

September 28, 2007

Ms. Jane E. Bethel
 Employee Relations Committee, Chairperson
 City of Norfolk
 Department of Information Technology
 401 Monticello Avenue
 Norfolk, VA 23510-2408

Re: Cost of Increased Benefit Multiplier for General Employees

Dear Ms. Bethel:

As requested, we have calculated the financial impact on the Employees' Retirement System if the City were to increase the benefit multiplier for General employees from its current level of 1.75% for participants hired on or after July 1, 1980 to 2.0% for all years of service.

In making our cost estimate we assumed that only active participants as of the effective date of this amendment would be eligible for the increased benefit multiplier. We also assumed that such an increase would first be recognized in the City contribution rate for Fiscal Year 2009.

In the table below, we have estimated the expected contribution for Fiscal Year 2009 the City would make on behalf of the General employees plan. For comparative purposes, we have also shown the anticipated contribution based on the most recent valuation of June 30, 2007.

<i>GENERAL EMPLOYEES</i>		
	Current	2% Multiplier
Covered Payroll as of June 30, 2007	\$ 109,648,809	\$ 109,648,809
Anticipated Payroll for FY 2009	\$ 115,455,451	\$ 115,455,451
Contribution Rate	11.16%	14.14%
Increase		2.98%
Expected FY 2009 Contribution	\$ 12,884,828	\$ 16,325,401
Increase		\$ 3,440,573

The contribution would continue at this increased rate for the 20 years it would take to amortize the increased unfunded actuarial liability of \$17.1 million. After that time the increase would cut in half to 1.5% of payroll to reflect the continued accrual of benefits at the higher multiplier.



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The results of this letter report were based on the same data, methods and assumptions as used in performing the June 30, 2007 actuarial valuation. For calculation purposes, the measurement date was June 30, 2007. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

I hereby certify that, to the best of my knowledge, this letter report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices consistent with the Applicable Standards of Practice as promulgated by the Actuarial Standards Board.

Please let us know if you have any questions.

Sincerely,
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Fiona Liston, FSA
Consulting Actuary

cc: Mr. Ted Wilder