

Gloria Roark

From: Jim Barksdale
Sent: Friday, October 24, 2008 4:14 PM
To: Doug Formon
Cc: Department Heads; Aldermen
Subject: pension

Today's balance in the Non-Uniform Pension is \$4.65 million(see chart below) a substantial drop from the \$5.57 million at the end of September, and **down \$1.65 million(26%) since January 1, 2008.**

As you know, all investments accounts, not just ours, have dropped due to the recent market decline. These are paper losses unless we sell, and will not result in any immediate losses. However, there is a **minimum balance required** to be maintained in order to contractually guarantee payments to retirees. As of today, that minimum amount is **\$3.817 million.**

Should the market value(MV) fall below the minimum required, the **City could be required to make an additional deposit** to Principal to make up the difference between the minimum and the MV. *{For example, if the minimum value was \$3.8 million and the MV was \$3.7 million, the City would have to write a check for \$100K.}* Principal will let us know if that happens.

The minimum balance changes daily and is monitored by Principal. In addition, I asked them to send Gloria and me an e-mail each week, so we can also keep an eye on it and not be taken by surprise.

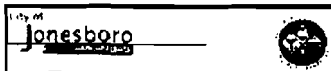
In conclusion, the **Benefit Index Option**, chosen when we set up the account with Principal, **insures payments to retirees are guaranteed!**

Employees need not be concerned but we will have to anticipate an increase in our contribution for 2009 budget process.

As you requested, I forwarded copies to the Council and Department Heads. You will also find the history chart for the Police Pension below(as of 9-30-08), which has experience far less volatility.

J. B.

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Market Value Change in Pension Accounts

As of 10-24-08

PENSION ACCOUNT	2006	2007	Change	Percent Change	Year-to-Date 10-24-08	Change	Percent Change
Non-Uniform Employees	5,683,170	6,309,585	626,416	11%	4,650,000	(1,659,585)	-26%

As of 09-30-08

PENSION ACCOUNT	2006	2007	Change	Percent Change	Year-to-Date 09-30-08	Change	Percent Change
Police Employees	10,986,017	11,268,270	282,253	3%	10,708,357	(559,913)	-5%