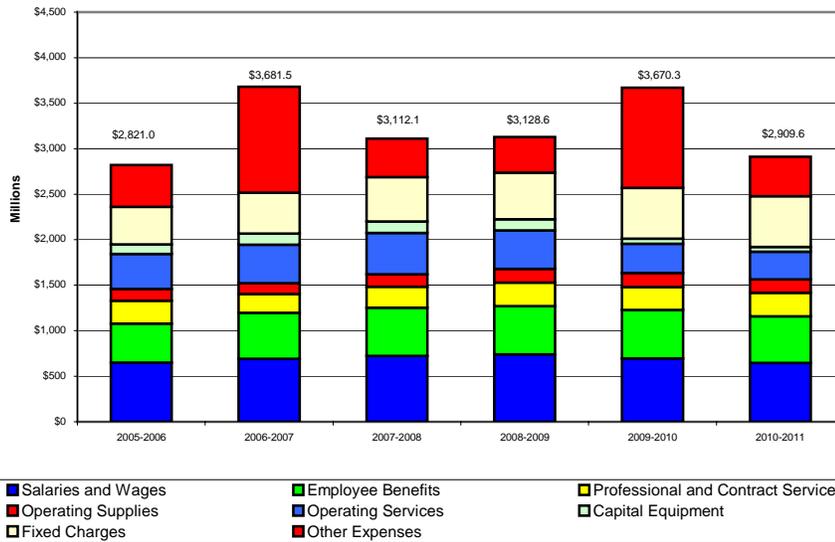


**CITY OF DETROIT
APPROPRIATIONS BY MAJOR OBJECT
FOR FISCAL YEAR 2005-2006 THROUGH FISCAL YEAR 2010-2011**

The following chart and schedule compares the total budgeted appropriations over five fiscal years from 2005-2006 through 2009-2010, and total appropriations in the Mayor’s 2010-2011 Proposed Budget.



In Millions

Fiscal Year	Salaries and Wages	Employee Benefits	Professional and Contract Services	Operating Supplies	Operating Services	Capital Equipment	Fixed Charges	Other Expenses	Total
2005-2006	\$ 650.5	\$ 425.9	\$ 252.1	\$ 132.0	\$ 382.3	\$ 105.4	\$ 412.6	\$ 460.2	\$ 2,821.0
2006-2007	692.8	502.4	207.5	119.1	424.5	122.5	447.3	1,165.4	3,681.5
2007-2008	725.0	527.0	230.6	138.9	452.7	127.2	486.8	423.9	3,112.1
2008-2009	741.2	527.8	259.9	149.6	424.8	123.2	510.9	391.2	3,128.6
2009-2010	697.4	529.7	252.3	153.7	322.0	57.1	555.5	1,102.7	3,670.3
2010-2011 (A)	646.4	512.9	256.7	149.2	301.9	53.2	556.5	432.8	2,909.6

(A) Mayor’s 2010-2011 Proposed Budget

The sections that follow include an analysis of the reasonableness of the budgeted amounts of appropriations in the Mayor’s 2010-2011 Proposed Budget and a comparison to appropriations in the fiscal year 2009-2010 budget including salaries and wages and employee benefits.

SALARIES AND WAGES

Conclusion

The amount budgeted for Salaries and Wages for fiscal year 2010-2011 appears reasonable except for the overtime portion. The assumption that actual overtime will not exceed budgeted overtime is inconsistent with the City's actual overtime costs for the past five years. The Mayor's 2010-2011 Proposed Budget includes cost savings of \$14.9 million derived from civilian employees taking 26 budget required furlough (BRF) days. However, not all unions have agreed to the concessions. The Mayor has stated additional lay-offs would occur if agreements are not reached with all unions. Based on our analysis, approximately 300 to 400 lay-offs would be needed to offset the anticipated cost savings included in the Mayor's 2010-2011 Proposed Budget from civilian employees who have not accepted the salary and wage concessions.

Analysis of Salaries And Wages

The Mayor's 2010-2011 Proposed Budget includes \$646.4 million for Salaries and Wages, a decrease of \$51.0 million or 7.3% from the fiscal year's 2009-2010 adopted budget of \$697.4 million. The \$51.0 million decrease in Salaries and Wages is the net effect of a decrease of 1,152 positions and budget required furlough days for civilian employees. The following comparative schedule shows the amount of Salaries and Wages included in the Mayor's 2010-2011 Proposed Budget and the fiscal year 2009-2010 Budget:

In Millions			
	Mayor's 2010-2011 Proposed Budget	2009-2010 Budget	Increase (Decrease)
Civilian	\$ 381.9	\$ 428.4	\$ (46.5)
Uniform Police	190.3	194.7	(4.4)
Uniform Fire	74.2	74.3	(0.1)
Total Salaries and Wages	\$ 646.4	\$ 697.4	\$ (51.0)

The schedule below compares budgeted Salaries and Wages to actual Salaries and Wages for civilian and uniform employees for the fiscal years 2005-2006 through 2008-2009, budgeted Salaries and Wages to estimated Salaries and Wages for fiscal year 2009-2010, and the proposed fiscal year 2010-2011 Salaries and Wages.

Fiscal Year		In Millions								
		Civilian			Uniform Police and Fire			Total		
		Budgeted	Actual	Over (Under) Budget	Budgeted	Actual	Over (Under) Budget	Budgeted	Actual	Over (Under) Budget
2005-2006	\$ 420.3	\$ 441.4	\$ 21.1	\$ 230.1	\$ 270.7	\$ 40.6	\$ 650.4	\$ 712.1	\$ 61.7	
2006-2007	433.6	421.0	(12.6)	259.2	260.7	1.5	692.8	681.8	(11.0)	
2007-2008	448.1	440.0	(8.1)	276.8	270.1	(6.7)	724.9	710.1	(14.8)	
2008-2009	466.9	618.4	151.1	274.3	286.4	12.1	741.2	904.8	163.6	
2009-2010 (A)	428.4	398.6	(29.8)	269.0	254.2	(14.9)	697.4	652.8	(44.6)	
2010-2011 (B)	381.9	N/A	N/A	264.5	N/A	N/A	646.4	N/A	N/A	

(A) The actual amounts shown for fiscal year 2009-2010 are estimates based on actual amounts through March 31, 2010.

(B) Actual Salaries and Wages for fiscal year 2010-2011 are not available and are indicated with a N/A.

Salary Adjustments

Included in the Mayor's 2010-2011 Proposed Budget are cost savings derived from a 10% reduction in civilian employee pay through budget required furlough (BRF) days. The 26 BRF days are expected to result in anticipated savings of \$14.9 million. However, projected savings from the BRF days may not materialize, because several civilian bargaining units have not agreed to concessions. The Mayor has stated additional layoffs will occur in lieu of savings not realized from salary and wage concessions. Based on our analysis, we have concluded that salary and wage concessions reduce payroll costs by approximately \$1.3 million monthly and \$15.6 million annually. Our analysis also indicates that approximately 300 to 400 layoffs would be needed to offset the proposed annual cost savings from civilian employees who have not accepted the salary and wage concessions.

Overtime

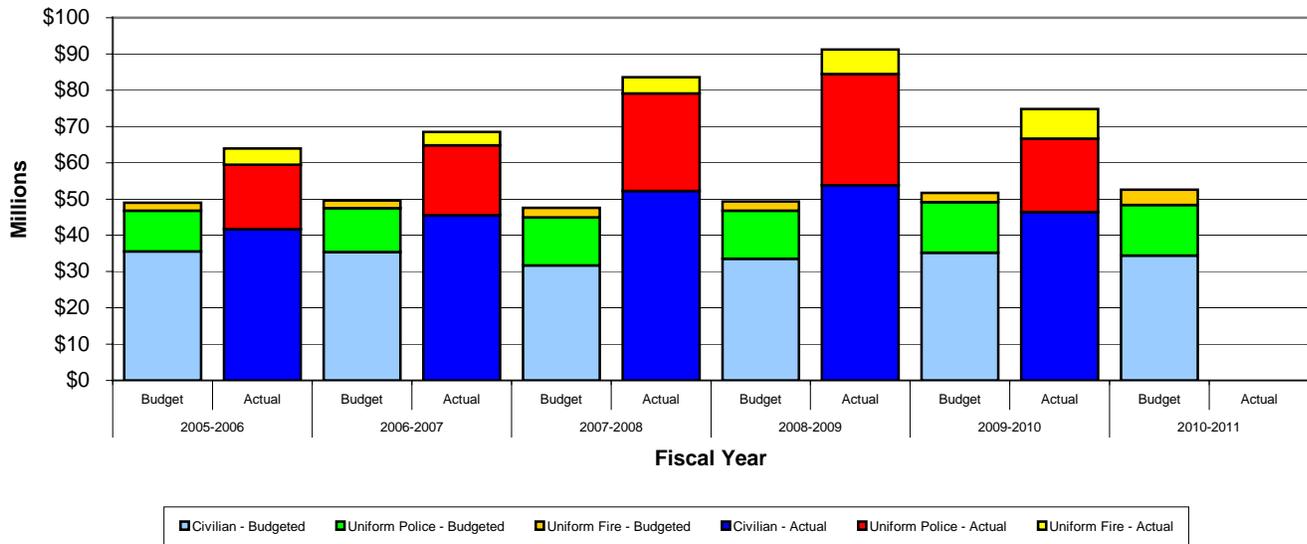
Salaries and Wages include \$52.6 million in citywide overtime, an increase of \$0.8 million or 1.5% from the fiscal year 2009-2010 budgeted amount of \$51.8 million. Historically, actual overtime exceeds budgeted overtime citywide. The current fiscal year, 2009-2010, is no exception. Based on 9-month year-to-date actual figures, it is projected that Uniform Police will exceed budgeted overtime by \$6.2 million or 44.3%, Uniform Fire will exceed budgeted overtime by \$5.6 million or 215.4%, and civilian employees will exceed budgeted overtime by \$11.3 million or 32.1% in fiscal year 2009-2010. The schedule compares budgeted overtime to actual overtime for fiscal years 2005-2006 through 2008-2009, budgeted and estimated overtime for fiscal year 2009-2010, and the Mayor's 2010-2011 Proposed Budget amount.

Fiscal Year	In Millions								
	Civilian			Uniform Police and Fire			Total		
	Budgeted	Actual	Over (Under) Budget	Budgeted	Actual	Over (Under) Budget	Budgeted	Actual	Over (Under) Budget
2005-2006	\$ 35.6	\$ 41.7	\$ 6.1	\$ 13.4	\$ 22.2	\$ 8.8	\$ 49.0	\$ 63.9	\$ 14.9
2006-2007	35.4	45.6	10.2	14.2	22.9	8.7	49.6	68.5	18.9
2007-2008	31.7	52.3	20.6	15.9	31.3	15.4	47.6	83.6	36.0
2008-2009	33.6	53.8	20.2	15.7	37.4	21.7	49.3	91.2	41.9
2009-2010 (A)	35.2	46.5	11.3	16.6	28.4	11.8	51.8	74.9	23.1
2010-2011 (B)	34.4	N/A	N/A	18.2	N/A	N/A	52.6	N/A	N/A

(A) The actual amounts shown for fiscal year 2009-2010 are estimates based on actual amounts through March 31, 2010.

(B) Actual Salaries and Wages for fiscal year 2010-2011 are not available and are indicated with a N/A.

The chart below compares budgeted overtime to actual overtime expenditures for fiscal years 2005-2006 to 2008-2009, budgeted and estimated overtime for fiscal year 2009-2010 and the Mayor's 2010-2011 Proposed Budget amount.



An analysis of overtime at the City department level revealed the following:

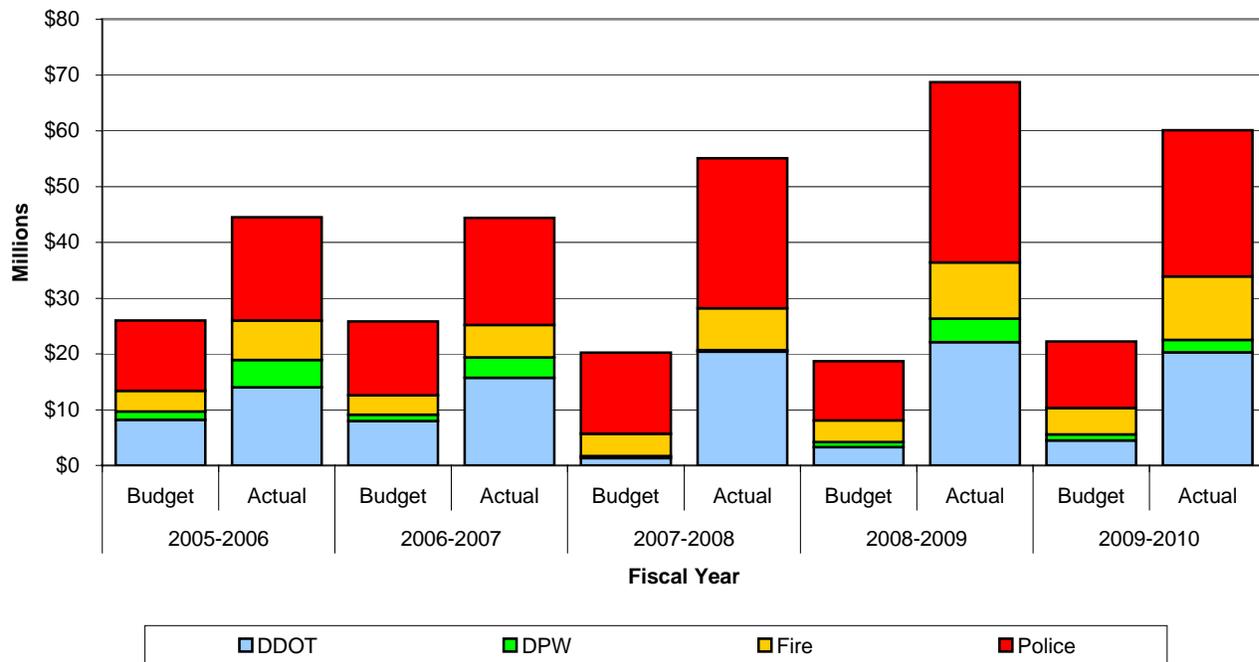
- In fiscal year 2008-2009, actual overtime in four departments, Department of Transportation (DDOT), Department of Public Works (DPW), Fire (uniformed and civilian), and Police (uniformed and civilian) were approximately \$68.7 million. These four departments comprised approximately 75.3% of the total City overtime amount of \$91.2 million for fiscal year 2008-2009.
- Based on our analysis, for fiscal year 2009-2010, it is projected that Police will exceed budgeted overtime by \$14.3 million or 220.8%, Fire will exceed budgeted overtime by \$6.7 or 240.7%, DDOT will exceed budgeted overtime by \$15.7 million or 448.3%, and DPW will exceed budgeted overtime by \$1.1 million or 198.8%.

The schedule below compares budgeted to actual overtime for DDOT, DPW, Fire, and Police for fiscal years 2005-2006 to 2008-2009 and budgeted and estimated overtime for fiscal year 2009-2010.

Fiscal Year	In Millions							
	DDOT		DPW		Fire		Police	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
2005-2006	\$ 8.2	\$ 14.0	\$ 1.5	\$ 4.9	\$ 3.7	\$ 7.1	\$ 12.6	\$ 18.5
2006-2007	8.0	15.7	1.1	3.7	3.5	5.8	13.2	19.2
2007-2008	1.3	20.4	0.4	.3	4.0	7.5	14.5	26.9
2008-2009	3.3	22.1	0.9	4.2	3.9	10.1	10.8	32.3
2009-2010 (A)	4.5	20.3	1.1	2.2	4.7	11.4	11.9	26.2

(A) The actual amounts shown for fiscal year 2009-2010 are estimates based on actual amounts through March 31, 2010.

The chart below compares budgeted to actual overtime for four major City departments (DDOT, DPW, Fire, and Police) for fiscal years 2005-2006 to 2008-2009 and budgeted and estimated overtime for fiscal year 2009-2010.



Reduction in Budgeted Positions

There are 1,152 fewer budgeted positions in the Mayor's 2010-2011 Proposed Budget compared to the 2009-2010 Budget. The Budget Department anticipates \$36.1 million in cost savings associated with the decrease in budgeted positions.

Number of Budgeted Positions

The following schedule shows the total number of positions in the Mayor's 2010-2011 Proposed Budget and the budget for fiscal year 2009-2010.

	Mayor's 2010-2011 Proposed Budget	2009-2010 Budget	Increase (Decrease)
Civilian Positions	9,161	10,078	(917)
Uniform Police	3,057	3,290	(233)
Uniform Fire	1,169	1,171	(2)
Total Uniform Positions	4,226	4,461	(235)
Total Number of Budgeted Positions	13,387	14,539	(1,152)

The net total decrease of 1,152 in the number of positions reflects the elimination of 1,272 vacant positions and the addition of 120 positions.

Net Elimination of Vacant Positions

The Mayor's 2010-2011 Proposed Budget reflects a net elimination of 1,272 vacant positions in various City agencies. The net elimination of budgeted positions includes 308 in the Water and Sewerage Department, 302 positions in the Police Department, 207 positions in the Department of Transportation, 65 positions in the Public Lighting Department, 64 positions in the Department of Public Works, 38 positions in the Department of Health and Wellness Promotion, 39 positions in the Buildings and Safety Environmental Department, 36 positions in the Finance Department, 31 positions in the Civic Center, 24 positions in the Recreation Department, 24 positions in the General Services Department, 18 positions in the Human Resources Department, 17 positions in the Planning and Development Department, 16 positions in the Mayor's Office, 11 positions in the Municipal Parking Department, 10 positions in the Fire Department, and 62 positions in other City Departments.

Layoffs

The Mayor's 2010-2011 Proposed Budget does not reflect any layoffs. However, in September 2009 there were 222 non-budgeted layoffs, which included 113 bus driver positions.

EMPLOYEE BENEFITS (Excluding Pensions)

Conclusion

The amount budgeted for employee benefits in the Mayor's 2010-2011 Proposed Budget is reasonable. The proposed employee benefit budget (excluding Pensions) includes a decrease of \$28.8 million reflecting the reduced healthcare costs.

Analysis of Employee Benefits (Excluding Pensions)

The City provides nonnegotiable and negotiable employee benefits to both civilian and uniform employees, as well as to retired employees. Nonnegotiable employee benefits are those benefits regulated by either Federal or State law.

The Mayor's 2010-2011 Proposed Budget includes \$318.2 million for employee benefits (excluding pensions), which is a \$28.8 million decrease from the fiscal year 2009-2010 budget. This decrease is primarily caused by a decrease in hospitalization costs for uniform employees, lower social security taxes, workers' compensation, and unemployment compensation. Shown below is a trend analysis of total budgeted employee benefits (excluding pensions) appropriations for fiscal years 2005-2006 to 2009-2010, and the proposed appropriation for fiscal year 2010-2011.

<u>Fiscal Year</u>	<u>Employee Benefits (In Millions)</u>	<u>Percentage Increase/(Decrease) From Prior Year</u>
2005-2006	\$275.2	(26.2)%
2006-2007	312.0	13.4
2007-2008	328.6	5.3
2008-2009	346.8	5.5
2009-2010	347.0	0.0
2010-2011	318.2	(8.3)

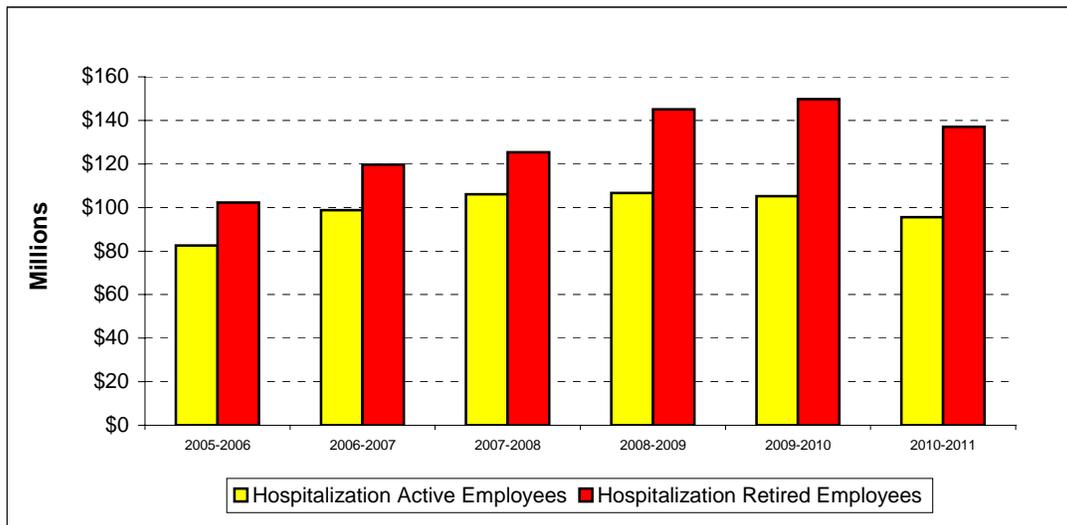
In April 2010, the Budget Department estimated no surplus or deficit in fringe benefits for the 2009-2010 fiscal year.

Hospitalization

The budgeted expenditures for hospitalization decreased 8.8% from fiscal year 2009-2010. A total of \$232.7 million (\$95.6 million for active employees and \$137.1 million for retired employees) is budgeted for fiscal year 2010-2011 compared to \$255.1 million (\$105.3 million for active employees and \$149.8 million for retired employees) in the fiscal year 2009-2010 budget.

Shown below is an analysis of budgeted hospitalization appropriations for fiscal years 2005-2006 to 2010-2011. The City's budgeted hospitalization appropriation has increased steadily from the fiscal year 2005-2006 budget to fiscal year 2009-2010 budget, due to rising health care costs. For fiscal year 2010-2011, hospitalization costs

decreased primarily due to renegotiated employee contributions from active and retired uniform employees.



Dollars In Millions

Fiscal Year	Hospitalization Active Employees	Hospitalization Retired Employees	Total Hospitalization	Increase (Decrease) From Prior Year	Percentage Increase (Decrease) From Prior Year
2005-2006	\$ 82.5	\$102.2	\$184.7	\$(91.9)	(33.2)%
2006-2007	98.8	119.6	218.4	33.7	18.2
2007-2008	106.1	125.3	231.4	13.0	6.0
2008-2009	106.6	145.1	251.7	20.3	8.8
2009-2010	105.3	149.8	255.1	3.4	1.0
2010-2011	95.6	137.1	232.7	(22.4)	(8.8)

Hospitalization appropriations for active uniform employees decreased \$8.3 million or 19.6%, and decreased \$17.0 million or 18.4% for retired uniform employees. The decrease of \$25.3 million (total) for uniform employees, was offset by an increase in civilian retiree benefits of \$4.2 million and a small decrease for active civilian employees of \$1.3 million. The proposed budgeted savings are primarily the result of renegotiated healthcare benefits with uniform active and retired employees.

An analysis of fiscal year 2008-2009 actual hospitalization costs revealed that the City paid \$2,232.35 more per retiree for uniformed retired employees than for civilian retirees.

Fiscal Year 2008-2009			
Actual Hospitalization Cost per Employee			
Employee	Civilian	Uniform	Difference in the cost of Uniform versus Civilian
Active Employees	\$6,610.21	\$5,471.16	\$(1,139.05)
Retired Employees	\$6,889.18	\$9,121.53	\$2,232.35

The following chart compares budgeted hospitalization costs per employee for fiscal year 2009-2010 and fiscal year 2010-2011 to the actual cost per employee in fiscal year 2008-2009.

Hospitalization Cost for Active Civilian and Uniform Employees	
Fiscal Year	Total Cost per Employee
2008-2009	\$6,264.57
2009-2010	\$7,239.59
2010-2011	\$7,141.42

Social Security (FICA)

The Mayor's 2010-2011 Proposed Budget includes a decrease of \$3.2 million for social security taxes, which total \$31.8 million compared to \$35.0 million in the fiscal year 2009-2010 budget. The decrease in social security taxes is due to a decrease in budgeted wages.

Unemployment Compensation and Workers' Compensation

The Mayor's 2010-2011 Proposed Budget includes \$18.3 million for unemployment and workers' compensation (\$2.6 million for unemployment compensation and \$15.7 million for workers' compensation). The fiscal year 2009-2010 budget included \$21.5 million for unemployment and workers' compensation (\$3.9 million for unemployment and \$17.6 million for workers' compensation). The reason for the projected decrease in unemployment cost for fiscal year 2010-2011 is due to the expectation that more employees will retire versus being laid off. The decrease in workers' compensation was based on the five-year average actual costs.

PENSIONS

Conclusion

Our analysis indicates that the \$194.7 million budgeted for pension costs in the Mayor's 2010-2011 Proposed Budget is questionable for the following reasons:

- The June 30, 2008 actuarial rates were used to compute the pension contributions. It is unreasonable to expect the rates to remain unchanged based on the economic downturn of late 2008 and 2009.
- The Pension Division staff anticipate that the General Retirement System (GRS) and the Police and Fire Retirement System (PFRS) will be under funded once the June 30, 2009 actuarial rates are available.
- The GRS 70th Annual Actuarial Valuation Report as of June 30, 2008, which was issued in June 2009, indicates very large increases in the employer contribution rates can be expected over the next few years unless the financial markets recover within a relatively short period of time. Financial markets have begun to recover in recent months and the economic outlook is improving. However, because of the three-year smoothing employed by both the GRS and PFRS the impact of the economic downturn will be felt over the next few years in regard to the employer contribution rates.
- There are no costs included in the Mayor's 2010-2011 Proposed Budget for the implementation of the Defined Contribution (DC) Plan and the transfer of former and existing employees from the Defined Benefit Plan to the DC Plan. The Pension Division estimated that the initial implementation costs are more than \$20.0 million. That obligation will continue to grow until the plan is implemented.

Analysis of Pensions

Neither the GRS nor the PFRS Annual Actuarial Valuation Reports as of June 30, 2009 are available. According to a Budget Department representative, the Mayor's 2010-2011 Proposed Budget assumes the actuarial rates included in the June 30, 2008 Annual Actuarial Valuation Reports.

The GRS was over funded at June 30, 2008 for the first time in over twenty years. The over funding status was the result of changes in the actuarial assumptions adopted by the GRS Board of Trustees. The adoption of the changes improved the funding status by \$107.2 million. Without the changes the GRS would have been under funded \$75.6 million. The PFRS has been both under funded and over funded during this same period. Except when actuarial assumptions are modified by one of the systems, the changes in the Unfunded Accrued Actuarial Liability (UAAL) balance for both funds have consistently fluctuated in a parallel manner. The PFRS's over funded amount was reduced by \$165.2 million at June 30, 2008. This conclusion is further supported by the investment performance of both funds for the fiscal year ended June 30, 2009. The GRS reported a net investment loss of \$794.7 million and the PFRS reported a net investment loss of \$713.0 million.

The City's budgeted appropriations for pension costs are normally based on contribution rates computed by actuaries for the General Retirement System and the Police and Fire Retirement System. The contribution rates are applied to the appropriate budgeted salary amounts to determine the budgeted amount of the City's contributions for employees' pensions. A level percent-of-payroll contribution requires that the City's contribution rate provide for the employer normal cost plus amortization of the UAAL. Employer normal cost is defined as the value of retirement benefits likely to be paid for employee services being rendered in the current year. In fiscal year 2006-2007, there was a third component added to the computation of the budgeted pension cost – an amount to cover the estimated debt service (principal and interest) on the pension obligation certificates (POCs).

The following schedule is a comparison of the Mayor's 2010-2011 Proposed Budget to the 2009-2010 Budget for appropriations that cover the costs of employees' pensions:

<u>Employee Category</u>	In Millions		
	Mayor's 2010-2011 Proposed Budget	2009-2010 Budget	Increase (Decrease)
GRS Employees	\$ 90.6	\$ 95.7	\$ (5.1)
PFRS Employees	104.1	87.0	17.1
Total	<u>\$ 194.7</u>	<u>\$ 182.7</u>	<u>\$ 12.0</u>

The Mayor's 2010-2011 Proposed Budget includes GRS and PFRS pension costs based on Budget Department estimates. The following schedule compares the Mayor's 2010-2011 Proposed Budget for pension costs to the pension costs based on our estimates, PFRS actuarial rates and POC debt service:

<u>Employee Category</u>	In Millions		
	Mayor's 2010-2011 Proposed Budget	OAG Computed 2010-2011	Variance
GRS	\$ 39.4	\$ 39.8	\$ 0.4
PFRS	61.7	62.9	1.2
POC Debt Service	93.6	93.6	0.0
Total	<u>\$ 194.7</u>	<u>\$ 196.3</u>	<u>\$ 1.6</u>

Funding Status

At the time of this analysis the 71st Annual Actuarial GRS Valuation report for June 30, 2009 was not available. Therefore, we cannot include the funding status (excess/under) of the GRS.

The 68th Annual Actuarial PFRS Valuation report, for June 30, 2008 was not available. Therefore we cannot include the funding status (excess/under) of the PFRS. Pension Division staff indicate that it is likely both will be under funded.

The PFRS had excess funding for fiscal years 2001-2002 and 2002-2003 as well as fiscal years 2005-2006 through 2007-2008 as detailed below. The GRS had been under funded for the last twenty years. However, due to changes in actuarial assumptions, the GRS was over funded by \$31.6 million at June 30, 2008.

The following schedule shows the excess/(under) funding amount for the GRS and PFRS going back to fiscal year 2000-2001.

In Millions			
Fiscal Year	GRS Excess/(Under) Funding Amount	PFRS Excess/(Under) Funding Amount	Total Excess/(Under) Funding Amount
2000-2001	\$ (267.5)	\$ 436.8	\$ 169.3
2001-2002	(489.3)	3.1	(486.2)
2002-2003	(732.9)	(516.1)	(1,249.0)
2003-2004	(913.7)	(783.0)	(1,696.7)
2004-2005	(125.0)	(22.5)	(147.5)
2005-2006	(60.6)	171.3	110.7
2006-2007	(42.6)	410.4	367.8
2007-2008	31.6	245.2	276.8
2008-2009	N/A	N/A	NA

Trends in Contributions

The following schedule shows the annual City contributions to the GRS and to the PFRS for the past nine fiscal years through June 30, 2009, and the proceeds of the POCs in 2006:

Fiscal Year	In Millions		
	GRS	PFRS	Total Contribution
2000-2001	\$ 68.1	\$ 14.4	\$ 82.5
2001-2002	67.8	8.4	76.2
2002-2003	72.9	66.8	139.7
2003-2004	95.9	69.5	165.4
2004-2005	41.7	51.6	93.3
2005-2006	58.2	57.8	116.0
POC	739.8	630.8	1,370.6
2006-2007	41.4	57.4	98.8
2007-2008	43.2	33.9	77.1
2008-2009	41.3	32.9	74.2

Status of Required Contributions

As of April 16, 2010, the City had not paid in full the scheduled pension contribution for the GRS for fiscal year 2008-2009. The City is on an installment plan to pay the contribution in full by July 2010. The City has paid \$22.9 million of the \$26.1 million required 2009-2010 contribution.

The 2009-2010 PFRS contribution is not due until June 30, 2010. The 2008-2009 City contribution to the PFRS of \$31.4 million plus interest to is on an installment schedule. As of April 2010, the City still owes \$11.4 million plus interest to the PFRS, which is payable in three monthly installments. A representative of the Budget Department indicated that the City would be able to make all of the required installment payments and the June 30, 2010 PFRS contribution on time.

Items Affecting Future Funding Levels

Two potentially significant factors that will affect the City's pension contributions in the coming years are the implementation of the 1998 Defined Contribution Plan of the General Retirement System (DC Plan) and the shifting composition of the membership of the two systems.

The Mayor's 2010-2011 Proposed Budget does not provide for the costs associated with implementing the DC Plan or the impact on the City's pension contributions. Implementation of the DC Plan, on a limited basis, began with the DC Plan option being offered to the estates and beneficiaries of deceased retirees. In the Mayor's 2006-2007 Proposed Budget, the Mayor indicated that non-union new hires and appointees would be switched to the DC Plan on or after the effective date of the proposed ordinance to

amend section 47-2-1 of the 1984 Detroit City Code, which was submitted to City Council. When implemented, the DC Plan will permit GRS members to convert from the existing pension plan (the Defined Benefit Plan) to the DC Plan. Over time, it is anticipated that the DC Plan will provide substantial savings to the City. In the short term, however, the DC Plan could result in substantial costs to the City as a result of lowering vesting requirements to four years. It is anticipated that the DC Plan will be implemented on a retroactive basis to 1998 that would result in some current and former employees who are not vested becoming vested. Over time, the savings resulting from the DC Plan will be partially offset by higher required contributions to the defined benefit plan to compensate for the lack of new employees contributing to the plan.

Membership Composition

As demonstrated in the following schedules, both pension systems have experienced a shift in the composition of their membership. Thirty years ago, the number of active employees paying into the GRS system was about twice the number of retired members who were receiving benefits. Because the June 30, 2009 actuarial reports are not yet available the table below shows the membership as of June 30, 2008. As of June 30, 2008, active members who were paying into the system represented only 44.8 percent of the total membership.

As of June 30, 2008, PFRS active members who were paying into the system represented only 32.6 percent of its total membership. Layoffs or reduction in the City's workforce through attrition and other measures could further erode the balance between members contributing to the two systems and members receiving benefits from the systems. Membership composition is significant because, as the number of active employees paying into the system declines relative to the number of retired members receiving benefits, the City may be forced to further increase contributions to the pension funds to maintain pension benefits.

Fiscal Year	<u>General Retirement System</u>			<u>Percentage</u>	
	Membership			Active	Retired
	Active	Retired	Total		
1976-1977	17,508	9,511	27,019	64.8%	35.2%
1986-1987	13,640	11,800	25,440	53.6	46.4
1996-1997	12,369	12,199	24,568	50.3	49.7
2006-2007	8,971	11,478	20,449	43.9	56.1
2007-2008	9,361	11,517	20,878	44.8	55.2

Fiscal Year	<u>Police and Fire Retirement System</u>			<u>Percentage</u>	
	Membership			Active	Retired
	Active	Retired	Total		
1976-1977	6,728	5,576	12,304	54.7%	45.3%
1986-1987	6,545	6,264	12,809	51.1	48.9
1996-1997	5,420	7,743	13,163	41.2	58.8
2006-2007	4,212	8,498	12,710	33.2	66.9
2007-2008	4,078	8,442	12,520	32.6	67.4