

POLICE AND FIRE PENSION

City of Lincoln, Nebraska

555 South 10th Street, Room 302, Lincoln, Nebraska 68508

Dear Police and Fire Pension Member:

Enclosed is your **2010** pension statement, a retirement benefit estimate, and a Summary Annual Report. The pension statement shows your account's activity and your primary and secondary beneficiaries. If no beneficiary is listed and you are married your spouse is automatically your primary beneficiary. *Please call 441-8749 to request a beneficiary form if you would like to change or add a beneficiary.*

The enclosed benefit estimate assumes a 4% annual salary increase and a 7.5% annual return rate on assets. To help you in financial planning, customized benefit estimates for any future separation date are available at no charge (call 441-8749).

The Summary Annual Report is a synopsis of the full "Annual Actuarial Valuation" report. The full report will be available online at: <http://www.lincoln.ne.gov/city/person/PFpen/actuaryrpt.htm>

Below are calendar year end figures on members and benefit payments.

	2005	2006	2007	2008	2009	2010
Active Member Count	540	546	546	551	547	567
DROP Member Count	57	47	45	43	48	52
Pensioned Member Count	334	360	377	393	404	410
Regular Pension Benefits	\$4,753,006	\$5,194,129	\$6,088,130	\$6,600,737	\$7,059,232	\$7,366,683
13th Check Benefits	\$345,523	\$370,867	\$380,619	\$415,444	\$428,211	\$457,698
DROP Benefits	\$1,634,469	\$2,560,659	\$2,309,168	\$1,834,273	\$1,986,703	\$2,152,330

Deferred Retirement Option Plan

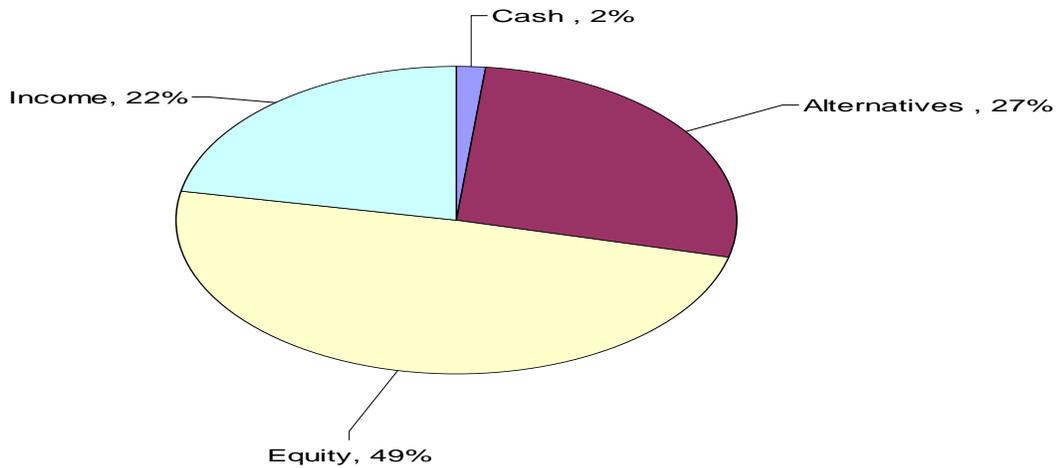
To be eligible for DROP you must be eligible for normal age and service retirement. Plan A members are eligible to enter DROP anytime after attaining both age 50 and 25 years of service. Plan B and C members are eligible to enter DROP for one year after attaining both age 53 and 21 years of service. DROP allows you to retire for pension purposes and continue working and earning pay. DROP members have monthly pension benefits deposited into their DROP account. Plan B or C DROP members can also chose to deposit their contributions and interest into their DROP account. The DROP member chooses how to invest the money in his or her DROP account from a menu of choices. DROP members can monitor and make changes to their account using a secured site on the internet.

Once in DROP you may exit DROP and retire-in-fact any time, but after five years you must exit DROP and retire-in-fact. At that time your monthly pension benefit will be paid directly to you and you will have access to the money in your DROP account.

Assets

The return for 2010 was +12.3784%. A nine member Board directs the investment of pension assets. A list of Board members and their terms, meeting minutes and the Board's Investment Policy is available on the City's web site at: <http://www.lincoln.ne.gov/city/person/PFpen/INVCOMM.htm>

Pension assets are diversified by location, size, growth vs. value, products and services, and income vs. capital appreciation. Below is a pie chart showing December 31, 2010 allocations.



The pension fund is in sound financial health. Continued financial health depends on both asset returns and City contributions. In June of 2006 the pension ordinance was amended to mandate annual City contributions of Employer Normal Cost plus administrative expenses.

Pension information, such as the Plan descriptions, Investment Board minutes and Investment Policy, is on the City Internet site at <http://www.lincoln.ne.gov/city/person/PFpen/>. You can also view your individual pension data. Call Paul at 441-8749 to set up security access.

Please plan for your financial future.

- The City of Lincoln offers a Payroll Deduction Investment Plan, using the American Funds Group, to conveniently invest in mutual funds and a Roth IRA. For your 2011 ROTH IRA you may invest up to \$5,000. If you are over age 50, you can invest \$6,000.
- The 457 Deferred Compensation Plan is a program that allows you to save and invest for your retirement while deferring your taxes. In 2011 you may defer up to \$16,500 of your income. If you are over age 50 you may contribute an additional \$5,500. You may be eligible to participate in the “pre-retirement” catch-up provision allowing you to contribute up to \$33,000 in total. (Contact Bill Thoreson at 441-7883)
- The City also offers U.S. Savings Bonds, savings accounts at People’s Choice Federal Credit Union, and the 529 College Savings Plan.

Please call John Cripe (441-7879) or Paul Lutomski (441-8749) for more information on any of the topics mentioned in this letter or for any of your pension needs.

Respectfully,

John E. Cripe
Compensation Manager