

LUBBOCK FIRE PENSION FUND

**ACTUARIAL VALUATION AS OF
DECEMBER 31, 2006**

NOVEMBER 20, 2007

Rudd and Wisdom, Inc.

CONSULTING ACTUARIES

Mitchell L. Bilbe, F.S.A.
Evan L. Dial, A.S.A.
Philip S. Dial, F.S.A.
Charles V. Faerber, F.S.A., A.C.A.S.
Mark R. Fenlaw, F.S.A.
Carl L. Frammolino, F.S.A.
Christopher S. Johnson, F.S.A.

9500 Arboretum Blvd., Suite 200
Austin, Texas 78759
Post Office Box 204209
Austin, Texas 78720-4209
Phone: (512) 346-1590
Fax: (512) 345-7437
E-mail: rw@ruddwisdom.com

Robert M. May, F.S.A.
J. Christopher McCaul, F.S.A.
Edward A. Mire, F.S.A.
Rebecca B. Morris, A.S.A.
Michael J. Muth, F.S.A.
Ronald W. Tobleman, F.S.A.
David G. Wilkes, F.S.A.

November 20, 2007

Board of Trustees
Lubbock Fire Pension Fund
15 Briercroft Office Park
Lubbock, Texas 79412

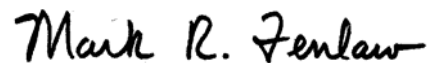
Members of the Board of Trustees:

In accordance with directives from the Board of Trustees of the Lubbock Fire Pension Fund (Fund), we have prepared this report of the actuarial valuation of the Fund as of December 31, 2006.

Section I of the report summarizes the valuation results and describes the participant and asset data sources and actuarial assumptions used in the valuation. Section II shows the detailed results of the valuation and describes the reasons for the change in the amortization period from the previous valuation that we prepared. Section III describes one limited possible plan change we have approved.

The necessary information for the Fund's compliance with Governmental Accounting Standards Board (GASB) Statement No. 25 and the city's compliance with GASB Statement No. 27 is included as Exhibits 14 and 15.

Sincerely,



Mark R. Fenlaw, F.S.A.



Robert M. May, F.S.A.

MRF/RMM:ph
Enclosure

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Section I

Lubbock Fire Pension Fund Valuation Summary

An actuarial valuation of the assets and liabilities of the Lubbock Fire Pension Fund as of December 31, 2006 (current valuation) has been completed. The valuation was based on the Present Plan (Plan Effective December 1, 2005) provisions and the provisions of the Texas Local Fire Fighters' Retirement Act (TLFFRA) which were in effect on December 31, 2006. Section II shows the detailed results of the actuarial valuation as of December 31, 2006 and discusses the significant changes since the prior valuation that we prepared as of December 31, 2004.

This valuation reflects a total contribution rate we assume will remain in effect indefinitely in the future of 32.18% of payroll, comprised of 12.43% by the firefighters and an assumed average rate of 19.75% by the city. (The city's policy is to contribute to the Fund a formula-derived percentage of payroll that is based on the contribution rate of the fire fighters to the Fund, the contribution rate of the other employees to the Texas Municipal Retirement System (TMRS), and the contribution rate of the city to TMRS for other employees, which is actuarially redetermined annually.) The total contribution rate of 32.18% exceeds the normal cost rate of 24.12%, leaving 8.06% available to amortize the unfunded actuarial accrued liability (UAAL) of \$26,065,757. Assuming that the total payroll increases 4.0% per year in the future, the contributions in excess of the normal cost **will amortize the UAAL in 35 years.**

In order for a retirement plan to have an adequate financing arrangement, contributions must be made that are sufficient to pay the plan's normal cost and to amortize the plan's UAAL over a reasonable period of time. Based on the Texas State Pension Review Board guidelines, our professional judgment, and the actuarial assumptions and methods used in making this valuation, we consider periods of 20 years to 25 years to be preferable and 40 years to be the maximum acceptable period. Since the total contributions are sufficient to pay the Fund's normal cost and to amortize the Fund's UAAL within the maximum acceptable period, we are of the opinion that the Fund, based on present levels of benefits and contributions, **has an adequate financing arrangement, i.e., is actuarially sound. However, we are not able to approve any increases in benefits according to the "good financial condition" provisions of the Present Plan because the amortization period for this valuation with the Present Plan exceeds 25 years.** However, at the request of the Board we have considered and are willing to approve a limited change in the death benefit provisions.

Projected Actuarial Valuation Results

In addition to completing this actuarial valuation, we did an analysis to estimate the amortization periods as of December 31, 2008 and as of December 31, 2010 by making projections from the December 31, 2006 actuarial valuation. We did these projections for your Fund to illustrate the sensitivity of the amortization period to deviations of investment and payroll growth experience from our assumptions and to show the effect of investment experience in the past four years (gains in 2003, 2004 and 2006 and a loss in 2005) in the determination of the actuarial value of assets (AVA). As shown in Exhibit 6, a smoothing

method is used to determine the AVA that is used in this valuation. This method phases in over a five-year period any investment gains or losses (net actual investment return greater or less than the actuarially assumed net investment return) that the Fund has had. The AVA used in this current valuation is deferring recognition of various portions of the gains and losses in 2003, 2004, 2005 and 2006.

For the purpose of projecting amortization periods through December 31, 2010, we used four scenarios that vary the assumed annual rate of investment return, net of all expenses, and the assumed annual payroll growth over the four-year projection period. The projected amortization periods will not be the same as actual amortization periods from completed future actuarial valuations but are the result of projected future actuarial valuations based on the completed December 31, 2006 actuarial valuation, showing (1) the expected effects of the recognition over the next four years of the portions of the past investment gains and losses over the past four years that are deferred as of December 31, 2006 and (2) the potential effects over the next four years of higher payroll growth (due to growth in number of firefighters) than the 4.0% assumption used in making the valuation and of lower or higher investment return than the 8% assumption used in making the valuation.

Valuation Date	Projected Amortization Period Under Various Scenarios			
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
December 31, 2008	22 years	20 years	22 years	18 years
December 31, 2010	18 years	14 years	22 years	8 years
2007-2010 Assumptions				
• investment return	8%	8%	6%	10%
• payroll growth	4%	8%	8%	8%

The projected future December 31, 2008 valuation reveals in Scenario 1 that instead of decreasing by the expected two years from 35 years to 32 years, the amortization period is projected to decrease by 13 years from 35 years to 22 years due to a significant part of the deferred investment gains being recognized by then. With the optimistic Scenario 4, the December 31, 2008 amortization period is projected to be 18 years. Variations in experience from the underlying assumptions, other than investment return and payroll growth, will cause the actual amortization periods to be different from the periods shown above. However, the primary conclusions from these scenarios are that (1) the deferred gains and losses as of December 31, 2006 will have a positive effect on the December 31, 2008 actuarial valuation and (2) the amortization period is sensitive to experience that deviates from the actuarial assumptions.

Participant and Asset Data

The active firefighter data, pensioner data, and asset data used in the valuation were provided on behalf of the Board of Trustees by Mr. Mark Miller, Administrator of the Fund. Exhibit 1 is a distribution of the firefighters by age and service. The salaries used for projecting future contributions and benefits in the valuation were based on the 2006 annual report pay, adjusted to reflect the salary raises effective in April 2006 and in March 2007. The total of these salaries is our assumed annualized covered payroll for the

plan year beginning January 1, 2007 and is used in the valuation to determine the UAAL amortization period. The average salaries are shown in Exhibit 1.

Exhibit 2 contains summary information for pensioners. The monthly benefit payments are generally based on the amounts paid December 31, 2006. Exhibit 3 is a reconciliation of firefighters and pensioners from December 31, 2004 to December 31, 2006. Exhibit 4 shows a breakdown of the dollar level of the monthly benefits for retirees and surviving spouses.

The summary of assets contained in Exhibit 5 is based on the December 31, 2006 market value of assets contained in the December 31, 2006 financial statements and the 2006 Annual Report to the Texas Fire Fighter's Pension Commission. This exhibit also shows a comparison with the market values and actuarial values of assets as of December 31, 2004 and December 31, 2006. Exhibit 6 shows the development of the actuarial value of assets. Exhibit 7 shows a historical comparison between the market value and actuarial value of assets. A comparison of the market value asset allocation between equities, fixed income and cash equivalents as of December 31, 2004 and December 31, 2006 is shown in Exhibit 8.

Actuarial Assumptions

We selected actuarial assumptions we considered to be appropriate for the Fund with respect to future rates of investment return, withdrawal, death, disability, service retirement, salary increases of firefighters and aggregate future firefighter payroll increases for use in making this valuation. Significant actuarial assumptions used in the valuation are:

1. 8% annual investment return (interest rate) net of expenses;
2. 4% general annual pay (salary) increase plus an average of 1.6% per year for pay increases due to promotions and longevity over a 30-year career;
3. Retirement rates which result in an average expected age at retirement of 53.0; and
4. RP-2000 Mortality Tables projected to 2006.

The following actuarial assumption and method changes have been made and are compared to those used in the December 31, 2004 valuation:

1. The assumed pay increases due to promotions and longevity were revised to better fit the pay structure for Lubbock firefighters. The 30-year career average of 1.64% per year is slightly lower than in the prior valuation (1.68% per year), with the new assumed increases somewhat lower with 11-15 years of service compared to the prior assumed increases and somewhat higher with 6-10 years of service.
2. The assumed mortality rates are somewhat lower and were changed to a more recent published mortality table and adjusted for expected mortality improvement to 2006.
3. The assumed percent of retirees electing a partial lump sum option (PLSO) was reduced from 40% to 20%, and the percent of retirees eligible for a DROP partial lump sum assumed to elect DROP was increased from 0% to 50%.
4. The percent of firefighters assumed to be single at the time of commencement of benefits was reduced from 25% to 15%.
5. The assumptions for the surviving child's death benefit were eliminated for future deaths, a benefit considered immaterial.

6. The assumed city contribution rate was changed from a rate averaging 19.00% to a rate averaging 19.75% of aggregate payroll in recognition of the city's actual contribution rates during 2005-2007 and the budgeted rate for 2008.

A summary of all the assumptions and methods used in the valuation is shown in Exhibits 9 and 10. In our opinion, the assumptions used, both in the aggregate and individually, are reasonably related to the experience of the Fund and to reasonable expectations. The assumptions represent a reasonable estimate of anticipated experience of the Fund over the long-term future.

Supporting Exhibits

Exhibit 11 contains definitions of terms used in this report. Exhibit 12 summarizes the plan provisions of the Present Plan. A 25-year projection of the Fund is shown in Exhibit 13. This projection has been prepared to show an estimate of the market value of the Fund during the next 25 years. The first five years shown in this exhibit contain historical data taken from annual reports. Exhibit 13 assumes that all benefits will commence in accordance with the demographic assumptions used in this December 31, 2006 actuarial valuation. Because investment return is not uniform each year, this projection may not be a good estimate from year to year. However, the projection is a realistic estimate of the overall growth of the Fund for the 25-year projection period based on the assumptions used in developing the projection. This projection shows the ratio of the market value of assets to payments decreasing from 17.80 in the fiscal year ending December 31, 2006 to 13.46 in the first eight years following December 31, 2006, then gradually increasing to almost 17 over the next 17 years. This ratio level and pattern, based on the expected future experience of the Fund, are coincident with an adequate financing arrangement.

The disclosures in accordance with GASB Statement No. 25 are enclosed as Exhibit 14. This information will be needed for the Fund's financial statements. The disclosures in accordance with GASB Statement No. 27 are enclosed as Exhibit 15. The GASB 27 disclosures will be needed for the city's financial statements.

Respectfully submitted,
RUDD AND WISDOM, INC.



Mark R. Fenlaw
Fellow, Society of Actuaries
Member, American Academy of Actuaries



Robert M. May
Fellow, Society of Actuaries
Member, American Academy of Actuaries

Section II

Lubbock Fire Pension Fund Detailed Results of the Actuarial Valuation

	<u>December 31, 2004¹</u>	<u>December 31, 2006</u>
1. Actuarial present value of future benefits		
a. Those now receiving benefits or former firefighters entitled to receive benefits	\$ 71,989,324	\$ 80,054,333
b. Firefighters	<u>106,999,396</u>	<u>125,068,502</u>
c. Total	\$178,988,720	\$ 205,122,835
2. Actuarial present value of future normal cost contributions	\$ 34,996,745	\$ 40,726,652
3. Actuarial accrued liability (Item 1c – Item 2)	\$143,991,975	\$ 164,396,183
4. Actuarial value of assets	\$130,133,548	\$ 138,098,239
5. Unfunded actuarial accrued liability (UAAL) (Item 3 - Item 4)	\$ 13,858,427	\$ 26,297,944
6. Contributions (percent of payroll)		
a. Firefighters	12.43%	12.43%
b. City of Lubbock	<u>19.00%²</u>	<u>19.75%²</u>
c. Total	31.43%	32.18%
7. Normal cost (percent of payroll)	24.71%	24.19%
8. Percent of payroll available to amortize the UAAL (Item 6c - Item 7)	6.72%	7.99%
9. Annualized covered payroll	\$ 14,711,652	\$ 17,290,674
10. Present annual amount available to amortize the UAAL (Item 8 x Item 9)	\$ 988,623	\$ 1,381,525
11. Years to amortize the UAAL	21 years	35 years

¹ All items are from the September 29, 2005 report by Rudd and Wisdom, Inc. and reflect the Present Plan provisions.

² Assumed average rate.

Change in Amortization Period

The amortization period, based on the Present Plan provisions, was determined in the actuarial valuation as of December 31, 2004 to be 21 years. Since two years have passed since that valuation date, a 19-year amortization period would be expected if all actuarial assumptions had been exactly met, no unexpected changes had occurred in the firefighter and pensioner data, and no changes in assumptions had been made. The amortization period is now 35 years based on the same Present Plan provisions. The actual experience occurring between December 31, 2004 and December 31, 2006 differed from the expected experience, but had somewhat offsetting effects, resulting in an amortization period of 35 years, which is 16 years more than the expected 19-year period for the following reasons:

1. The average annual rate of investment return, net of all expenses, on the market value of assets during the two years from December 31, 2004 to December 31, 2006 is estimated at 9.5%. However, the actuarial value of assets (AVA) used in the valuation and the determination of the amortization period is based on an adjusted market value. The average annual rate of return on the AVA, net of all expenses, for the two years from December 31, 2004 to December 31, 2006 is estimated at 5.0% compared to the assumed rate of return of 8.0%. This caused an **increase** in the amortization period of approximately 24 years.
2. The aggregate payroll increased at an average rate of 8.4% per year instead of the assumed 4.0%, which caused the amortization period to **decrease** by approximately 7 years.
3. The net result of all experience other than the investment experience and the aggregate payroll experience had the combined effect of **decreasing** the amortization period by approximately 3 years. This was the net result of some favorable experience, such as fewer-than-expected retirements in the last two years, and some unfavorable experience, such as pay increases somewhat greater than expected.
4. Since the last valuation, we changed our assumed average city contribution rate for the long term from 19.00% to 19.75%. The change in the assumed average city contribution rate had the effect of **decreasing** the amortization period by approximately 5 years.
5. The net result of the changes in actuarial assumptions (other than the city contribution rate assumption) had the combined effect of **increasing** the amortization period by approximately 6 years.
6. The result of minor improvements in the coding of our valuation system for the Lubbock Fire Pension Fund resulted in an **increase** in the amortization period of approximately 1 year.

Section III

Lubbock Fire Pension Fund Special Studies

The results of this actuarial valuation as of December 31, 2006 reveal that the Fund, based on the Present Plan provisions, has an adequate financing arrangement. As disclosed in both Sections I and II, the amortization period of the unfunded actuarial accrued liability (UAAL) of the Present Plan in this valuation as of December 31, 2006 is 35 years. As a result, we are not willing to give the actuarial approval required by the provisions of Section 7 of the Texas Local Fire Fighters' Retirement Act (TLFFRA), shown below, to increase benefits according to the "good financial condition" provisions of the Present Plan (Section F(2)). However, at the request of the Board we have considered and are willing to approve a limited change in the death benefits provisions.

Even minor benefit changes to the plan must be made in accordance with Section 7 of TLFFRA, as amended September 1, 2007. Section 7(a), 7(b) and 7(c) are shown below.

- “(a) The Board of Trustees of a retirement system may change the benefits or eligibility requirements for benefits payable from the retirement system, may provide for reinstatement by a member of service credit previously forfeited, and may adopt or change other requirements for the payment of benefits, except as otherwise prohibited by this Act.
- (b) Before a Board of Trustees chooses to adopt or change a benefit or requirement for payment of benefits under this section, the proposed addition or change must be approved by:
 - (1) an eligible actuary selected by the board; and
 - (2) a majority of the participating members of the retirement system voting by secret ballot at an election held for that purpose at which at least 50 percent of all participating members of the retirement system vote.
- (c) To be eligible to approve an addition or change under this section, an actuary must be either a fellow of the Society of Actuaries or a member of the American Academy of Actuaries.”

Exhibit 12 summarizes the plan provisions of the Present Plan Effective December 1, 2005. The amendment for presentation to the firefighters, referred to as Amendment 1, would change the way benefits are reduced when total death benefits exceed the applicable limit. Amendment 1 would not increase total death benefits to a surviving spouse and children but would redistribute the benefits by reducing only the children's monthly benefits if a reduction is necessary. The present provision calls for the same percentage reduction to the spouse's benefit and each child's benefit.

Exhibit 1

Lubbock Fire Pension Fund Distribution of Firefighters by Age and Service on December 31, 2006 with Average Annual Salary

Years of Service	Age									Total	Average Salary
	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 or Over		
0	0	1	0	0	0	0	0	0	0	1	\$ 37,272
1	9	8	10	2	0	0	0	0	0	29	39,422
2	2	5	4	4	0	0	0	0	0	15	44,337
3	0	6	6	2	0	0	0	0	0	14	51,859
4	0	7	12	4	2	0	0	0	0	25	51,675
5	0	3	5	1	1	0	0	0	0	10	57,705
6	0	0	0	0	0	0	0	0	0	0	0
7	0	0	11	8	6	0	0	0	0	25	56,845
8	0	0	2	4	5	0	0	0	0	11	58,219
9	0	0	4	5	2	0	0	0	0	11	58,808
10	0	0	0	0	0	0	0	0	0	0	0
11	0	0	0	2	1	2	1	0	0	6	61,685
12	0	0	0	0	0	0	0	0	0	0	0
13	0	0	2	4	2	2	0	0	0	10	61,146
14	0	0	0	4	3	1	0	0	0	8	62,755
15	0	0	0	0	3	0	1	0	0	4	59,396
16	0	0	0	3	1	2	1	0	0	7	68,199
17	0	0	0	3	3	5	1	0	0	12	60,879
18	0	0	0	2	3	12	2	0	0	19	62,610
19	0	0	0	0	4	2	7	0	0	13	63,636
20-24	0	0	0	0	4	12	5	1	0	22	66,318
25-29	0	0	0	0	1	23	21	8	0	53	68,010
30-34	0	0	0	0	0	0	2	0	0	2	66,107
35-39	0	0	0	0	0	0	0	0	0	0	0
40-44	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	11	30	56	48	41	61	41	9	0	297	\$ 58,218

Average Salary \$40,495 \$47,114 \$51,707 \$56,952 \$61,924 \$65,451 \$65,646 \$64,410 \$0 \$58,218

Exhibit 2

***Lubbock Fire Pension Fund
Summary of Pensioner Data***

Type of Benefit	Pensioner Data Used in December 31, 2006 Valuation	
	Number of Recipients	Total Monthly Benefit Payments
Service Retirement	179 ^{1/}	\$581,642
Disability Retirement	9	17,042
Vested Terminated (Deferred) ^{2/}	2	4,413
Surviving Spouse	46	68,725
Surviving Child	<u>3</u>	<u>1,270</u>
Total	239	\$673,092

Type of Benefit	Comparison of Pensioner Count by Type as of The Prior and Current Actuarial Valuations			
	December 31, 2004	New	Ceased	December 31, 2006
Service Retirement	167 ^{3/}	+15 ^{4/}	-3	179 ^{1/}
Disability Retirement	8	+1	0	9
Vested Terminated (Deferred) ^{2/}	4	0	-2	2
Surviving Spouse	48	+2	-4	46
Surviving Child	<u>1</u>	<u>+2</u>	<u>0</u>	<u>3</u>
Total	228	+20	-9	239

^{1/} Includes three alternate payees receiving benefits according to the terms of a Qualified Domestic Relations Order (QDRO).

^{2/} Monthly benefit payments are deferred to begin at terminated firefighter's future retirement date.

^{3/} Includes two alternate payees receiving benefits according to the terms of a QDRO.

^{4/} Includes the addition of one alternate payee.

Exhibit 3

***Lubbock Fire Pension Fund
Firefighter and Pensioner Reconciliation***

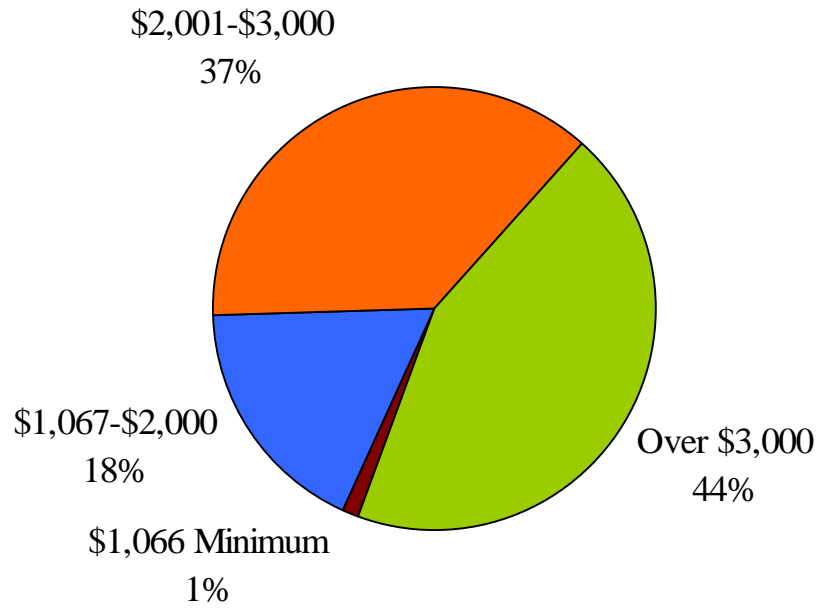
	Firefighters	Current Payment Status	Vested Terminated Firefighters	Total
1. As of December 31, 2004	284	224	4	512
2. Change of status				
a. retirement	(12)	15	(2)	1
b. disability	(1)	1	0	0
c. death	0	2	0	2
d. withdrawal	(4)	0	0	(4)
e. vested termination	-	-	-	-
f. completion of payment	<u>0</u>	<u>(5)</u>	<u>0</u>	<u>(5)</u>
g. net changes	(17)	13	(2)	(6)
3. New firefighters	<u>30^{1/}</u>	<u>0</u>	<u>0</u>	<u>30</u>
4. As of December 31, 2006	297 ^{1/}	237	2	536

^{1/} Includes one firefighter who was assumed to be hired in 2007 to fill a budgeted position.

Exhibit 4

***Lubbock Fire Pension Fund
Breakdown of Monthly Benefit Payment Amounts as of December 31, 2006***

Retirees



Surviving Spouses

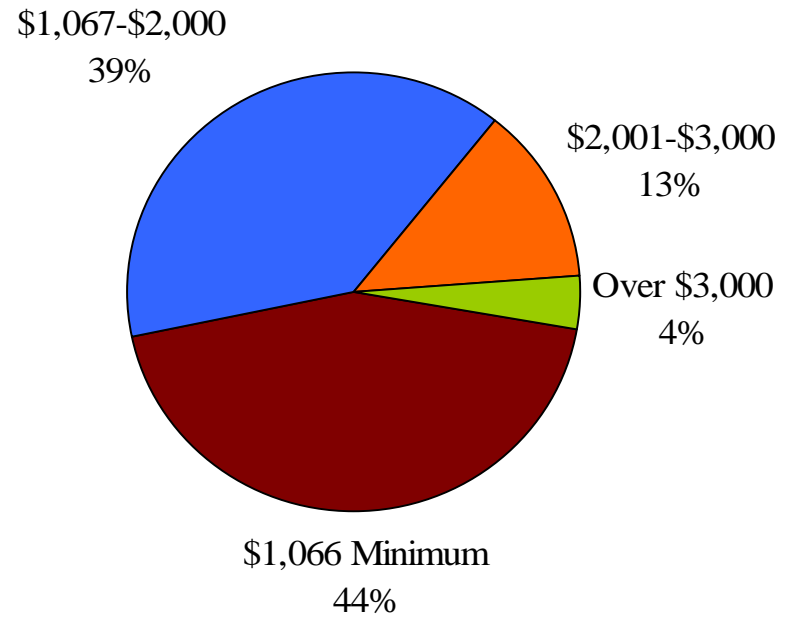


Exhibit 5

***Lubbock Fire Pension Fund
Summary of Asset Data***

Asset Type	Market Value of Assets as of December 31, 2006	Allocation as a Percent of Grand Total
Equities	\$ 91,453,147	63.5%
Fixed Income	44,984,469	31.2
Real Estate	2,667,130	1.9
Cash Equivalents and Miscellaneous		
U.S. Treasuries	2,132,914	
Cash	1,310,474	
Accrued Interest and Dividends	1,428,324	
Accrued Interest Purchased	<u>65,393</u>	
Total	4,937,105	<u>3.4</u>
Grand Total	\$ 144,041,851	100.0%

Comparison of Asset Values as of the Prior and Current Actuarial Valuation Dates		
	<u>December 31, 2004</u>	<u>December 31, 2006</u>
Market Value	\$124,831,203	\$144,041,851
Actuarial Value	\$130,133,548	\$138,098,239

Exhibit 6

***Lubbock Fire Pension Fund
Development of Actuarial Value of Assets***

Calculation of Actuarial Investment Gain/(Loss) Based on Market Value for Fund Years	Fund Year Ending December 31			
	2006	2005	2004	2003
1. Market Value of Assets as of beginning of year	\$131,852,862	\$124,831,203	\$117,291,599	\$101,147,068
2. Firefighter Contributions	2,031,152	1,887,984	1,818,320	1,520,583
3. City Contributions	3,256,707	3,028,674	2,754,435	2,263,991
4. Benefit Payments and Contribution Refunds	(8,091,858)	(7,384,444)	(7,335,765)	(6,948,104)
5. Miscellaneous Receipts	114,158	90	97,306	18,252
6. Expected Investment Return*	<u>10,442,705</u>	<u>9,889,687</u>	<u>9,278,751</u>	<u>7,968,375</u>
7. Expected Market Value of Assets as of end of year	\$139,605,726	\$132,253,193	\$123,904,646	\$105,970,165
8. Actual Market Value of Assets as of end of year	<u>144,041,851</u>	<u>131,852,862</u>	<u>124,831,203</u>	<u>117,291,599</u>
9. Actuarial Investment Gain/(Loss)	\$ 4,436,125	\$ (400,331)	\$ 926,556	\$ 11,321,434
10. Market Value Rate of Return Net of Expenses	11.4%	7.7%	8.8%	19.4%
11. Rate of Actuarial Investment Gain/(Loss)	3.4%	(0.3)%	0.8%	11.4%

* Assuming (1) uniform distribution of contributions and payments during the plan years and (2) actuarially assumed net investment return of 8% per year

Deferred Actuarial Investment Gains/(Losses) to be Recognized in Future Years

Fund Year	Investment Gain/(Loss)	Deferral Percentage	Deferred Gain/(Loss) as of 12/31/2006
2006	\$4,436,125	80%	\$ 3,548,900
2005	(400,331)	60%	(240,198)
2004	926,556	40%	370,623
2003	11,321,434	20%	<u>2,264,287</u>
Total			\$ 5,943,612

Actuarial Value of Assets as of December 31, 2006

12. Market Value of Assets as of December 31, 2006	\$144,041,851
13. Deferred Gain/(Loss) to be recognized in future	<u>5,943,612</u>
14. Preliminary Value (Item 12 – Item 13)	\$138,098,239
15. Corridor for Actuarial Value of Assets	
a. 90% of Market Value as of December 31, 2006 (minimum)	\$129,637,666
b. 110% of Market Value as of December 31, 2006 (maximum)	\$158,446,037
16. Actuarial Value as of December 31, 2006	\$138,098,239
17. Write up/(down) of assets (Item 16 – Item 12)	\$ (5,943,612)

Exhibit 7

*Lubbock Fire Pension Fund
Historical Comparison of Market and Actuarial Value of Assets
(Valuations as of December 31)*

\$ in Millions

14



—■— Market Value —●— Actuarial Value

Exhibit 8

Lubbock Fire Pension Fund
Market Value Asset Allocation for Prior and Current Valuations
(Valuations as of December 31)

December 31, 2004

December 31, 2006

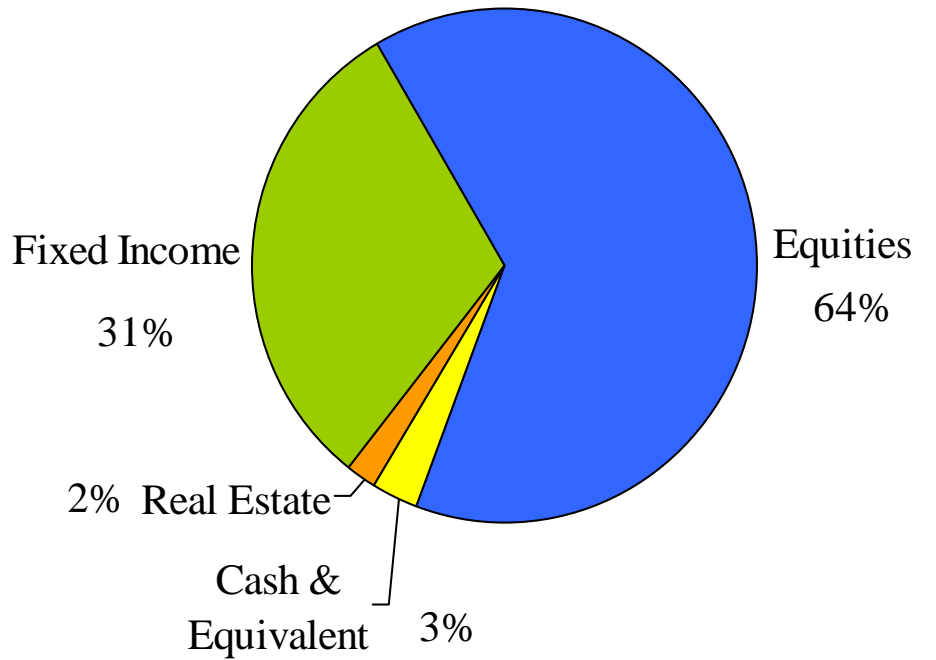
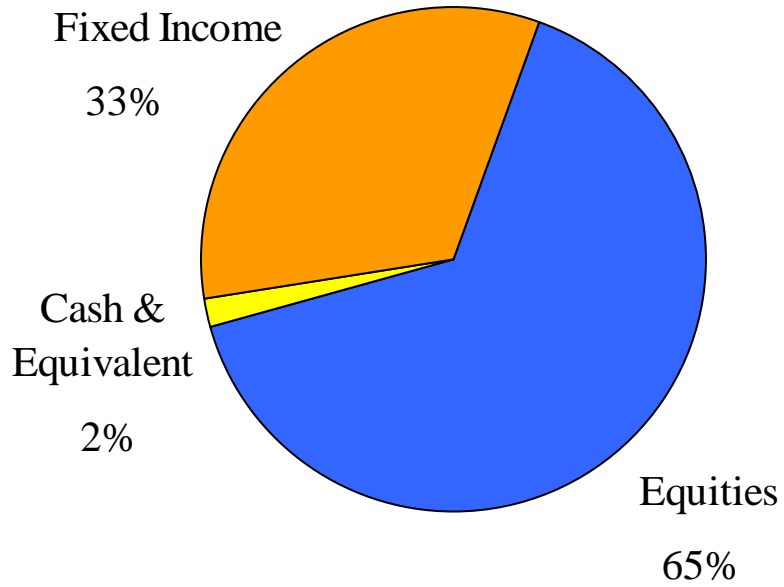


Exhibit 9

Lubbock Fire Pension Fund Actuarial Methods and Assumptions

- | | |
|---|--|
| 1. Actuarial Cost Method | Entry Age Actuarial Cost Method* |
| 2. Amortization of Unfunded Actuarial Accrued Liability | The unfunded actuarial accrued liability is assumed to be amortized with level percentage of payroll contributions (total contribution rate less normal cost contribution rate) based on payroll growth of 4% per year. |
| 3. Actuarial Value of Asset Method | Gains and losses in the market value of assets, based on the difference between the actual rate of return and the assumed rate of return, are recognized in the actuarial value over five years. The actuarial value will not be less than 90% or more than 110% of the market value of assets. See Exhibit 6. |
| 4. Investment Return Assumption Net of Expenses (Interest Rate) | 8% per year |
| 5. Inflation | 4% per year |
| 6. Mortality Rates | |
| (a) Firefighters and Service Retired Firefighters | RP-2000 Male Mortality Table projected to 2006 |
| (b) Disability Retired Firefighters | RP-2000 Male Mortality Table projected to 2006 |
| (c) Spouses | RP-2000 Female Mortality Table projected to 2006 |
| 7. Pay (Salary) Increase Assumption | 4.0% per year in addition to approximately 1.6% per year average pay increases due to promotion and longevity over a 30-year career. See Exhibit 10. |
| 8. Retirement Rates | 30% per year of firefighters eligible to retire, with a rate of 100% at age 60, resulting in an average retirement age of 53.0. |
| 9. RETRO DROP Benefits | |
| (a) Percent of Firefighters Eligible Electing this Option | 50% of service retirements eligible to elect at least a 12-month lump sum |
| (b) Months Assumed for Lump Sum | Maximum they are eligible for, up to 24 months |

* Under this method the actuarial present value of projected benefits for each firefighter included in the valuation is allocated as a level percentage of the earnings of the firefighter between age at hire and termination. Service is assumed to be continuous.

Exhibit 9 (continued)

***Lubbock Fire Pension Fund
Actuarial Methods and Assumptions***

10. Percent of Retirees Electing PLSO	20%
11. Withdrawal Rates	See Exhibit 10.
12. Disability Rates	See Exhibit 10.
13. Reduction in Benefit after 2½ Years of Disability Retirement	No reduction in benefit 75% 50% reduction in benefit 20 Benefit terminated <u>5</u> 100%
14. Percent of Disability Retirements that Are Totally and Permanently Disabled	20%
15. Percent Married	85% of the firefighters are assumed to be married at retirement, disability, or death while employed and have a spouse three years younger
16. Percent of Service Retirees Electing Life Only Optional Retirement	The 15% assumed single firefighters are assumed to elect the life only optional form of retirement.
17. Surviving Child's Death Benefit	None are assumed as a result of future deaths.
18. Firefighter's Assumed Contribution Rate (percent of covered pay)	12.43%
19. City's Assumed Average Contribution Rate (percent of covered payroll)	19.75%

Exhibit 10

Lubbock Fire Pension Fund Disability and Withdrawal Rates per 1,000 Active Members Salary Rate Increase from Year t-1 to Year t

<u>Disability Rates</u>		<u>Withdrawal Rates</u>		<u>Salary Increase Rates</u>	
<u>Attained Age</u>	<u>Rate*</u>	<u>Years of Service</u>	<u>Rate</u>	<u>Years of Service</u>	<u>Rate</u>
18 - 25	0.60	0	30	1	11.28%
26	0.62	1	27	2	11.28
27	0.64	2	24	3	11.28
28	0.66	3	21	4	11.28
29	0.70	4	18	5	11.28
30	0.76	5	16	6	6.08
31	0.80	6	14	7	6.08
32	0.84	7	12	8	6.08
33	0.88	8	11	9	6.08
34	0.96	9	10	10	6.08
35	1.04	10	8	11	5.04
36	1.12	11	7	12	5.04
37	1.18	12	6	13	5.04
38	1.26	13	5	14	5.04
39	1.40	14	5	15	5.04
40	2.34	15	5	16	4.00
41	2.58	16	5	17	4.00
42	2.80	17	4	18	4.00
43	3.02	18	4	19	4.00
44	3.44	19	4	20	4.00
45	3.86	20 & Over	0	21	4.00
46	4.28			22	4.00
47	4.70			23	4.00
48	5.10			24	4.00
49	6.06			25	4.00
50	7.00			26	4.00
51	7.96			27	4.00
52	8.90			28	4.00
53	9.86			29	4.00
54	12.54			30	4.00
55 & Over	0.00			31	4.00
				32	4.00
				33	4.00
				34	4.00
				35	4.00
				36	4.00
				37	4.00
				38	4.00
				39	4.00
				40	4.00

*Applicable when not eligible for service retirement.

Exhibit 11

Lubbock Fire Pension Fund Definitions

1. Actuarial Accrued Liability That portion, as determined by the particular actuarial cost method used, of the Actuarial Present Value of future pension plan benefits as of the Valuation Date that is not provided for by the Actuarial Present Value of future Normal Costs.

2. Actuarial Assumptions Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, termination, disablement and retirement; changes in compensation; rates of investment earnings and asset appreciation; and other relevant items.

3. Actuarially Equivalent Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

4. Actuarial Gain (Loss) A measure of the difference between actual experience and that expected based on the Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with the particular actuarial cost method used.

5. Actuarial Present Value The value of an amount or series of amounts payable or receivable at various times, determined as of a given date (the Valuation Date) by the application of the Actuarial Assumptions.

6. Actuarial Valuation The determination, as of a Valuation Date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets and related Actuarial Present Values for a pension plan.

7. Actuarial Value of Assets The value of cash, investments and other property belonging to a pension plan, as determined by a method and used by the actuary for the purpose of an Actuarial Valuation.

8. Entry Age Actuarial Cost Method An actuarial cost method under which the Actuarial Present Value of the Projected Benefits of each individual included in the Actuarial Valuation is allocated as a level percentage of earnings between entry age and assumed termination. The portion of this Actuarial Present Value

Exhibit 12

***Lubbock Fire Pension Fund
Summary of Present Plan***

1. Normal Service or Disability Retirement Monthly Benefit		
(a) Percent of Final 48-Month Average Salary		68.92%
(b) Additional service benefit for each year of service in excess of 20 years		\$335.05
2. Normal Service Retirement Eligibility		
(a) Minimum age		Age 50
(b) Minimum service		20 Years
3. Actuarially Equivalent Early Retirement Eligibility		20 Years
4. RETRO DROP Benefit Eligibility Without Additional Benefit Reduction		
(a) Earliest RETRO DROP Benefit Calculation Date		Age 51 and 21 Years
(b) Earliest employment termination date with maximum RETRO DROP accumulation period		Age 53 and 23 Years
5. RETRO DROP Eligibility with Early Participation Benefit Reduction		
(a) Earliest RETRO DROP Benefit Calculation Date		Age 50 and 20 Years
(b) Earliest employment termination date with maximum RETRO DROP accumulation period		Age 52 and 22 Years
6. Maximum Length of RETRO DROP Benefit Accumulation Period		24 Months
7. Vested Terminated Benefit Eligibility (Benefit Deferred to Normal Retirement Age)		10 Years
8. Percent Vested for Completed Year of Service		
	<u>Completed Year</u>	<u>Percent Vested</u>
	10	25%
	11	35
	12	45
	13	55
	14	65
	15	75
	16	80
	17	85
	18	90
	19	95
	20	100

Exhibit 12 (continued)

***Lubbock Fire Pension Fund
Summary of Present Plan***

9. Surviving Spouse's Monthly Death Benefit for a Firefighter
Not Eligible for Service Retirement
 - (a) Percent of Final 48-Month Average Salary 45.95%
 - (b) Additional service benefit for each year of service in excess of 20 years \$223.37

10. The Surviving Spouse's Monthly Death Benefit for a firefighter who dies while eligible for service retirement will be equal to the monthly benefit the firefighter could have received on the date of death if the firefighter had elected the Joint & 100% Surviving Spouse optional form of payment.

11. Surviving Children's Monthly Death Benefit as a Percent of Final 48-Month Average Salary
 - (a) Where the spouse is receiving a benefit 9.19%
 - (b) Where the spouse is not receiving a benefit or there is no spouse 45.95%

12. Lump Sum Death Benefit \$10,000

13. Contributions as a Percent of Payroll by:
 - (a) Firefighters 12.43%
 - (b) City of Lubbock (assumed average rate) 19.75%

14. The normal form of annuity payment at retirement is a Joint and Two-Thirds to Surviving Spouse. Certain optional forms of annuity payments are available to service retirees and vested terminated firefighters upon retirement.

15. Salary used to determine the Final 48-Month Average Salary includes all regular and periodic biweekly pay except for 1) any lump sum distribution from the city, including but not limited to a lump sum distribution of termination pay for unused sick leave, vacation, holiday or comp-time; 2) car allowances; 3) clothing allowances; and 4) any reimbursement pay.

16. Refund of firefighters' accumulated contributions without interest will be made to firefighters who terminate employment and either are not eligible for any benefit from the Fund or request a refund from the Fund.

17. There is an actuarially equivalent partial lump sum option in which the retiring member elects the number of months of unreduced monthly benefit included in the lump sum from one to 36. As the number of months included in the lump sum becomes greater, the reduced monthly benefit becomes smaller.

Exhibit 13

Lubbock Fire Pension Fund 25-Year Projection - Present Plan

<i>Calendar Year Ending</i>	<i>Market Value of Fund at Beginning of Year</i>	<i>Contributions by City and Firefighters</i>	<i>Net Investment Income</i>	<i>Monthly Benefit Payments</i>	<i>Estimated Lump Sum Payments</i>	<i>Market Value of Fund at End of Year</i>	<i>Ratio of Fund to Payments</i>
2002	\$ 117,625,426	3,443,872	-13,209,727	6,218,963	493,540	101,147,068	15.07
2003	101,147,068	3,784,574	19,273,195	6,799,627	113,611	117,291,599	16.97
2004	117,291,599	4,572,756	10,211,836	7,105,509	139,479	124,831,203	17.23
2005	124,831,203	4,916,657	9,489,447	7,183,580	200,864	131,852,862	17.86
2006	131,852,862	5,287,859	14,992,988	7,844,819	247,039	144,041,851	17.80
2007	144,041,851	5,564,139	11,367,767	8,749,174	704,503	151,520,080	16.03
2008	151,520,080	5,786,704	11,944,329	9,462,029	756,602	159,032,482	15.56
2009	159,032,482	6,018,173	12,521,842	10,249,723	787,369	166,535,405	15.09
2010	166,535,405	6,258,900	13,101,237	11,045,877	752,904	174,096,761	14.76
2011	174,096,761	6,509,256	13,679,628	11,851,897	860,192	181,573,556	14.28
2012	181,573,556	6,769,626	14,250,950	12,733,291	909,699	188,951,142	13.85
2013	188,951,142	7,040,411	14,820,181	13,540,408	897,769	196,373,557	13.60
2014	196,373,557	7,322,027	15,396,804	14,258,125	890,929	203,943,334	13.46
2015	203,943,334	7,614,908	15,995,634	14,816,261	794,463	211,943,152	13.58
2016	211,943,152	7,919,505	16,627,980	15,345,873	760,448	220,384,316	13.68
2017	220,384,316	8,236,285	17,306,396	15,708,072	636,935	229,581,990	14.05
2018	229,581,990	8,565,736	18,041,073	16,087,176	615,717	239,485,906	14.34
2019	239,485,906	8,908,366	18,828,015	16,562,246	617,561	250,042,480	14.55
2020	250,042,480	9,264,700	19,660,229	17,191,369	652,578	261,123,462	14.63
2021	261,123,462	9,635,288	20,535,625	17,800,881	690,710	272,802,784	14.75
2022	272,802,784	10,020,700	21,463,668	18,300,323	734,235	285,252,594	14.99
2023	285,252,594	10,421,528	22,451,829	18,863,106	767,878	298,494,967	15.21
2024	298,494,967	10,838,389	23,505,417	19,438,021	754,879	312,645,873	15.48
2025	312,645,873	11,271,924	24,629,718	20,049,582	771,136	327,726,797	15.74
2026	327,726,797	11,722,801	25,812,836	20,923,285	932,207	343,406,942	15.71
2027	343,406,942	12,191,713	27,045,408	21,856,251	1,014,146	359,773,666	15.73
2028	359,773,666	12,679,382	28,344,849	22,620,833	984,645	377,192,419	15.98
2029	377,192,419	13,186,557	29,730,880	23,270,493	1,028,901	395,810,462	16.29
2030	395,810,462	13,714,020	31,220,944	23,801,054	1,010,301	415,934,071	16.76
2031	415,934,071	14,262,580	32,813,581	24,710,007	1,081,184	437,219,041	16.95

A. Data for fiscal years 2002 through 2006 were taken from the annual reports for those years.

B. Assumptions for years 2007 through 2031:

1. Benefits will commence in accordance with the demographic and economic assumptions used in this December 31, 2006 actuarial valuation.
2. Firefighter contributions will be 12.43% of pay.
3. City contributions will average 19.75% of payroll.
4. Covered payroll will be \$17,290,674 for calendar year ending December 31, 2007. It will increase 4% per year thereafter.
5. Investment income (net of expenses) will be 8% of the average fund balance in each year.

Exhibit 14

**Lubbock Fire Pension Fund
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the Fund's Financial Statement for Fiscal Year Ending December 31, 2007**

I. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll ³ (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/02 ^{1,2}	\$ 111,261,775	\$ 127,850,414	\$16,588,639	87.0%	\$13,521,366	122.7%
12/31/04 ^{1,2}	130,174,984	143,991,975	13,816,991	90.4	14,711,366	93.9
12/31/06 ^{1,4}	138,098,239	164,396,183	26,297,944	84.0	17,290,674	152.1

¹ Economic and demographic assumptions were revised.

² Reflects changes in plan benefit provisions effective November 1, 2003.

³ The covered payroll is based on estimated annualized salaries used in the valuation.

⁴ Reflects minor changes in plan benefit provisions effective December 1, 2005 and amended effective October 18, 2006.

II. Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contribution (ARC)	Actual Contributions	Percentage of Required Contribution Contributed
2002	\$ 1,169,154	\$2,053,685	175.7%
2003	2,263,991	2,263,991	100.0
2004	2,754,435	2,754,435	100.0
2005	3,028,674	3,028,674	100.0
2006	3,256,707	3,256,707	100.0
2007	<u>1</u>	<u>2</u>	<u>3</u>

¹ The ARC is equal to 20.42% of actual covered payroll based on the December 31, 2006 actuarial valuation.

² The Fund should disclose the actual city contributions during 2007.

³ The percentage of the ARC contributed should be determined by dividing the actual contributions by the ARC.

Exhibit 14 (continued)

***Lubbock Fire Pension Fund
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the Fund's Financial Statement for Fiscal Year Ending December 31, 2007***

III. Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	December 31, 2006
Actuarial cost method	Entry Age
Amortization method	Level percentage of projected payroll, open
Amortization period	35 years
Asset valuation method	Market value smoothed by a five-year deferred recognition method with a 90%/110% corridor on market

Actuarial assumptions:

- Investment rate of return, net of expenses	8.0% per year
- Inflation	4.0% per year
- Projected salary increases	
- general salary increase	4.0% per year
- promotion and longevity increase	0% to 7% per year
- total increase	4% to 11.28% per year
- Payroll growth rate	4.0% per year
- Postretirement cost-of-living adjustments	None

**IV. Actuarial Information Needed for Notes to the Financial Statement
as Required by Paragraph 32 of GASB 25**

A. Plan Description

The Board of Trustees of the Lubbock Fire Pension Fund is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. It is reported by the City of Lubbock as a related organization and is not considered to be a part of the city financial reporting entity.

Firefighters in the Lubbock Fire Department are covered by the Lubbock Fire Pension Fund. The table below summarizes the membership of the fund as of December 31, 2006, the most recent biennial actuarial valuation.

Exhibit 14 (continued)

***Lubbock Fire Pension Fund
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the Fund's Financial Statement for Fiscal Year Ending December 31, 2007***

	<u>December 31, 2006</u>
1. Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	239
2. Current employees	
a. Fully vested	77
b. Partially vested	79
c. Nonvested	<u>141</u>
3. Total	536

The Lubbock Fire Pension Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. Employees may retire at age 50 with 20 years of service. A reduced early service retirement benefit is provided for employees who terminate employment with 20 or more years of service. The Plan Effective December 1, 2005 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92% of Final 48-Month Average Salary plus \$335.05 per month for each year of service in excess of 20 years.

A firefighter has the option to participate in a Retroactive Deferred Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced annuity upon termination of employment. Firefighters must be at least age 51 with 21 years of service at the selected "RETRO DROP benefit calculation date" (which is prior to date of employment termination). Early RETRO DROP with benefit reductions is available at age 50 with 20 years of service for the selected "early RETRO DROP benefit calculation date". A Partial Lump Sum option is also available where a reduced monthly benefit is determined based on an elected lump sum amount such that the combined present value of the benefits under the option is actuarially equivalent to that of the normal form of the monthly benefit. Optional forms are also available at varying levels of surviving spouse benefits instead of the standard two-thirds form.

There is no provision for automatic postretirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

Exhibit 14 (continued)

***Lubbock Fire Pension Fund
Disclosures in Accordance with GASB Statement No. 25
Required Supplementary Information
for the Fund's Financial Statement for Fiscal Year Ending December 31, 2007***

B. Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

While the actual contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the city provides an adequate financing arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL), if any, and the number of years needed to amortize the plan's UAAL, if any, is determined using a level percentage of payroll method.

The costs of administering the plan are paid from the Fund.

The funding policy of the Lubbock Fire Pension Fund requires contributions equal to 12.43% of pay by the firefighters. Contributions by the city are based on a formula which causes the city's contribution rate to fluctuate from year to year. The city is contributing 19.84% of payroll during calendar year 2007. The scheduled city contribution rate for calendar year 2008 is 19.97% of payroll. The December 31, 2006 actuarial valuation reflecting the Plan Effective December 1, 2005 assumes that the city's contributions will average 19.75% of payroll in the future. Based on the December 31, 2006 actuarial valuation, the actuarially required city contribution rate for 2007 and 2008 for a 30-year amortization period of the UAAL is 20.42% of actual covered payroll.

Exhibit 15

Lubbock Fire Pension Fund Disclosures in Accordance with GASB Statement No. 27 Notes to the Financial Statements for the City of Lubbock for the Fiscal Year Ending September 30, 2007

I. Annual Pension Cost

For the fiscal year ending September 30, 2007, the City of Lubbock's Annual Pension Cost (APC) for the Lubbock Fire Pension Fund was equal to \$_____ as described in item 4 of the Net Pension Obligation development on the next page. Based on the results of the December 31, 2006 actuarial valuation of the Plan Effective December 1, 2005, the most recent biennial actuarial valuation, the Board's actuary found that the Fund has an adequate financing arrangement based on the current level of the firefighter contribution rate and on the assumed average of the City of Lubbock contribution rates. The funding policy of the Fund requires firefighters to contribute 12.43% of pay. The city contributes based on a formula which causes the city's contribution rate to fluctuate from year to year. The December 31, 2006 actuarial valuation assumes that the city's contributions will average 19.75% of payroll in the future.

The Annual Required Contributions (ARC) by the city for the fiscal year ending September 30, 2007 were based on the results of the actuarial valuations as of December 31, 2004 and as of December 31, 2006 using the entry age actuarial cost method and were determined in compliance with the GASB Statement No. 27 parameters. The actuarial methods and assumptions used for these two valuations are shown below:

Valuation date	12/31/2004	12/31/2006
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of payroll, open	Level percent of payroll, open
Amortization period for ARC	21 years	30 years
Asset valuation method	5-year adjusted market value	5-year adjusted market value
Actuarial assumptions		
• Investment return	8.0%	8.0%
• Projected salary increases	4.0% plus promotion and longevity	4.0% plus promotion and longevity
• Inflation	4.0%	4.0%
• Cost-of-living increases	0.0%	0.0%
• Payroll increases	4.0%	4.0%
ARC as percent of payroll	budgeted rates	20.42%

Exhibit 15 (continued)

***Lubbock Fire Pension Fund
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Lubbock
for the Fiscal Year Ending September 30, 2007***

Development of the Net Pension Obligation (NPO) as of September 30, 2007:

1. Annual Required Contributions (ARC)	\$ _____	1
2. Interest on NPO	+ _____	2
3. Adjustment to ARC	- _____	3
4. Annual Pension Cost (APC) (1 plus 2 minus 3)	\$ _____	4
5. Actual City Contributions Made	- _____	4
6. Increase (decrease) in NPO (subtract 5 from 4)	\$ _____	
7. NPO at October 1, 2006	+ _____	
8. NPO at September 30, 2007 (sum of 6 and 7)	\$ _____	

¹ The ARC equals the city's actual contributions from October 1, 2006 through December 31, 2006 plus 20.42% of payroll from January 1, 2007 through September 30, 2007.

² In accordance with paragraph 12 of GASB 27, one year's interest on the NPO as of October 1, 2006 should be determined based on the actuarial investment return assumption. See the attached worksheet.

³ The adjustment to the ARC should be determined in accordance with Paragraphs 12 and 13 of GASB 27 based on the amortization factors in the attached worksheet.

⁴ The actual city contributions made to the Fund during the fiscal year October 1, 2006 through September 30, 2007 should be disclosed.

II. Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Actual City Contributions	Percentage of APC Contributed	Net Pension Obligation(NPO)
09/30/05	\$ _____ ¹	\$ _____ ¹	_____ ¹	\$ _____ ¹
09/30/06	\$ _____ ¹	\$ _____ ¹	_____ ¹	\$ _____ ¹
09/30/07	\$ _____ ²	\$ _____ ³	_____ ⁴	\$ _____ ⁵

¹ The city should disclose the applicable information previously reported for fiscal years ending September 30, 2005 and 2006.

² The APC is determined in item 4 of the NPO development above.

³ The city should disclose the actual city contributions made to the Fund during the fiscal year ending September 30, 2007.

⁴ The percentage of APC contributed should be determined by dividing the actual city contributions by the APC.

⁵ The Net Pension Obligation (NPO) as of September 30, 2007 is determined in item 8 of the NPO development above.

Exhibit 15 (continued)

***Lubbock Fire Pension Fund
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Lubbock
for the Fiscal Year Ending September 30, 2007***

III. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Annual Covered Payroll ³ (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
12/31/02 ^{1,2}	\$ 111,261,775	\$ 127,850,414	\$16,588,639	87.0%	\$13,521,366	122.7%
12/31/04 ^{1,2}	130,174,984	143,991,975	13,816,991	90.4	14,711,366	93.9
12/31/06 ^{1,4}	138,098,239	164,396,183	26,297,944	84.0	17,290,674	152.1

¹ Economic and demographic assumptions were revised.

² Reflects changes in plan benefit provisions effective November 1, 2003.

³ The covered payroll is based on estimated annualized salaries used in the valuation.

⁴ Reflects minor changes in plan benefit provisions effective December 1, 2005 and amended effective October 18, 2006.

**IV. Actuarial Information Needed for Notes to the Financial Statement
as Required by Paragraph 20 of GASB 27**

A. Plan Description

The Board of Trustees of the Lubbock Fire Pension Fund is the administrator of a single-employer defined benefit pension plan. This pension fund is a trust fund. It is reported by the City of Lubbock as a related organization and is not considered to be a part of the city financial reporting entity. Firefighters in the Lubbock Fire Department are covered by the Lubbock Fire Pension Fund.

The Lubbock Fire Pension Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. A partially vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. Employees may retire at age 50 with 20 years of service. A reduced early service retirement benefit is provided for employees who terminate employment with 20 or more years of service. The Plan Effective December 1, 2005 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 68.92% of Final 48-Month Average Salary plus \$335.05 per month for each year of service in excess of 20 years.

Exhibit 15 (continued)

Lubbock Fire Pension Fund Disclosures in Accordance with GASB Statement No. 27 Notes to the Financial Statements for the City of Lubbock for the Fiscal Year Ending September 30, 2007

A firefighter has the option to participate in a Retroactive Deferred Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced annuity upon termination of employment. Firefighters must be at least age 51 with 21 years of service at the selected "RETRO DROP benefit calculation date" (which is prior to date of employment termination). Early RETRO DROP with benefit reductions is available at age 50 with 20 years of service for the selected "early RETRO DROP benefit calculation date". A Partial Lump Sum option is also available where a reduced monthly benefit is determined based on an elected lump sum amount such that the combined present value of the benefits under the option is actuarially equivalent to that of the normal form of the monthly benefit. Optional forms are also available at varying levels of surviving spouse benefits instead of the standard two-thirds form.

There is no provision for automatic postretirement benefit increases. The fund has the authority to provide, and has periodically in the past provided for, ad hoc postretirement benefit increases. The benefit provisions of this plan are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions.

B. Contributions Required and Contributions Made

The contribution provisions of this plan are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

While the actual contribution rates are not actuarially determined, state law requires that each plan of benefits adopted by the Fund must be approved by an eligible actuary. The actuary certifies that the contribution commitment by the firefighters and the city provides an adequate financing arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL), if any, and the number of years needed to amortize the plan's UAAL, if any, is determined using a level percentage of payroll method.

The costs of administering the plan are paid from the Fund.

Exhibit 15 (continued)

***Lubbock Fire Pension Fund
Disclosures in Accordance with GASB Statement No. 27
Notes to the Financial Statements for the City of Lubbock
for the Fiscal Year Ending September 30, 2007***

The funding policy of the Lubbock Fire Pension Fund requires contributions equal to 12.43% of pay by the firefighters. Contributions by the city are based on a formula which causes the city's contribution rate to fluctuate from year to year. The city contributed 19.93% of payroll during calendar year 2006 and is contributing 19.84% of payroll during calendar year 2007. The scheduled city contribution rate for calendar year 2008 is 19.97%. The December 31, 2006 actuarial valuation reflecting the Plan Effective December 1, 2005 assumes that the city's contributions will average 19.75% of payroll in the future. Based on the December 31, 2006 actuarial valuation, the actuarially required city contribution rate for calendar years 2007 and 2008 for a 30-year amortization period of the UAAL is 20.42% of actual covered payroll.

Exhibit 15 (continued)

**Lubbock Fire Pension Fund GASB 27 Worksheet
for City of Lubbock's Fiscal Year Ending September 30, 2007**

	Plan Year in Which the Accounting Year		Accounting Year Total Column C
	Begins	Ends	
	Column A	Column B	
1. Plan years	2006	2007	
2. Valuation date that is the basis for plan year ARC	12/31/2004	12/31/2006	
3. Months of accounting year in each plan year	Oct.-Dec.	Jan.-Sept.	
4. Portion of accounting year in each plan year	25%	75%	
5. GASB compliant ARC for months of accounting year in line 3	<u>1</u>	<u>2</u>	
6. ARC for the accounting year (5A+5B)			<u> </u>
7. NPO at beginning of accounting year			<u>3</u>
8. Actuarial investment return assumption used in calculating line 5	8.0%	8.0%	
9. Multiply line 7A by line 4 x line 8	<u>3</u>	<u>3</u>	
10. Total interest on NPO (9A+9B)			<u>3</u>
11. Actuarial amortization factor used in calculating line 5 amount	14.5673	18.2974	
12. Divide line 7A by line 11, then multiply by line 4	<u>3</u>	<u>3</u>	
13. Adjustment to the ARC (12A+12B)			<u>3</u>
14. Annual pension cost (APC) (6C+10C-13C) ⁴			<u>4</u>
15. Actual contributions to the plan for the accounting year			<u> </u>
16. Change in NPO (14C-15C)			<u> </u>
17. NPO at end of accounting year (7A+16C)			<u> </u>
18. % of APC contributed (15C÷14C)			<u> </u>

¹ ARC = city's actual contributions for October – December 2006.

² ARC = 20.42% of actual payroll for January – September 2007.

³ The NPO as of October 1, 2006 is a negative amount. Therefore, the interest in lines 9 and 10 and the ARC adjustments in lines 12 and 13 are also negative.

⁴ The ARC from line 6C will be **reduced** by the **negative** interest from line 10C (i.e., the "+10C" results in adding a negative number) and the adjustment to the ARC should **increase** the total (i.e., the "-13C" results in subtracting a negative number which results in adding it to the total).

Exhibit 16

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***Lubbock Fire Pension Fund
Ballot for Firefighter Election in 2007***

	Change in Present Plan Benefits	
	Average Salary Multiplier	Longevity Amount for Each Year of Service Over 20
<p>Amendment 1 <input type="checkbox"/> FOR <input type="checkbox"/> AGAINST</p> <p>If the sum of all monthly survivors' benefits paid on behalf of a deceased member's spouse and children would otherwise exceed the applicable limit in Section E(9) of the plan, then the benefit for each child shall be reduced by the same percentage so that the sum of the reduced children's benefits plus the unreduced spouse's benefit equals the applicable limit. (The present plan calls for the same percentage reduction to the spouse's benefit and each child's benefit.)</p>	No change	No change

“Average Salary Multiplier” – The part of the benefit formula for the first 20 years of service which is now 68.92%.

“Longevity” – The part of the benefit formula for years of service in excess of 20 years that is now \$335.05 per month for each year over 20 years.

“Applicable Limit” – The amount of service or disability retirement the retired member was receiving at the time of death or the amount of service or disability retirement the active member would have received had he retired or become disabled on his date of death.

The Amendment Effective Date will be the first day of the month following the later of the date of (a) the firefighter election and (b) the Board's approval. For example, if both the firefighter election and the Board's approval occur in December 2007, then the Amendment Effective Date will be January 1, 2008.

1. The Board will determine whether a majority of the firefighters voting in the election vote FOR or AGAINST the amendment. If a majority of the firefighters vote FOR the amendment, then there will be an Amendment Effective Date. If a majority of the firefighters vote AGAINST the amendment, then the current plan (Plan Effective December 1, 2005) will remain in effect, and the amendment will not be effective.
2. The amendment would have no actuarial effect on the plan. This is indicated by the words "No Change" in the columns labeled "Average Salary Multiplier" and "Longevity Amount for Each Year of Service Over 20". A vote FOR the amendment would not change the benefit formula. The amendment would affect how benefits are reduced when total death benefits exceed the applicable limit.
3. The Board of Trustees is also required to approve the amendment in order for it to become effective.
4. The Board's actuary has already approved the amendment from the actuarial perspective.