

Dear Pension Member:

Enclosed is your 1995 pension statement, and an estimate of your normal age and service retirement benefits. The statement shows your account's activity and the beneficiary(s) you have chosen. If no beneficiary(s) is listed, at your death, your spouse (if any) is automatically your primary beneficiary. The benefit estimate assumes a 3% annual salary increase and a 7% annual return rate on assets.

As of the end of 1995 the pension system had 538 (526 in 1994) active members and 256 (238 in 1994) retired members. During 1995 the pension paid regular benefits totalling \$3,066,080 (\$2,318,890 in 1994) and 13th Check "COLA" benefits of \$169,149 (\$138,564 in 1994).

April 1, 1995 was the effective date for several major pension enhancements, and a new pension plan. All members in the pension system were allowed to choose from three options, 1) remain in their present plan, 2) switch to an enhanced version of their present plan, or 3) switch to the new pension plan. All members joining the system after April 1, 1995 were automatically placed in the new plan. The pension benefit changes forced revisions in the computer system, and will decrease the over-funding of the pension system. This year marks the beginning of a 1 page "Summary Annual Report," created by the pension's actuarial consultant. The report will be distributed to each plan member and will describe the pension system's funding status and benefit options, etc.

I strongly believe in retirement planning. In last year's letter I mentioned the City was considering a new deferred compensation provider to offer investment choices to City employees. On July 1, 1995 ICMA Retirement Corporation was welcomed as a new deferred compensation provider.

Using deferred compensation members can annually invest the lesser of 1/4 of their wages or \$7500, earn interest, and defer paying taxes on both until they take money out of the plan.

Another way to save, the American Funds Payroll Deduction Investment Plan, is still going strong.

City employees can invest in any American Funds mutual fund, at no sales charge, through payroll deduction. This plan now has 142 participants and an annual investment of over \$240,000.

Consider taking advantage of the City's Deferred Compensation Plan and the Payroll Deduction Investment Plan.

I wish all of you, and your families, the best in 1996. Please call me, or my assistant, Paul

Lutomski (441-8749), for more information on any of the topics mentioned in this letter.

Respectfully,

John E. Cripe
Compensation Manager