calculations to reflect annuitant deaths through February of 2004.

Cost of Service Catch-Up (60%)

If the proposed redrafted ordinance received in our office on September 16, 2002 is implemented, plan liabilities would increase \$3,519,111 as of March 1, 2004. If amortized over a 5-year period at the 6.75% interest rate, the annual tax levy would increase by \$852,541.

Cost of Service Catch-Up (50%)

If the proposed redrafted ordinance received in our office on September 16, 2002 is revised to replace 60% with 50% throughout, plan liabilities would increase \$3,132,328 as of March 1, 2004. If amortized over a 5-year period at the 6.75% interest rate, the annual tax levy would increase by \$758,839.

Cost of Service Catch-Up (40%)

If the proposed redrafted ordinance received in our office on September 16, 2002 is revised to replace 60% with 40% throughout, plan liabilities would increase \$3,120,443 as of March 1, 2004. If amortized over a 5-year period at the 6.75% interest rate, the annual tax levy would increase by \$755,960.

Cost of Service Catch-Up (30%)

If the proposed redrafted ordinance received in our office on September 16, 2002 is revised to replace 60% with 30% throughout, plan liabilities would increase \$3,120,443 as of March 1, 2004. If amortized over a 5-year period at the 6.75% interest rate, the annual tax levy would increase by \$755,960. These numbers are identical to the 40% numbers above, as all annuitants would receive the same increase under this formula.

The reason that the numbers are not dramatically different is that the minimum only affects a small number of people.

Cost of Flat \$50 Increase for All

If benefits for all annuitants were increased by a flat \$50, plan liabilities would increase \$609,214 as of March 1, 2004. If amortized over a 5-year period at the 6.75% interest rate, the annual tax levy would increase by \$147,588.

I hope this information is helpful to you. If you have any questions, please feel free to give us a call.

Sincerely,



Joan Gucciardi  
Senior Consulting Actuary