Spokane Employees' Retirement System

Comprehensive Annual Report

FOR THE YEAR ENDED DECEMBER 31, 2010

Retirement Department
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Introductory Section

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Administrative Organization

BOARD OF ADMINISTRATION

Bill Todd (Chair)	Elected Employee	Field Engineer, Engineering Services
Michael F. Coster	Elected Employee	WWTP Operations Superintendent, Advanced Waste Water Treatment Plant
Steven J. Sather	Elected Employee	Field Engineer, Engineering Services
Jon B. Snyder	Council Appointee	City of Spokane Council Member
Thomas E. Brown	Council Appointee	Human Resources Manager, Inland Empire Paper Company
David B. Walker	Council Appointee	Vice President/Private Banking, U.S. Bank
Jerry K. McFarlane	Board Appointee	Former President, Pension Consultants of the Northwest

INVESTMENT ADVISORY COMMITTEE

Dennis D. Clinton	President, Spokane City Credit Union
David B. Walker	Vice President/Private Banking, U.S. Bank
Pam Dolan	Director of Accounting, City of Spokane

STAFF

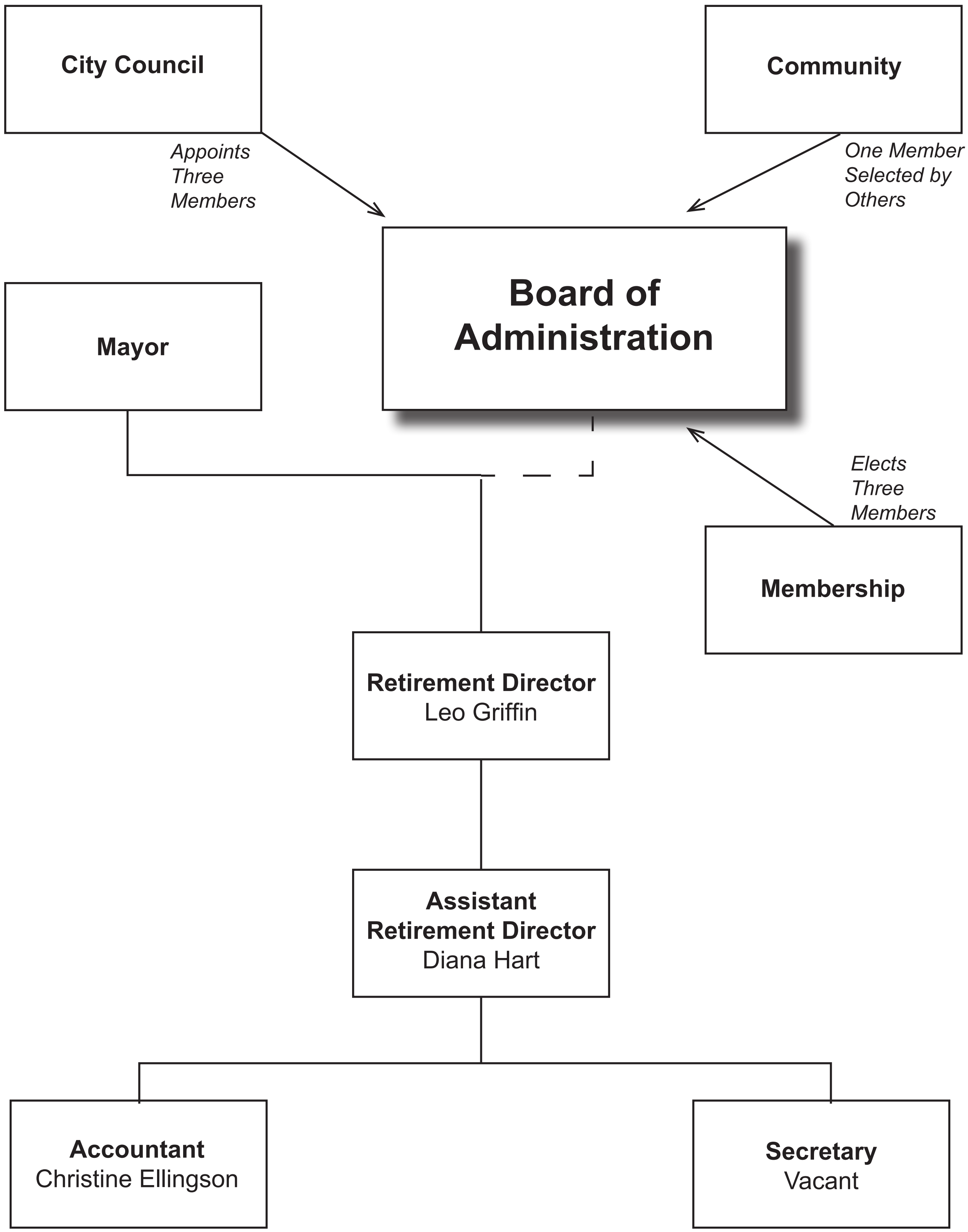
Leo F. Griffin	Retirement Director and Chief Investment Officer
Diana Hart	Assistant Retirement Director
Christine Ellingson	Accountant
Timothy Szambelan	Legal Advisor

ADVISORY

Certified Public Accountants	Moss Adams
Actuarial Services	SageView Consulting Group
Investment Performance Analysis	Hyas Group
Custodial Services	Union Bank
Legal Counsel	Davis Wright Tremaine

This Annual Report was printed and produced by Sir Speedy Printing, Spokane, WA.

Organization Chart



Description of Retirement System

SERS, a defined benefit pension plan, was founded July 1, 1942. Membership in SERS is required for all permanent non-uniformed employees of the City of Spokane. SERS is governed by a Board of Administration of seven members. Three members are appointed by the City Council and three employee members are elected by the SERS membership. The seventh member is appointed by the other six members and is not an elected official or an employee of the City. SERS provides retirement, death, and disability benefits which vest after five years of creditable service. A pension can commence at age 50, but certain rules may apply. This page contains a brief summary of the Retirement System; refer to the Summary of Benefit and Contribution Provisions contained in the Actuarial Section of this report for a more detailed explanation of the benefits.

For those employees hired on or before December 31, 2008, a straight retirement benefit is calculated by multiplying 2.15% of the member's highest consecutive two-year monthly salary by the member's years of creditable service. At 2.15%, their pension calculation is limited to 30 years of creditable service. An alternative formula exists for a maximum pension up to 35 years; however, if this alternative is selected at retirement, a 2.0% multiplier is utilized resulting in a maximum pension of 70.0%.

For those employees hired on or after January 1, 2009, age plus years of service must equal 75 "points" before they can draw a pension. Their straight retirement benefit is calculated by multiplying 2.0% of the member's highest consecutive two-year monthly salary by the member's years of creditable service to a maximum of 70.0%.

A number of optional forms of retirement benefits (see Service Retirement Options) are available which allow a retiree to provide benefits to his or her beneficiary with a reduction in pension benefits.

Member contributions, currently 7.75% of total salary-based compensation, are deducted from the member's salary and paid into the retirement fund. The City also contributes 7.75%. The City's contribution is used for funding the overall plan.

If a member has five years of service and becomes totally and permanently disabled, he or she may be eligible for a disability pension. If the disability is due to an injury incurred on the job, no minimum service is required. The amount of disability pension is calculated based on 1.25% of final average salary and service that would have been creditable had the member worked until age 62.

If a member terminates service within five years of entering SERS, their contributions plus interest are available for withdrawal. If the member is over age 50 and terminates after five years of service, they can elect to withdraw their contributions or they can elect to receive a monthly pension if they meet certain eligibility requirements. If a member is under age 50 and terminates after five years of service, they can withdraw their contributions or they can vest and begin receiving a pension at age 50 if they meet certain eligibility requirements. A number of service retirement options exist and these options are briefly explained on the following page.

Additional information can be obtained at www.spokanesers.org

Service Retirement Options

In each option, a pension is paid to the retiree for their lifetime. The options provide different types of a remaining cash balance, paid to a beneficiary, upon death of the retiree. Briefly, the options are as follows:

Straight Service The total pension is deducted each month from the retiree's total accumulated contributions, leaving any remaining balance to be paid to a beneficiary in one lump-sum upon the retiree's death.

Option "A" An annuity portion is deducted monthly from the retiree's total accumulations, with a lump-sum cash refund of any remaining balance being paid to a beneficiary upon the retiree's death.

Option "B" The death benefit is the same as in Option A, but it is paid in monthly payments until the balance of the total accumulations is exhausted.

Option "C" In case of death within the guaranteed period, a retiree's beneficiary receives the pension for the remainder of a pre-selected time period of 5, 10, 15, or 20 years.

Option "D" Upon the retiree's death, 50% of the pension is continued to the retiree's spouse for life.

Option "E" Upon the retiree's death, 100% of the pension is continued to retiree's spouse for life.

If a retiree elects options "A" through "E," their monthly pension is actuarially reduced to provide a death benefit.

At the time of retirement, a retiree also has the option of withdrawing their contributions, with interest, in a lump-sum payment and giving up all rights to any further benefits from the Spokane Employees' Retirement System.

CITY OF SPOKANE

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
FIREFIGHTERS' PENSION FUND
POLICE PENSION FUND
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LEO F. GRIFFIN, CPA
RETIREMENT DIRECTOR
AND CHIEF INVESTMENT OFFICER

DIANA HART
ASSISTANT RETIREMENT DIRECTOR

May 31, 2011

To the Honorable Mayor and
Spokane City Council
Spokane, WA 99201

This 69th Annual Report consists of five sections: The Introductory Section contains the letter of transmittal and an explanation of the administrative organization of the System; the Financial Section contains the audited financial statements of the System as well as an opinion letter from the System's independent certified public accountants; the Actuarial Section contains the consulting actuary's report along with related actuarial data and statements; the Statistical Section contains tables of significant data pertaining to the operation of the System; and the last section is the Investment Section, which includes information related to the System's investments.

The Retirement System began its first year of operations in 1942 and is managed in accordance with Chapters 3.05 and 4.14 of the Spokane Municipal Code. The retirement plan is an employer-sponsored defined benefit plan that pays a determinable amount to each member who retires after a minimum number of years of service. Refer to the *Summary of Benefit and Contribution Provisions* contained in the Actuarial Section of this report for criteria and a more detailed explanation of the benefits.

The compilation of this report reflects the combined efforts of the staff under the leadership of the Retirement Board. The intention of this report is to provide complete and reliable information to assist in management decisions, to present evidence of compliance with legal provisions and to demonstrate responsible stewardship for the assets contributed by the members and their employer. The accuracy and completeness of the data contained in this report are the sole responsibility of the management of the Spokane Employees' Retirement System.

We would like to express our gratitude to the advisors and the many people who have worked so diligently to assure the successful operation of the System. Lastly, the Director would like to acknowledge the hard work and dedication of the Retirement Department staff: Diana Hart and Christine Ellingson. Without them, this report would not be possible.

Respectfully submitted,

Board of Administration,
Spokane Employees' Retirement System
As of December 31, 2010

Leo F. Griffin

Leo F. Griffin, CPA
Retirement Director

Key Changes During the Year

Key Changes to the Spokane Employees' Retirement System
For the Year Ended December 31, 2010

March	SERS launches its first website, www.spokanesers.org, that includes a fully functioning pension calculator capable of estimating pensions for all of the annuity options. Over 750 unique hits were recorded on the website during the first two weeks of operation.
July	Interest credited on employee contributions is reduced from 5% to 4%. The Board will now review the rate, in conjunction with staff and the actuary, each year and any change in the interest credit rate will occur on July 1.
August	The SERS Board voted to adopt a new Investment Policy Statement and a revised asset allocation.
December	The Board approved engaging K&L Gates as outside legal counsel to the System.

Financial Section

Moss-Adams L.L.P.

Independent Auditor's Report

REPORT OF INDEPENDENT AUDITORS

The Board of Administration
Spokane Employees' Retirement System
Spokane, Washington

We have audited the accompanying statement of Plan net assets of the Spokane Employees' Retirement System (SERS, the System, or the Plan), a pension trust fund of the city of Spokane, Washington, as of December 31, 2010 and 2009, and the related statement of changes in Plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Spokane Employees' Retirement System as of December 31, 2010 and 2009, and the changes in Plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis on pages 2 through 8 and schedule of employer contributions and funding progress on pages 16 and 17 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. This supplemental information is the responsibility of the Plan's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included on pages 18 through 20 is presented for purposes of additional analysis and is not a required part of the basic financial statement of SERS. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on such information.

Moss Adams LLP

Spokane Washington
August 1, 2011

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

This section presents management's discussion and analysis of the Spokane Employees' Retirement System's (SERS, the System, or the Plan) financial performance during the year ended December 31, 2010. Please read it in conjunction with the accompanying financial statements and the related notes.

This report is prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). Investments are stated at fair market value and revenues include the recognition of unrealized gains or losses. The accrual basis of accounting is used to record assets, liabilities, revenues, and expenses. Revenue recognition occurs when earned without regard to the date of collection. Expense recognition occurs when the corresponding liabilities are incurred, regardless of payment date. For ease of reading, the dollar amounts that appear in this narrative are typically rounded to the closest one thousand dollars. The basis of contributions to the System is the Projected Unit Credit funding method, with current service contributions based on the normal contribution rate determined under the funding method and unfunded prior service amortized as a level percentage of covered payroll over a period of no more than 30 years in accordance with GASB standards. SageView Consulting Group, LLC, the System's actuary, evaluates the funding status of the System.

The financial section contains the following information:

1. **Basic Financial Statements** including:
   a. Statement of Plan net assets
   b. Statement of changes in Plan net assets
   c. Notes to financial statements

2. **Required Supplemental Information** including:
   a. Schedule of employer contributions
   b. Schedule of funding progress

3. **Additional Information** including:
   a. Schedule of administrative expenses
   b. Schedule of investment expenses

The basic financial statements are described as follows:

- The statement of Plan net assets shows the account balances at year end and includes the net assets available for future benefit payments. The liabilities for future benefit payments are not included in this statement; however, they are shown in the schedule of funding progress that is included in the required supplemental information.
- The statement of changes in Plan net assets shows the sources and uses of funds during the year and illustrates the change in net assets from the previous year.
- The notes to the financial statements are an integral part of the financial statements and include additional detailed information and schedules to provide a better understanding of the financial statements.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis (Continued)

The required supplemental information provides historical trends that help to reflect the ongoing Plan perspective and the long-term nature of the defined benefit plan.

- The schedule of funding progress contains actuarial information about the status of the Plan from an ongoing long-term perspective, in the accumulation of sufficient assets to pay future benefits when due. Actuarial liabilities in excess of the actuarial value of assets may indicate that insufficient assets are accumulated to fund the future benefits of current members and retirees.
- The schedule of employer contributions contains historical trend information regarding the value of the total annual contributions the employer has paid into the fund and the percentage contributed by the employer.

Financial Highlights

- Net assets increased by $23.4 million (11.1%) during 2010 and increased $35.2 million (20.0%) in 2009. The 2010 and 2009 increases were primarily due to robust gains in the equity markets in the U.S. and abroad.
- Revenues, additions to net assets, totaled $41.0 million in 2010, compared to a $51.6 million in the prior year. For 2010, revenue includes member and employer contributions of $13.2 million and net investment earnings from investment activities totaling $27.8 million. Member and employer contributions increased $87,000 and $3.4 million in 2010 and 2009, respectively. The sharp increase in 2009 is primarily attributable to a change in the employer and employee contribution rates effective January 1, 2009. Net investment income, which fluctuates year-to-year depending on market conditions, decreased by $10.7 million from 2009 and increased $98.4 million in the prior year.
- Expenses and deductions from net assets for 2010 were $17.5 million, a 7.1% increase from 2009. Expenses for 2009 were $16.4 million, a 2.7% increase from 2008. Retiree benefits and refunds of contributions increased by $1.2 million during 2010 and by $453,000 during 2009.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS

Financial Statements and Analysis

Plan net assets:
The table below provides a summary of assets and current liabilities at year end:

	2010	2009	2008
Cash, short-term investments and receivables	**$ 10,538,761**	$ 4,114,731	$ 21,682,990
Investments at fair value	**223,866,122**	206,941,031	154,195,440
Leasehold improvements, net	**11,400**	14,908	-
Total assets	**234,416,283**	211,070,670	178,878,430
Accrued expenses	**105,281**	164,492	138,207
TOTAL NET ASSETS	**$ 234,311,002**	$ 210,906,178	$ 175,740,223

Changes in Plan Net Assets

The table below provides a summary of the changes in Plan net assets during the years and reflects the activities of the fund:

	Year Ended December 31,		
	2010	2009	2008
Additions:			
Employer contributions	**$ 6,580,795**	$ 6,474,432	$ 4,875,443
Plan member contributions	**6,618,558**	6,637,872	4,882,622
Net investment income (loss)	**27,752,165**	38,442,846	(59,972,361)
Total additions (deductions)	**40,951,518**	51,555,150	(50,214,296)
Deductions:			
Benefits	**16,547,561**	15,509,868	15,002,061
Refunds of contributions	**493,911**	315,919	370,947
Net administrative expenses	**505,222**	563,408	581,294
Total deductions	**17,546,694**	16,389,195	15,954,302
NET INCREASE (DECREASE)	**$ 23,404,824**	$ 35,165,955	$ (66,168,598)

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS

Revenues - Additions to Net Plan Assets

- Employer contributions increased by $106,000 (1.6%) in 2010 and $1.6 million (32.8%) in 2009. Plan member contributions decreased by $19,000 (0.3%) in 2010 and increased $1.8 million (35.9%) in 2009. Overall contributions increased sharply in 2009 due to a change in the contribution rates effective January 1, 2009, where both the employer and employee contribution rates increased from 6.72% to 7.75%.
- Net investment income totaled $27.8 million in 2010 compared to $38.4 million in 2009. Coupled together, 2010 and 2009 were historic in terms of sharp rises in the stock market, which followed one of the worst declining years on record, 2008.

Expenses - Deductions from Net Plan Assets

- Retiree benefits paid increased by $1.0 million (6.7%) in 2010 and $508,000 (3.4%) in 2009. A December 2009 City-initiated Voluntary Incentive Retirement Program contributed to an increase in the pension rolls for 2010.
- Refunds of contributions increased by $178,000 in 2010 and decreased by $55,000 in 2009. Lump sum withdrawals from the Plan fluctuate from year to year.
- Net administrative expenses include salaries and benefits for the SERS director and staff, along with other costs associated with administering the Plan; further detail can be found on the Schedule of Administrative Expenses. Net administrative expenses decreased by approximately $58,000 (10.3%) and $18,000 (3.1%) in 2010 and 2009, respectively. Net administrative expenses in 2010 have been reduced to their lowest level in three years and approximate expenses incurred six years ago in 2004.

Plan Membership

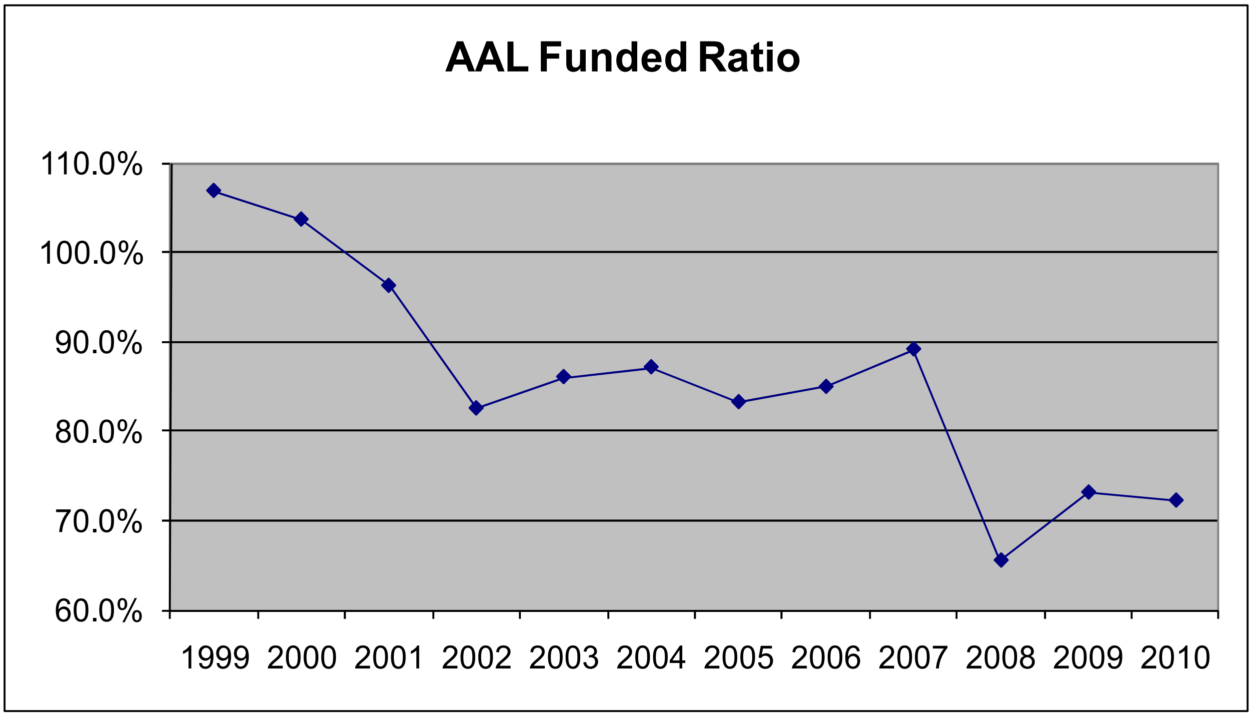
The table below reflects changes to the census of retirees and membership in SERS:

	2010	2009	% Change Increase
Retirees and beneficiaries receiving normal retirement benefits	**1,050**	1,041	0.9%
Disability retirees	**10**	10	0.0%
TOTAL RETIREES AND BENEFICIARIES	**1,060**	1,051	0.9%
Current and terminated employees entitled to, but not yet receiving benefits:			
Current employee members	**1,516**	1,501	1.0%
Vested terminated members	**90**	89	1.1%
TOTAL CURRENT AND VESTED EMPLOYEE MEMBERS	**1,606**	1,590	1.0%

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS

Funding Status

Schedule of Funding Progress
Funded Ratio



The actuarial accrued liability (AAL) is the actuarial present value of benefits accrued to date, adjusted to reflect future salary increases in accordance with the actuarial assumptions. The AAL funded ratio compares the AAL to Plan assets. Poor market returns earlier this decade coupled with retiree benefit adjustments were factors in the decline of the funded ratio from its December 31, 1999, peak to its first low point in 2002. A second low point in 2008 was caused by the extreme deterioration of the world capital markets brought on by the sub-prime mortgage crisis resulting in the System's investments experiencing a large loss. A strong market recovery in 2009 attributed to the rebound in the AAL funded ratio; however, the losses still being recognized from 2008, which exceeded the gains recognized from 2009 and 2010, contributed to the decline in the 2010 funded ratio (refer to the asset valuation method in footnote 5).

Looking back, the System lowered its discount rate from 7.5% to 7.0% in 2003 and increased it back to 7.5% in 2007. Other factors affecting the ratio's decline earlier this decade include actuarial losses due to differences between actual and assumed Plan experience. The AAL funded ratio was 72.2% at December 31, 2010, which reflects a decrease of 0.9 percentage points during 2010.

Funds are accumulated from employer and employee contributions and investment earnings and are used to pay present and future benefit obligations and administrative expenses. Active members contribute 7.75% of their salaries to the retirement fund and the city of Spokane contributes 7.75%. The actuary may recommend a change in the contribution rates when an experience study is performed, which occurs roughly every five years. The last experience study was performed effective December 31, 2006.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS

Retiree Benefit Adjustment

The SERS Board of Administration considers issuing an ad hoc adjustment for retiree benefits each year. The Board can grant an ad hoc adjustment if the AAL funded ratio is 90% or greater and remains above 90% after the ad hoc adjustment is granted. As previously stated, the AAL funded ratio is less than 90% as of December 31, 2010. The last ad hoc retiree adjustment occurred in 2001. Based on the current AAL funded ratio, it will take continued significant favorable experience in the investment markets or a future increase in contribution levels to raise the funded ratio above its target.

Investment Activities

One-year returns on asset classes and comparative benchmarks are presented in the table below. Negative returns are displayed in brackets and the policy index and benchmarks are in italics.

	Investment Return	
	2010	2009
Total portfolio	**13.5%**	22.0%
Policy index	***14.0%***	*28.1%*
Large cap equities	**15.8%**	27.6%
Benchmark: S&P 500 Index	***15.1%***	*26.5%*
Mid cap equities	**22.9%**	37.2%
Benchmark: Russell Mid cap Index	***25.5%***	*40.5%*
Small cap equities	**26.0%**	25.0%
Benchmark: Russell 2000 Index	***26.9%***	*27.2%*
Real Estate	**23.4%**	13.8%
Benchmark: FTSE NAREIT Composite Index	***27.6%***	*27.8%*
International equities	**17.3%**	38.6%
Benchmark: MSCI ACWI Ex USA Index	***11.2%***	*41.5%*
Alternatives		
Absolute Return	**(0.3%)**	(0.1%)
Benchmark: Fixed Income Alternatives - Barclays Capital US Aggregate Bond Index	***6.5%***	*5.9%*
Long/Short Growth	**7.6%**	17.8%
Benchmark: Equities Alternatives - S&P 500 Index	***15.1%***	*26.5%*
Fixed income	**6.0%**	10.8%
Benchmarks:		
Barclays Capital US Aggregate Bond Index	***6.5%***	*5.9%*
US T-Bills 90 day Index	***0.2%***	*0.2%*

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS

Investment Activities (Continued)

The investments of the System are governed by the "prudent investor rule." The prudent investor rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the fund.

Total investments, valued at fair market value, increased $16.9 million in 2010 compared to an increase of $52.7 million in 2009. The investment portfolio experienced an overall positive return of 13.5% in 2010 compared to a positive return of 22.0% in 2009. The portfolio under-performed the policy benchmark in 2010 primarily due to the utilization of hedged equity strategies that were implemented specifically to reduce short-term volatility. These strategies tend to provide superior downside protection relative to long-only equity portfolios, but often lag long-only strategies in strong upward trending markets like we encountered in 2009 and 2010. Over a full market cycle, SERS expects these strategies to provide equity-like returns with significantly lower volatility.

The System invests funds for the long-term, anticipating both good and bad financial markets. Investments are diversified to reduce investment risk and mitigate the risk of underperforming the actuarial discount rate, over time. Each alternative investment that SERS enters into has been carefully studied by the System's independent investment consultant and has been reviewed by staff and the Board. The asset allocation study that was modeled by the independent consultant demonstrated that alternative assets have negative correlations to traditional asset classes and are expected to add value to the portfolio, over time. The Director and Board believe the use of alternative investments is a prudent approach to managing risk.

Contacting the Spokane Employees' Retirement System

If you have questions about this report or need additional information, please contact:

Spokane Employees' Retirement System
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Spokane, WA 99201
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SPOKANE EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF PLAN NET ASSETS

	December 31, 2010	December 31, 2009
ASSETS		
Cash	**$ 207,449**	$ 214,518
Short-term investments	**746,910**	3,807,402
Interest and dividends receivable	**47,571**	92,811
Redemption receivable	**9,536,831**	-
Total cash, short-term investments, and receivables	**10,538,761**	4,114,731
Investments at fair value		
U.S. fixed income	**30,697,778**	46,457,779
International/global fixed income	**8,102,584**	-
U.S. equities	**95,863,896**	77,182,546
Real estate	**7,394,484**	9,031,397
International equities	**52,560,046**	44,816,347
Alternatives	**29,247,334**	29,452,962
Total investments	**223,866,122**	206,941,031
Leasehold improvements, net of accumulated depreciation of $6,139 and $2,631 respectively	**11,400**	14,908
Total assets	**234,416,283**	211,070,670
LIABILITIES		
Accounts payable	**52,973**	74,513
Current portion employee salary and benefits	**14,214**	12,321
Pensions payable	**-**	34,870
Other current liabilities	**11,655**	9,885
Employee leave benefits	**26,439**	32,903
Total liabilities	**105,281**	164,492
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	**$ 234,311,002**	$ 210,906,178

(A schedule of funding progress is presented on page 31)

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CHANGES IN PLAN NET ASSETS

	Year Ended December 31, 2010	Year Ended December 31, 2009
ADDITIONS		
Contributions		
Employer	**$ 6,580,795**	$ 6,474,432
Plan members	**6,618,558**	6,637,872
Total contributions	**13,199,353**	13,112,304
INVESTMENT INCOME		
Net appreciation in fair value of investments	**24,432,201**	33,510,353
Interest, dividends, and other investment income	**3,716,206**	5,298,939
	28,148,407	38,809,292
Less investment expenses	**396,242**	366,446
Net investment income	**27,752,165**	38,442,846
Total additions	**40,951,518**	51,555,150
DEDUCTIONS		
Benefits	**16,547,561**	15,509,868
Refunds of contributions	**493,911**	315,919
Administrative expenses, net of administrative income	**505,222**	563,408
Total deductions	**17,546,694**	16,389,195
CHANGE IN NET ASSETS	**23,404,824**	35,165,955
Net assets, beginning of year	**210,906,178**	175,740,223
Net assets, end of year (held in trust for pension benefits)	**$ 234,311,002**	$ 210,906,178

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

Note 1 - Plan Description

The Spokane Employees' Retirement System is a single employer defined benefit pension plan covering employees of the City of Spokane, administered in accordance with Chapters 3.05 and 4.14 of the Spokane Municipal Code (SMC).

SERS is a pension trust fund of the City of Spokane and is presented as a blended component unit within the fiduciary fund of the City's comprehensive annual financial report. SERS has separate legal standing. The City is financially accountable for SERS because a financial burden is imposed on the City using the criteria of financial accountability. SERS has determined that there are no entities that require inclusion within its financial statements.

All permanent employees of the City, including employees of the Plan, are eligible to belong to SERS with the exception of police and firefighters who are members of the State Law Enforcement Officers and Firefighters' Retirement System. At December 31, 2010, there are 1,060 retirees and beneficiaries receiving benefits; 90 vested terminated, including portables, entitled to future benefits; and 1,516 active members of the Spokane Employees' Retirement System for a total of 2,666 total members.

SERS provides retirement, death, and disability benefits. All employees hired on or before December 31, 2008, who participate in SERS are eligible for service retirement after completing five years of service if they are age 50 or older. Their retirement benefits are calculated by multiplying 2.15% of the member's highest consecutive two-year average salary by the member's years of creditable service, not to exceed 64.5%. All employees hired on or after January 1, 2009, who participate in SERS are eligible for service retirement after completing five years of service and are age 50 or older; however, this group of employees must have their age plus years of service equal to 75 before they can draw a pension. Their retirement benefits are calculated by multiplying 2.0% of the member's highest consecutive two-year average salary by the member's years of creditable service, to a maximum of 70.0%. Employees hired prior to December 31, 2008, have a choice at retirement of choosing a 2.15% multiplier with a service cap of 30 years or a 2.0% multiplier with a service cap of 35 years. In addition, the normal retirement age for the Plan is 62. For either group, benefits may be reduced according to the retirement annuity option selected.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting:
SERS reports in accordance with the provisions of Governmental Accounting Standards Board (GASB) No. 25, *Financial Reporting for Defined Benefit Pension Plans* as amended by GASB 50, *Pension Disclosures*. The financial reporting framework for defined benefit pension plans required by GASB No. 25 distinguishes between two categories for information: (a) current financial information about Plan assets and financial activities and (b) actuarially determined information, from a long-term perspective, about the funded status of the Plan and the progress being made in accumulating sufficient assets to pay benefits when due.

The financial statements were prepared using the accrual basis of accounting. Employee and employer contributions are recorded as revenues in the period in which payroll is due and expenses are recorded when the corresponding liabilities are incurred. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of estimates:
In preparing the Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments:
All fixed income, common stock, and short-term investments are reflected in the statement of Plan net assets and are listed at fair market value. Short-term investments are reported at cost, which approximates fair value. Fixed income securities and common stock traded on national exchanges are valued at the last reported sales price. This market value methodology of pricing is performed by Interactive Data Corporation on a daily basis. Bloomberg and Merrill Lynch are also pricing sources. Investments that do not have an established market are reported at estimated fair value.

Certain investments, such as mutual funds and limited partnerships, net their management fees before the fund itself reports net investment income for the period. Investment fees detailed under the section "Investment Services" in the schedule of investment expenses represent cash payments made to money managers and other investment professionals. Mutual fund and limited partnership fees are not reflected in this schedule; however, investment expenses are netted against investment income in the Statement of Changes of Plan Net Assets to arrive at a net investment income amount.

Note 3 - Deposits and Investments

Deposits:
The Federal Deposit Insurance Corporation (FDIC) insures the cash deposits up to $250,000. As provided by state of Washington RCW 43.84, the Washington Public Deposit Protection Commission (PDPC) collateralizes deposits in excess of $100,000.

Investments:
The Spokane Employees' Retirement System's investment management policy is set by the Board of Administration. The investment policy sets strategic asset allocation targets and ranges for all approved asset classes. SERS' investments are governed by an investment authority known as the "prudent person rule." The prudent person rule, as set forth by state statute, establishes a standard for all fiduciaries, which includes anyone who has authority with respect to the Plan. SERS' investments are categorized to give an indication of the level of risk assumed by the Plan at year end.

Investments of the pension trust funds are reported at fair market value. The Board of Administration maintains a formal Statement of Investment Policy, which addresses governing provisions and additional guidelines for the investment process. In fulfilling its responsibilities, the Board of Administration has contracted with investment managers, a custodian, and an independent investment consultant. Investment manager contracts include specific guidelines regarding the investments under management. The independent investment consultant monitors the fund on a regular basis and provides quarterly reports to staff and the Board. The SERS' chief investment officer (CIO), who also serves as the Retirement Director, also monitors the fund on a regular basis.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

Note 3 - Deposits and Investments (Continued)

Investments (continued):
In 2007, the Board approved a new asset allocation, which includes an allocation to alternative investments. Funding of these limited partnerships began in late 2007 and continued during 2009 and 2010. The term "alternative investments" encompasses a broad category of nontraditional investments. Each alternative investment that SERS enters into has been carefully studied by the System's independent investment consultant and has been reviewed by staff and the Board. The asset allocation study that was modeled by the independent consultant demonstrated that alternative assets have negative correlations to traditional asset classes and are expected to add value to the portfolio, over time. The Director and Board believe the use of alternative investments is a prudent approach to managing risk.

At December 31, 2010, SERS held a $9.5 million redemption receivable from an investment that was liquidated in 2011.

Credit risk:
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. Although the SERS' Investment Policy does not specifically address credit risk, this risk is mitigated by closely monitoring the credit quality ratings of its fixed income portfolios and by setting criteria for fixed income manager selection. SERS' fixed income assets are comprised of four mutual funds, which are nonrated. The fair market value of the mutual funds is $38.8 million as of December 31, 2010.

Custodial credit risk:
Custodial credit risk is the risk that in the event of a financial institution or bank failure, SERS would not be able to recover the value of its deposits and investments that are in the possession of an outside party. Under Governmental Accounting Standard No. 40, *Deposit and Investment Risk Disclosures* guidelines, SERS does not have exposure to custodial credit risk.

Concentration of credit risk:
Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. The System does not have any investments from a single issuer (excluding investments in government fixed income securities) that represent more than 5% of the System's net assets.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

Note 3 - Deposits and Investments (Continued)

Interest rate risk:
Market or interest rate risk is the greatest risk faced by an investor in the debt securities market. The price of a debt security typically moves in the opposite direction of the change in interest rates. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Although the SERS' Investment Policy does not specifically address interest rate risk, the System's fixed income portfolio is professionally managed with an expected range of interest rate risk within the portfolio. In addition, the portfolio is closely monitored by the independent consultant and the CIO. The table below shows the System's fixed income assets by investment type, average effective maturity and market value as of December 31, 2010:

	Average Effective Maturity (in years)	Market Value
Mutual Funds		
PIMCO Low Duration	2.86	$ 13,444,879
Vanguard Short-term	3.00	13,526,930
PIMCO Global	6.10	8,102,584
Metropolitan West	6.12	3,725,969
TOTAL FIXED INCOME		$ 38,800,362
Fixed income as a percentage of SERS portfolio	16.60%	

Foreign currency risk:
Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At December 31, 2010, 22.4% of the System's portfolio is invested in international mutual funds and a limited partnership fund of funds, which primarily consist of foreign equities. The fair market value of the foreign securities is $52.6 million as of December 31, 2010. Additionally, SERS has $8.1 million invested in an international/global fixed income fund, of which 39.4% is foreign fixed income holdings at December 31, 2010. The SERS' Investment Policy does not specifically address foreign currency risk; however, the System considers foreign currency risk during the selection and monitoring process of the fund managers.

Note 4 - Contributions

Member and employer contribution rates are established by City Code, Chapter 4.14. The funding of SERS is currently based on the projected unit credit method of funding. SERS funding objective is to achieve and maintain an actuarial liability funded status between 90% and 110%. Member contributions are 7.75% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 7.75% of eligible compensation for a combined total of 15.50%. Contribution rates are reviewed periodically by the Board of Administration and recommendations are made for adjustments. It is contemplated that over the long term the contribution by the City will, when added to the member's contribution, plus other revenues, be enough to properly fund the retirement benefits set forth.

There are no long-term contracts for contributions outstanding and no legally required reserves.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS

Note 5 - Actuarial Information and Significant Actuarial Assumptions

As of December 31, 2010, the actuarial liability funded status ratio is 72.2%. Although the investments earned 13.5% in 2010, which exceeds the actuarial assumed rate of return by 0.6 percentage points, the funding ratio decreased by 0.9 percentage points during 2010. The decrease in the funded status is primarily attributable to actuarial smoothed losses from 2008 exceeding actuarial smoothed gains from 2009 and 2010; refer to the Asset Valuation Method in the table below. Refer to the Schedule of Funding Progress in the Required Supplemental Information, which follows the notes to the financial statements, for historical information on the funded ratio and other actuarial funding data. A summary of actuarial methods and assumptions follows:

Valuation date	December 31, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level percent
Amortization period*	30 years – closed (27 years remaining on initial unfunded liability)
Asset valuation method	Expected Value Method with five-year smoothing and 90% - 110% market value corridor
Actuarial assumptions:	
Investment rate of return	7.5%
Inflation rate	3.0%
Projected salary increases	Ranges from 3.0% for employees with 16 or more years of service to 10.0% for employees with less than two years of years of service.
Postretirement benefit increases**	0.0%
Actuarial value of assets	$241,747,915
Actuarial accrued liability	$334,849,092
Unfunded actuarial accrued liability	$93,101,177
Annual covered payroll	$88,093,679
UAL as a percentage of covered payroll	105.68%

*The total contribution rate is fixed at 15.50% of payroll (7.75% for the employer and 7.75% for the employee). The annual required contribution has been developed to equal actual employer contributions, if possible. If not, the maximum allowable amortization period is used. Because the contribution rates are fixed, the effective amortization period for the unfunded accrued liability will change over time as actual experience emerges that is different from the actuarial assumptions.

**The SERS Board can grant an ad hoc performance adjustment if the Actuarial Accrued Liability (AAL) Funded Ratio of the System is above 90%, the additional Actuarial Accrued Liability associated with the ad hoc increase does not cause the AAL Funded Ratio to drop below 90%, and the combined employer and employee contribution rates are sufficient to fund the unfunded accrued liabilities as increased by the cost of the ad hoc adjustment over a period not to exceed the maximum allowable GASB amortization period (currently 30 years). Further information can be found in the SMC 03.05.160.

Note 6 - Commitments

As of December 31, 2010, the System had unfunded commitments of $1.6 million to two limited partnership real estate funds.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Employer Contribution	Percentage of ARC Contributed	Annual Excess/ (Shortfall)	Annual Pension Cost (APC)*	Percentage of APC Contributed	Net Pension Obligation
12/31/1999	$ 3,053,294	$ 3,643,468	119.33%	$ 590,174	$ 3,053,294	119.33%	$ (859,813)
12/31/2000	2,747,528	3,715,600	135.23%	968,072	2,706,566	137.28%	(1,868,847)
12/31/2001	3,859,885	3,894,757	100.90%	34,872	3,792,685	102.69%	(1,970,919)
12/31/2002	3,569,284	3,919,254	109.81%	349,970	3,789,014	103.44%	(2,101,159)
12/31/2003	4,547,346	4,017,431	88.35%	(529,915)	4,471,792	89.84%	(1,646,798)
12/31/2004	5,867,117	4,095,810	69.81%	(1,771,307)	5,811,040	70.48%	68,432
12/31/2005	6,015,711	4,148,874	68.97%	(1,866,837)	6,018,087	68.94%	1,937,645
12/31/2006	6,231,299	4,287,457	68.81%	(1,943,842)	6,298,582	68.07%	3,948,770
12/31/2007	5,742,761	4,518,363	78.68%	(1,224,398)	5,834,697	77.44%	5,265,104
12/31/2008	8,826,967	4,875,443	55.23%	(3,951,524)	8,949,550	54.48%	9,339,211
12/31/2009	8,267,280	6,474,432	78.31%	(1,792,848)	8,484,717	76.31%	11,349,496
12/31/2010	8,955,055	6,580,795	73.49%	(2,374,260)	9,219,296	71.38%	13,987,997

* Amortization of prior year's Net Pension Obligation, with interest, plus ARC

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability (UAL)	Funded Ratio	Covered Payroll	UAL as a Percentage of Covered Payroll
12/31/1999	$ 186,394,015	$ 174,562,092	$ (11,831,923)	106.78%	$ 54,142,268	(21.85%)
12/31/2000	194,488,937	187,644,219	(6,844,718)	103.65%	55,420,648	(12.35%)
12/31/2001	190,150,661	197,656,627	7,505,966	96.20%	59,292,582	12.66%
12/31/2002	170,359,975	206,435,061	36,075,086	82.52%	56,454,409	63.90%
12/31/2003	195,723,271	227,662,674	31,939,403	85.97%	61,380,769	52.03%
12/31/2004	209,217,925	240,260,424	31,042,499	87.08%	64,252,485	48.31%
12/31/2005	216,039,097	259,791,544	43,752,447	83.16%	64,061,964	68.30%
12/31/2006	231,576,121	272,817,605	41,241,484	84.88%	67,750,706	60.87%
12/31/2007	242,615,032	272,201,880	29,586,848	89.13%	69,261,673	42.72%
12/31/2008	193,314,245	295,223,177	101,908,932	65.48%	74,183,014	137.38%
12/31/2009	231,996,796	317,577,485	85,580,689	73.05%	83,455,429	102.55%
12/31/2010	241,747,915	334,849,092	93,101,177	72.20%	88,093,679	105.68%

Prior to 2007, actuarial updates were performed in the even numbered years. Beginning in 2007, a full actuarial valuation was performed every year.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF ADMINISTRATIVE EXPENSES

	2010 Budget	**2010 Actual**	2009 Actual
Personnel services:			
Salaries and wages	$ 324,879	**$ 245,985**	$ 255,658
Personnel benefits	101,803	**72,555**	72,252
Administrative income	(80,000)	**(60,334)**	(60,152)
Total personnel services	346,682	**258,206**	267,758
Supplies:			
Office supplies	2,000	**730**	2,852
Publications	2,000	**20**	47
Postage	8,000	**7,126**	6,249
Minor equipment	10,000	**82**	31,503
Other	1,000	**741**	-
Total supplies	23,000	**8,699**	40,651
Other services and charges:			
State audit charges	6,232	**8,792**	7,722
Professional services	200,000	**88,371**	99,264
Travel	20,000	**5,301**	13,146
Equipment repairs and maintenance	500	**-**	-
Registration and schooling	20,000	**4,155**	9,560
Other dues, subscriptions, and memberships	2,000	**1,839**	1,383
Printing	4,000	**1,686**	2,862
Depreciation	-	**3,508**	2,631
Other miscellaneous charges	4,420	**2,919**	3,576
Total other services and charges	257,152	**116,571**	140,144

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF ADMINISTRATIVE EXPENSES

	2010 Budget	**2010 Actual**	2009 Actual
Interfund (IF) payments for services:			
IF accounting services	$ -	**$ 980**	$ -
IF communication	2,742	**2,636**	5,604
IF MIS communications replacement	498	**498**	-
IF motor pool	500	**-**	-
IF risk management	1,543	**1,543**	2,238
IF unemployment	8	**8**	-
IF workers' compensation	1,532	**1,532**	2,908
IF repairs/maintenance	-	**-**	548
IF facilities maintenance	-	**704**	2,069
IF MIS	117,880	**107,585**	100,279
IF reprographics	2,500	**996**	473
IF warrant service	1,200	**1,401**	736
IF MIS replacement	3,863	**3,863**	-
	132,266	**121,746**	114,855
TOTAL ADMINISTRATIVE EXPENSES, NET OF ADMINISTRATIVE INCOME	$ 759,100	**$ 505,222**	$ 563,408

SPOKANE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT EXPENSES

	Year Ended December 31, 2010
Investment Services	
Champlain Small Cap Fund LLC	$ 27,285
Principal Real Estate Investors LLC	57,237
Santa Barbara Asset Management LLC	62,531
Sterling Capital Management LLC	33,144
Victory Capital Management Inc.	79,561
	259,758
Performance Measurement	
Hyas Group, LLC	98,000
Custodial Services	
Union Bank, N.A.	38,484
TOTAL INVESTMENT EXPENSES	$ 396,242

Mutual fund and limited partnership fees are not reflected in this schedule; instead, these investment expenses are netted against investment income in the statement of changes in Plan net assets to arrive at a net investment income amount.

Actuarial Section

SageView Consulting Group, L.L.C.

Actuarial Valuation

SPOKANE EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL VALUATION AS OF DECEMBER 31, 2010

SAGEVIEW
CONSULTING GROUP

Sageview Consulting Group
4951 Lake Brook Drive, Suite 400, Glen Allen, VA 23060
804.290.7405 www.sageviewadvisory.com

April 21, 2011

Spokane Employees' Retirement System
808 West Spokane Falls Boulevard
Spokane, Washington 99201-3324

Ladies and Gentlemen:

Effective December 31, 2008, actuarial valuations of the Spokane Employees' Retirement System are performed annually. The results of the latest actuarial valuation of the System, which was prepared as of December 31, 2010, are summarized in this letter.

The valuation reflects the benefits in effect on the valuation date, and was prepared on the basis of the data submitted by the System using generally accepted actuarial principles and methods.

Financing Objective and Contribution Rate

The financing objective of the System is to:

(a) fully fund all current costs based on the normal contribution rate payable by the System determined under the funding method; and

(b) liquidate the unfunded accrued liability based on accrued liability contributions payable by the System over an amortization period of no more than 30 years; and

(c) accomplish the above through a combination of Employee Contributions (currently 7.75% of pay) and Employer Contributions (currently 7.75% of pay).

The December 31, 2010 valuation develops an Annual Required Employer Contribution Rate (ARC), exclusive of employee contributions, of 10.16% of total payroll. The ARC rate compares with an actual Employer Contribution rate of 7.75% of total payroll. The Employer Contribution for the 2010 fiscal year of $6,580,795 was less than the ARC of $8,955,055 by $2,374,260. As a result, the Net Pension Obligation (NPO) which is a measure of the excess of ARC plus the amortization of the prior year's NPO over Employer Contributions for fiscal years ended 12/31/1998 (the effective date of GASB 27) through 12/31/2010 increased from $11,349,496 to $13,987,997.

Unfunded Accrued Liability and Funded Status

The unfunded accrued liability is determined as the excess, if any, of the actuarial liability determined under the projected unit credit cost method over the actuarial value of assets. This unfunded accrued liability, and any changes in unfunded accrued liability due to changes in benefit provisions, actuarial gains and losses, and changes in methods and/or assumptions is amortized over a period of not more than 30 years, using a level percent of pay amortization method with contributions increasing 4% per year.

The unfunded accrued liability is $93,101,177 as of December 31, 2010 and is being amortized over a period of 30 years using a level percent of pay amortization method with contributions increasing 4% per year. The amortization period and method are both acceptable for determining the annual required contribution in accordance with GASB Statements 25, 27, and 34.

The actuarial funded status of the System is the ratio of the actuarial value of assets to the accrued liability. This funded status decreased from 73.1% as of December 31, 2009 to 72.2% as of December 31, 2010.

Spokane Employees' Retirement System
April 21, 2011
Page two

System's Assets and Member Data

The individual data for members of the System as of the valuation date were reported to the actuary by the System. While we did not verify the data at its source, we did perform tests for internal consistency and reasonability in relation to the data submitted for the previous valuation. It is our understanding that the outside auditor of the System has also made an examination of the data.

The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the System's Staff and audited by the independent auditor of the System.

Actuarial Assumptions and Methods

Actuarial assumptions are adopted by the Board, upon review of recommendations made by the actuary. An experience study was conducted for the five-year period ended December 31, 2006. This study resulted in the Board adopting several changes in assumptions as of December 31, 2007, at the recommendation of the actuary, in order to better anticipate emerging experience under the System. There have been no subsequent changes in assumptions since December 31, 2007.

The next experience study is scheduled to be conducted for the five-year period ended December 31, 2011. Upon completion of that study, recommendations will be made with respect to assumptions, methods and contribution rates to be adopted beginning with the December 31, 2012 valuation.

The Board also adopted the use of an asset smoothing method beginning with the December 31, 2007 valuation. In order to smooth out market value fluctuations, the difference between actual investment earnings over expected investment earnings will be recognized in equal amounts over a five-year period with the restriction that the smoothed value of assets may not be less than 90% nor greater than 110% of market value.

The actuarial cost method utilized is the projected unit credit actuarial cost method. This method is an acceptable method for determining the annual required contribution in accordance with GASB Statements 25, 27 and 34.

Samples of the actuarial assumptions, and descriptions of the actuarial cost method and asset valuation method are set forth in the outline of actuarial assumptions and methods included in the report.

Legislative and Administrative Changes

The Spokane Municipal Code was amended by City Resolution, changing the interest rate on employee contributions from 5% to 4%, effective July 1, 2010. The Resolution resulted in a decrease of $159,269 in unfunded accrued liability as of December 31, 2010.

Spokane Employees' Retirement System
April 21, 2011
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Financial Results and Membership Data

Detailed summaries of financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report and the related membership data schedules. We were responsible for providing information for all schedules included in the Actuarial Section, as well as certain schedules included in the Financial Section (Schedule of Funding Progress and Schedule of Employer Contributions) of the comprehensive annual financial report for the fiscal year ended December 31, 2010.

To the best of our knowledge, this report is complete and accurate. All costs and liabilities have been determined in conformance with generally accepted actuarial principles and on the basis of actuarial assumptions and methods which are individually reasonable (taking into account past experience and reasonable expectations of future experience) and which in combination represent the best estimate of anticipated experience under the System.

The undersigned are available to provide additional information or answer any questions with respect to this report.

Respectfully Submitted By:

Sageview Consulting Group

William M. Dowd, FCA, EA
Managing Principal

William J. Reid, FCA, EA
Principal

Summary of Valuation Results

Presented in this report are the results of the actuarial valuation as of December 31, 2010 for the Spokane Employees' Retirement System.

The principal results include:

- The Annual Required Employer Contribution Rate (ARC) is 10.16% of total payroll. This compares to an actual Employer Contribution rate of 7.75% of total payroll.

- The actuarial funded status of the System (ratio of actuarial value of assets to accrued liability) as of December 31, 2010 is 72.2% as compared to 73.1% as of December 31, 2009.

The valuation was completed based on membership and financial data submitted by the System.

The following changes have been made since the last actuarial valuation:

- **Actuarial Assumptions and Methods**

  Actuarial assumptions are adopted by the Board, upon review of recommendations made by the actuary. An experience study was conducted for the five-year period ended December 31, 2006. This study resulted in the Board adopting several changes in assumptions as of December 31, 2007, at the recommendation of the actuary, in order to better anticipate emerging experience under the System. There have been no subsequent changes in assumptions since December 31, 2007.

  The next experience study is scheduled to be conducted for the five-year period ended December 31, 2011. Upon completion of that study, recommendations will be made with respect to assumptions, methods and contribution rates to be adopted beginning with the December 31, 2012 valuation.

  The Board also adopted the use of an asset smoothing method beginning with the December 31, 2007 valuation. In order to smooth out market value fluctuations, the difference between actual investment earnings over expected investment earnings will be recognized in equal amounts over a five-year period with the restriction that the smoothed value of assets may not be less than 90% nor greater than 110% of market value.

- **Legislative and Administrative Changes**

  The Spokane Municipal Code was amended by City Resolution, changing the interest rate on employee contributions from 5% to 4%, effective July 1, 2010. The Resolution resulted in a decrease of $159,269 in unfunded accrued liability as of December 31, 2010.

Summary of Valuation Results (continued)

Demographics	**2010**	**2009**
Active		
Number	1,516	1,501
Average Pay for Coming Year	$ 58,109	$ 55,600
Retired and Beneficiaries		
Number	1,060	1,051
Average Annual Allowance	15,920	15,535
Terminated Vested and Portables		
Number	90	89
Total Membership	2,666	2,641
Unfunded Accrued Liability		
Accrued Liability as of December 31	$334,849,092	$317,577,485
Actuarial Asset Value	$241,747,915	$231,996,796
Unfunded Accrued Liability	$ 93,101,177	$ 85,580,689
Actuarial Value Funded Status	72.2%	73.1%
Contribution Rates		
Annual Required Contribution (ARC) Rate*	10.16%	9.91%
Actual Employer Contribution Rate	7.75%	7.75%

* Exclusive of Employee Contributions (7.75% of pay)

Summary of Valuation Results (continued)

Contribution Rates

The results of the valuation as of December 31, 2010 determine the ARC rate for the System. The actual Employer Contribution rate is compared to the contribution rate developed in the valuation in order to determine the appropriateness of the actual Employer Contribution rate. As of December 31, 2010 the actual Employer Contribution rate of 7.75% is less than the ARC rate of 10.16%. The Net Pension Obligation, which is the cumulative excess of Annual Required Contributions over actual Employer Contributions adjusted with interest for fiscal years ended 12/31/1998 (the effective date of GASB 27) through 12/31/2010, was $13,987,997.

Reasons for Change in the Rate

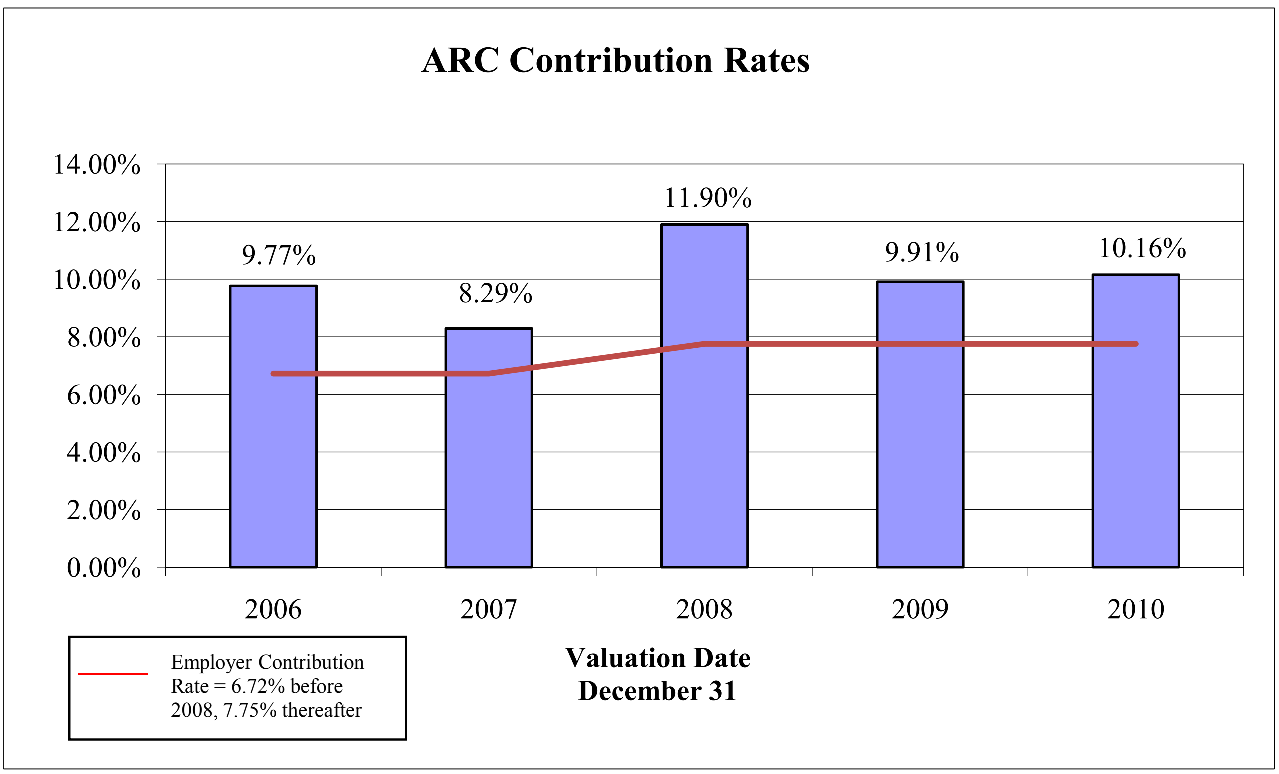
The recommended employer contribution rate as determined by the ARC increased from 9.91% as of December 31, 2009 to 10.16% as of December 31, 2010. The increase of 0.25% is due to the following reasons:

• Increase due to return on actuarial assets	0.21%
• Decrease due to change in benefit provisions	(0.01%)
• Decrease due to change in employee contribution rate	0.00%
• Increase due to other factors	0.05%
• Total	0.25%

Summary of Valuation Results (continued)

Five-Year History of Contribution Rates
(As a % of payroll)

Valuation Date	ARC	Employer Rate	
2006	9.77%	6.72%	
2007	8.29%	6.72%	
2008	11.90%	7.75%	*
2009	9.91%	7.75%	
2010	10.16%	7.75%	



* Employer Contribution Rate changed effective January 1, 2009.

Summary of Valuation Results (continued)

Unfunded Accrued Liability

The financing objective of the System is to:

- fully fund all current costs based on the normal contribution rate payable by the System determined under the funding method; and

- liquidate the unfunded accrued liability based on accrued liability contributions payable by the System over an amortization period of no more than 30 years; and

- accomplish the above through a combination of Employee Contributions (currently 7.75% of pay) and Employer Contributions (currently 7.75% of pay).

The System's unfunded accrued liability is measured by comparing the smoothed fair value of assets with the accrued liability. The accrued liability is determined under the projected unit credit cost method.

On this basis, the System's unfunded accrued liability is $93,101,177 as of December 31, 2010. The unfunded accrued liability is based on a smoothed fair value of assets of $241,747,915 and an accrued liability of $334,849,092.

Reasons for Change in the Unfunded Accrued Liability

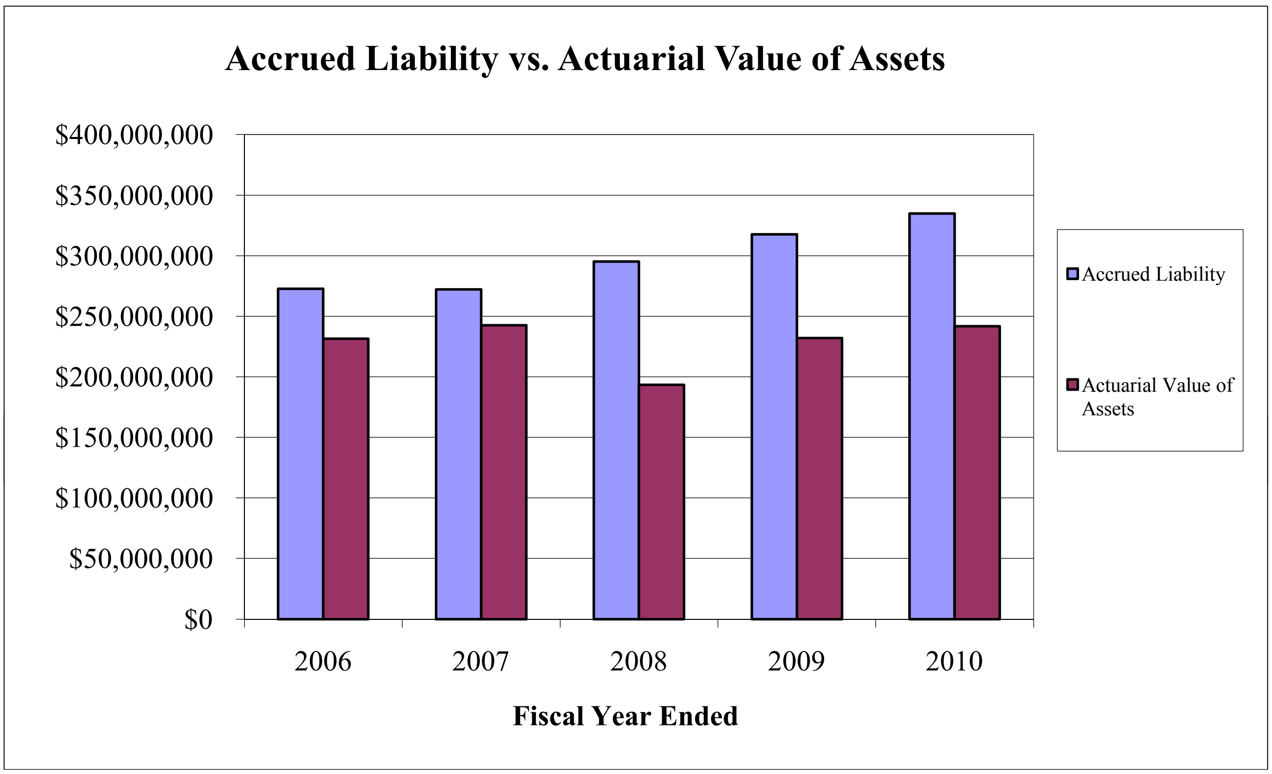
The unfunded accrued liability was expected to be $88,595,405 as of December 31, 2010 based on the actuarial assumptions summarized in Table 16 of this report. The actual unfunded accrued liability was $93,101,177 as of December 31, 2010. Investment losses on the actuarial value of assets was the primary reason for the increase in unfunded accrued liability.

Investment losses on the actuarial value of assets resulted in an increase in the unfunded accrued liability of $3,665,047. In addition, demographic experience increased the unfunded accrued liability by $999,994 and a plan amendment decreased the unfunded liability by $159,269.

Summary of Valuation Results (continued)

Five-Year History of Accrued Liability and Actuarial Value of Assets

Fiscal Year Ending	Accrued Liability	Actuarial Value of Assets
2006	$272,817,605	$231,576,121
2007	$272,201,880	$242,615,032
2008	$295,223,177	$193,314,245
2009	$317,577,485	$231,996,796
2010	$334,849,092	$241,747,915



Summary of Valuation Results (continued)

Funded Status

The funded status measures the ratio of the accrued liability to the value of assets.

The actuarial value funded status is calculated using the smoothed value of assets. On this basis, the System's funded status is 72.2% as of December 31, 2010. The funded status is based on a smoothed fair value of assets of $241,747,915 and an accrued liability of $334,849,092.

The market value funded status is calculated using the market value of assets. On this basis, the System's funded status is 70.0% as of December 31, 2010. The funded status is based on a market value of assets of $234,311,002 and an accrued liability of $334,849,092.

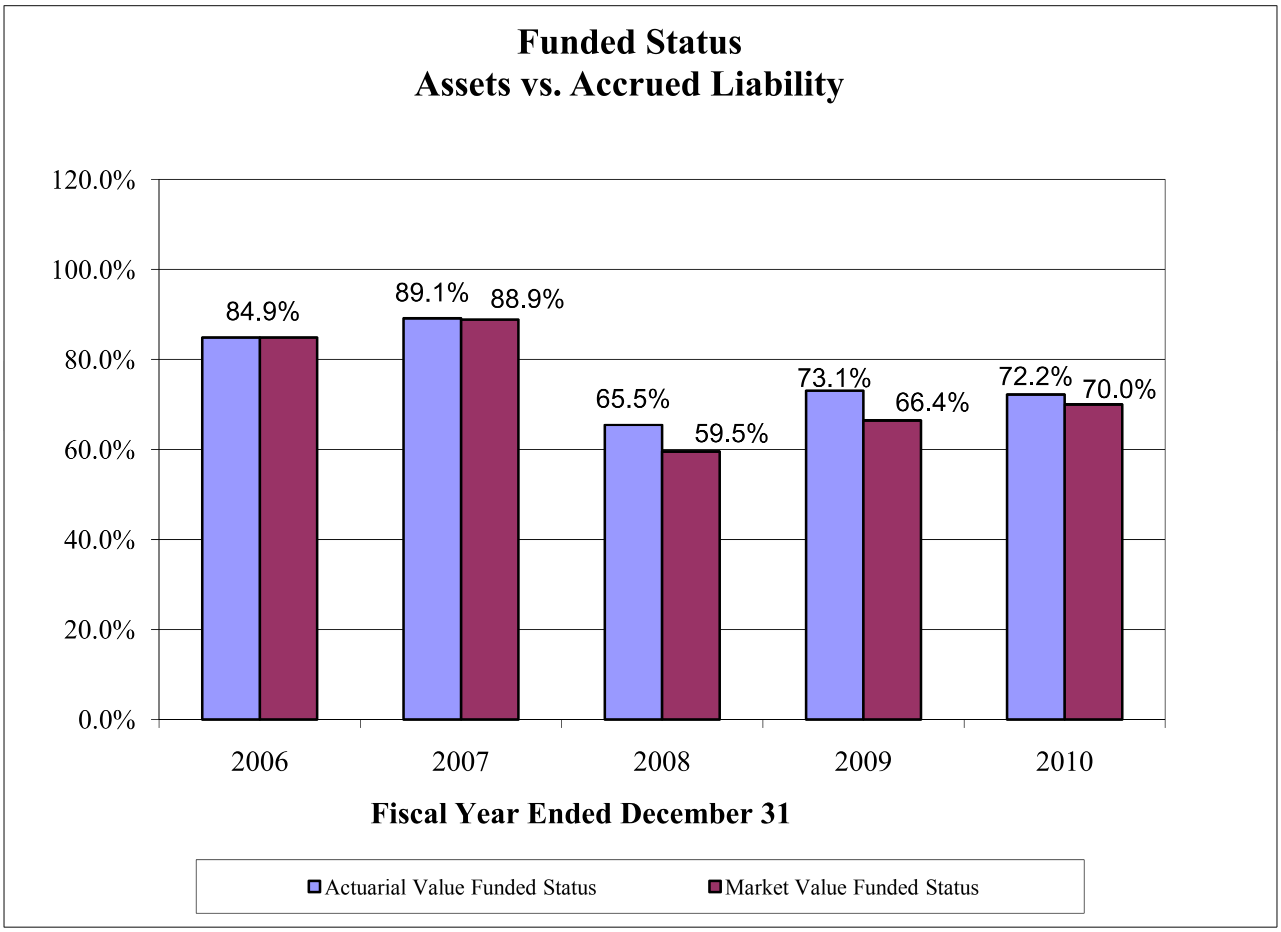
Reasons for Change in Funded Status

The actuarial value funded status decreased from 73.1% as of December 31, 2009 to 72.2% as of December 31, 2010. The market value funded status increased from 66.4% as of December 31, 2009 to 70.0% as of December 31, 2010. The primary reason for the increase in the market value funded status was gains on investments. The primary reason for the decrease in the actuarial value funded status was that the smoothed gains and losses due to investments were less than the expected gains.

Summary of Valuation Results (continued)

Five-Year History of Funded Status
(Assets vs. Accrued Liability)

Fiscal	Funded Status	
Year Ending	Actuarial Basis	Market Basis
2006	84.9%	84.9%
2007	89.1%	88.9%
2008	65.5%	59.5%
2009	73.1%	66.4%
2010	72.2%	70.0%



Beginning with the December 31, 2007 valuation, the Actuarial Funded Status is based on the Smoothed Fair Value of Assets described in Table 16 of this report. Prior to 2007, the Actuarial Funded Status was equal to the Market Value Funded Status.

Summary of Valuation Results (continued)

Rate of Return

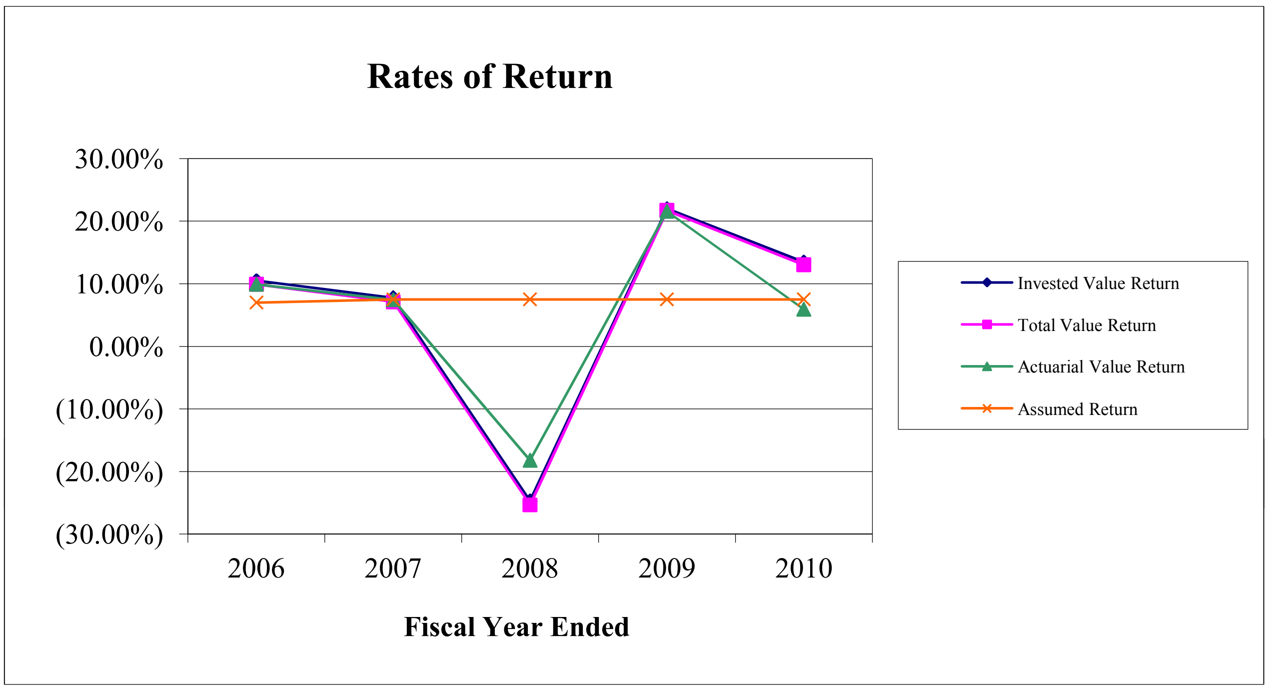
The investment return of the trust fund (i.e. total return including both realized and unrealized gains and losses) based on the market value of invested assets for the fiscal year ended December 31, 2010 was 13.47%. However, since some contributions go directly to paying benefits and are never invested in the trust, the net investment return on total assets of the System was 13.04%. The investment return on the smoothed fair value of assets was 5.91%. The expected rate of return was 7.50%.

The smoothed fair value of assets is determined using a method that is designed to smooth the impact of market fluctuations. Unlike the market value, which immediately reflects all investment gains and losses during the year, the smoothed fair value recognizes annual appreciation and depreciation over a five-year period.

Summary of Valuation Results (continued)

Five-Year History of Rates of Return

Fiscal Year	Rate of Return on Assets			
Ending	Invested	Total	Actuarial	Assumed
2006	10.50%	9.91%	9.91%	7.00%
2007	7.76%	7.12%	7.42%	7.50%
2008	(24.68%)	(25.33%)	(18.22%)	7.50%
2009	21.99%	21.72%	21.57%	7.50%
2010	13.47%	13.04%	5.91%	7.50%



Supporting Information

The remainder of the report is comprised of the following sections or schedules:

Table 1	Demographics
Table 2	Asset Information
Table 3	Accrued Liability and Funded Status
Table 4	Actuarial (Gain)/Loss
Table 5	Amortization Schedule
Table 6	Normal Cost
Table 7	Contribution Summary
Table 8	Schedule of Funding Progress
Table 9	Schedule of Employer Contributions
Table 10	Historical Summary of Fund Additions and Deductions
Table 11	Schedule of Membership
Table 12	Schedule of Active Members Valuation Data
Table 13	Schedule of Retirees Added to and Removed from Rolls
Table 14	Schedule of Retired Members by Type of Benefit; Schedule of Benefit Payments by Type
Table 15	Schedule of Average Annual Benefit Payments
Table 16	Description of Actuarial Assumptions and Methods
Table 17	Summary of Benefit and Contribution Provisions
Appendix	Data Tables

Table 1

DEMOGRAPHICS

	2010	2009	Increase/ (Decrease)
Number of Members:			
Retirees	936	933	3
Beneficiaries	114	108	6
Disabled	10	10	0
Terminated Vested*	63	61	2
Portables	27	28	(1)
Active	1,516	1,501	15
Total Members	2,666	2,641	25
Projected Compensation for Coming Year	88,093,679	83,455,429	4,638,250
Average Compensation for Coming Year	58,109	55,600	2,509
Average Age (Active Members)	48.27	47.89	0.38
Average Service (Active Members)	12.03	11.75	0.28
Annual Retirement Allowance	16,875,122	16,326,879	548,243
Average Annual Retirement Allowance	15,920	15,535	385
Average Monthly Retirement Allowance	1,327	1,295	32

* The 63 Terminated Vested participants reported as of December 31, 2010 include 7 participants who have earned vesting rights but have not yet applied to the Board.

Table 2

ASSET INFORMATION

Statement of Net Assets as of December 31, 2010

1. Cash & Short-Term Investments		954,359
2. Investments		
a. U. S. Fixed Income	30,697,778	
b. International/Global Fixed Income	8,102,584	
c. U. S. Equities	95,863,896	
d. Real Estate	7,394,484	
e. International Equities	52,560,046	
f. Alternatives	29,247,334	
g. Total Investments		223,866,122
3. Receivables		
a. Accrued Interest and Dividends	47,571	
b. Taxes	0	
c. Other	9,536,831	
d. Total Receivables		9,584,402
4. Other Assets		11,400
5. Liabilities		
a. Accounts Payable	(52,973)	
b. Salary & Benefits	(40,653)	
c. Other	(11,655)	
d. Total Liabilities		(105,281)
6. Total Market Value of Net Assets		234,311,002

Table 2

ASSET INFORMATION

Market Value Reconciliation

1. Total Market Value of Net Assets, 12/31/2009		210,906,178
2. Audit Adjustment		-
3. Contributions		
a. Employer	6,580,795	
b. Employee	6,618,558	
c. Total Contributions		13,199,353
4. Investment Earnings		
a. Interest & Dividends & Other Income	3,716,206	
b. Realized & Unrealized Gain/(Loss)	24,432,201	
c. Investment Expenses	(396,242)	
d. Total Investment Earnings		27,752,165
5. Benefit Payments		
a. Benefits	(16,547,561)	
b. Refund of Contributions	(493,911)	
c. Total Benefit Payments		(17,041,472)
6. Administrative Expenses		(505,222)
7. Total Market Value of Net Assets, 12/31/2010		234,311,002
8. Approximate Rate of Return on Total Assets		13.04%
9. Approximate Rate of Return on Invested Assets		13.47%

Table 2

ASSET INFORMATION

Smoothed Fair Value of Net Assets Determination

1.	Total Market Value of Net Assets, 12/31/2009	210,906,178
2.	Expected Return for Plan Year	15,676,489
3.	Actual Return for Plan Year	27,246,943
4.	Total Market Value of Net Assets, 12/31/2010	234,311,002
5.	Determination of Deferred Gain (Loss)	

Fiscal Year	Actual vs. Expected Return	Amount Recognized This Year	Portion Deferred	Deferred Amount
2010	11,570,454	2,314,091	4/5	9,256,363
2009	24,798,837	4,959,767	3/5	14,879,302
2008	(78,490,063)	(15,698,013)	2/5	(31,396,025)
2007	(882,764)	(176,553)	1/5	(176,553)
Total	(43,003,536)	(8,600,708)		(7,436,913)

6.	Preliminary Smoothed Fair Value of Net Assets (4. - 5.)	241,747,915
7.	Ratio of Preliminary Smoothed Fair Value to Market Value	103.17%
8.	Smoothed Fair Value of Net Assets (7., but not less than 90% nor more than 110% of 4.)	241,747,915
9.	Ratio of Smoothed Fair Value to Market Value	103.17%
10.	Approximate Rate of Return on Smoothed Fair Value of Net Assets	5.91%

Table 3

ACCRUED LIABILITY AND FUNDED STATUS

1. Accrued Liability prior to Changes in Benefit Provisions and Assumptions		
a. Active	163,807,457	
b. Terminated Vested & Portables	8,735,177	
c. Retirees	151,887,435	
d. Beneficiaries	9,297,310	
e. Disableds	1,280,982	
f. Total Accrued Liability prior to Changes		335,008,361
2. Actuarial Value of Assets prior to Plan Changes		241,747,915
3. Unfunded Accrued Liability prior to Changes (1.f. - 2.)		93,260,446
4. Change in Unfunded Accrued Liability		
a. Due to Changes in Plan Provisions	(159,269)	
b. Due to Changes in Assumptions	0	
c. Due to Change in Asset Method	0	
d. Total Change in Unfunded Accrued Liability		(159,269)
5. Actual Unfunded Accrued Liability (3. + 4.c.)		93,101,177
6. Funded Liability Percentage as of December 31, 2010		72.2%

Table 4

ACTUARIAL (GAIN)/LOSS

1. Increase (decrease) in Unfunded Accrued Liability	
a. Unfunded Accrued Liability, prior year	85,580,689
b. Projected Unit Credit Normal Cost (excluding expenses)	9,564,228
c. Contributions	13,199,353
d. Interest	6,649,841
e. Expected Unfunded Accrued Liability, current year (a. + b. - c. + d.)	88,595,405
f. Actual Unfunded Accrued Liability, current year before benefit and assumption changes	93,260,446
g. (Gain)/Loss (f. -e.)	4,665,041
2. Reasons for (Gain)/Loss	
a. Investment Return on Smoothed Fair Value of Assets	3,665,047
b. Other	999,994
c. Total	4,665,041

Table 5

AMORTIZATION SCHEDULE*

Date Established	Source	Initial Amount	Remaining Balance	Years to Amortize	Required Payment
12/31/2010	Actuarial Loss	4,665,041	4,665,041	30	241,266
12/31/2010	Plan Amendment	(159,269)	(159,269)	30	(8,237)
12/31/2009	Actuarial Gain	(19,699,834)	(20,418,614)	29	(1,077,340)
12/31/2009	Plan Amendment	9,584	9,934	29	523
12/31/2008	Plan Amendment	940,216	1,006,234	28	54,224
12/31/2008	Actuarial Loss	71,000,670	75,986,104	28	4,094,741
12/31/2007	Unfunded Liability	29,586,848	32,011,747	27	1,763,937
Total		86,343,256	93,101,177		5,069,114

* Effective December 31, 2007, a fresh start amortization base was established equal to the excess of the actuarial liability over the smoothed fair value of assets.

Table 6

NORMAL COST

1. Normal Cost for All Benefits	10,113,201
2. Offset for Employee Contributions	(6,827,260)
3. Estimated Expenses	600,000
4. Total	3,885,941

Table 7

CONTRIBUTION SUMMARY

1. Annual Required Contribution Amount		
a. Normal Cost	3,885,941	
b. Amortization Charges	5,069,114	
c. Total		8,955,055
2. Annual Required Contribution Rate		
a. Normal Cost	4.41%	
b. Amortization Charges	5.75%	
c. Total		10.16%
3. Projected Pay for the Upcoming Year		88,093,679

Table 8

SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAL as a % of Covered Payroll
12/31/01	190,150,661	197,656,627	7,505,966	96.20%	59,292,582	12.66%
12/31/02	170,359,975	206,435,061	36,075,086	82.52%	56,454,409	63.90%
12/31/03	195,723,271	227,662,674	31,939,403	85.97%	61,380,769	52.03%
12/31/04	209,217,925	240,260,424	31,042,499	87.08%	64,252,485	48.31%
12/31/05	216,039,097	259,791,544	43,752,447	83.16%	64,061,964	68.30%
12/31/06	231,576,121	272,817,605	41,241,484	84.88%	67,750,706	60.87%
12/31/07	242,615,032	272,201,880	29,586,848	89.13%	69,261,673	42.72%
12/31/08	193,314,245	295,223,177	101,908,932	65.48%	74,183,014	137.38%
12/31/09	231,996,796	317,577,485	85,580,689	73.05%	83,455,429	102.55%
12/31/10	241,747,915	334,849,092	93,101,177	72.20%	88,093,679	105.68%

Table 9

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(GASB 27 Annual Required Contribution effective with fiscal year ended 12/31/98)

Fiscal Year Ended	Annual Required Contribution	Actual Employer Contribution	Percentage of ARC Contributed	Annual Excess/ (Shortfall)	Annual Pension Cost*	Percentage of APC Contributed	Net Pension Obligation**
12/31/2001	3,859,885	3,894,757	100.90%	34,872	3,792,685	102.69%	(1,970,919)
12/31/2002	3,569,284	3,919,254	109.81%	349,970	3,789,014	103.44%	(2,101,159)
12/31/2003	4,547,346	4,017,431	88.35%	(529,915)	4,471,792	89.84%	(1,646,798)
12/31/2004	5,867,117	4,095,810	69.81%	(1,771,307)	5,811,040	70.48%	68,432
12/31/2005	6,015,711	4,148,874	68.97%	(1,866,837)	6,018,087	68.94%	1,937,645
12/31/2006	6,231,299	6.72% 57	68.81%	(1,943,842)	6,298,582	68.07%	3,948,770
12/31/2007	5,742,761	4,518,363	78.68%	(1,224,398)	5,834,697	77.44%	5,265,104
12/31/2008	8,826,967	4,875,443	55.23%	(3,951,524)	8,949,550	54.48%	9,339,211
12/31/2009	8,267,280	6,474,432	78.31%	(1,792,848)	8,484,717	76.31%	11,349,496
12/31/2010	8,955,055	6,580,795	73.49%	(2,374,260)	9,219,296	71.38%	13,987,997

* Amortization of prior year's Net Pension Obligation, with interest, plus ARC

** Prior Year Net Pension Obligation plus Annual Pension Cost minus Actual Employer Contribution

Table 10

HISTORICAL SUMMARY OF FUND ADDITIONS AND DEDUCTIONS

ADDITIONS BY SOURCE

Fiscal Year Ended	Employer Contributions as a Percent of Payroll	Employer Contributions	Employee Contributions	Net Investment Income	Total
12/31/01	6.72%	3,894,757	3,895,131	(1,820,109)	5,969,779
12/31/02	6.72%	3,919,254	3,919,254	(16,687,140)	(8,848,632)
12/31/03	6.72%	4,017,431	4,029,561	28,862,507	36,909,499
12/31/04	6.72%	4,095,810	4,152,843	17,530,588	25,779,241
12/31/05	6.72%	4,148,874	4,154,743	11,985,450	20,289,067
12/31/06	6.72%	4,287,457	4,336,560	21,140,066	29,764,083
12/31/07	6.72%	4,518,363	4,518,363	16,715,588	25,752,314
12/31/08	6.72%	4,875,443	4,882,622	(59,972,361)	(50,214,296)
12/31/09	7.75%	6,474,432	6,637,872	38,442,846	51,555,150
12/31/10	7.75%	6,580,795	6,618,558	27,752,165	40,951,518

DEDUCTIONS BY TYPE

Fiscal Year Ended	Benefit Payments	Refunds	Admin Expenses	Total
12/31/01	9,371,697	480,050	399,918	10,251,665
12/31/02	10,042,276	488,945	410,833	10,942,054
12/31/03	10,599,607	461,226	485,370	11,546,203
12/31/04	11,109,084	576,433	494,831	12,180,348
12/31/05	12,404,497	605,600	457,798	13,467,895
12/31/06	13,322,042	492,193	412,824	14,227,059
12/31/07	14,253,955	717,005	448,654	15,419,614
12/31/08	15,002,061	370,947	581,294	15,954,302
12/31/09	15,509,868	315,919	563,408	16,389,195
12/31/10	16,547,561	493,911	505,222	17,546,694

Table 11

SCHEDULE OF MEMBERSHIP

Fiscal Year Ended	Active Members	Terminated Vested Members	Service Retirees and Beneficiaries	Disabled Retirees	Total Retirees	Total Members
12/31/99	1,467	70	739	18	757	2,294
12/31/01	1,475	69	789	16	805	2,349
12/31/03	1,457	72	825	13	838	2,367
12/31/05	1,387	84	917	13	930	2,401
12/31/06	1,414	95	955	13	968	2,477
12/31/07	1,425	99	995	13	1,008	2,532
12/31/08	1,492	94	1,008	11	1,019	2,605
12/31/09	1,501	89	1,041	10	1,051	2,641
12/31/10	1,516	90	1,050	10	1,060	2,666

Table 12

SCHEDULE OF ACTIVE MEMBERS VALUATION DATA

Fiscal Year Ended	Active Members	Covered Payroll	Average Payroll Rate	Annual Percentage Increase in Average Payroll Rate
12/31/1999	1,467	54,142,268	36,907	3.53%
12/31/2001	1,475	59,292,582	40,198	4.36%
12/31/2003	1,457	61,380,769	42,128	2.37%
12/31/2005	1,387	64,061,964	46,187	4.71%
12/31/2006	1,414	67,750,706	47,914	3.74%
12/31/2007	1,425	69,261,673	48,605	1.44%
12/31/2008	1,492	74,183,014	49,721	2.30%
12/31/2009	1,501	83,455,429	55,600	11.82%
12/31/2010	1,516	88,093,679	58,109	4.51%

Table 13

SCHEDULE OF RETIREES ADDED TO AND REMOVED FROM ROLLS

Fiscal Year Ended	Added	Annual Allowances Added	Removed	Annual Allowances Removed	Total	Annual Allowances	Percent Change	Average Annual Allowances	Retirees as Percent of Active Members	
									Number	Pay
12/31/2006	71	1,252,138	34	339,133	968	13,645,458	N/A	14,097	68.5%	20.1%
12/31/2007	75	1,389,758	35	353,060	1,008	14,682,156	7.6%	14,566	70.7%	21.2%
12/31/2008	50	830,767	39	357,857	1,019	15,155,066	3.2%	14,872	68.3%	20.4%
12/31/2009	70	1,586,201	38	414,388	1,051	16,326,879	7.7%	15,535	70.0%	19.6%
12/31/2010	52	1,103,228	43	554,985	1,060	16,875,122	3.4%	15,920	69.9%	19.2%

Table 14

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*			Option Selected**						
		1	2	3	LIFE	C1	C2	C3	C4	D	E
1 - 100	2	2	0	0	2	0	0	0	0	0	0
101 - 200	19	14	0	5	4	0	0	0	0	2	13
201 - 300	28	25	0	3	17	2	1	0	0	3	5
301 - 400	52	40	0	12	26	1	0	0	1	6	18
401 - 500	67	52	1	14	33	0	0	1	1	10	22
501 - 600	59	52	0	7	37	0	1	1	0	4	16
601 - 700	63	53	2	8	31	1	0	0	0	10	21
701 - 800	62	52	1	9	36	0	0	0	2	10	14
801 - 900	56	47	1	8	35	0	1	0	0	5	15
901 - 1,000	56	50	0	6	23	3	1	0	0	8	21
1,001 - 1,500	215	185	4	26	105	1	2	1	1	26	79
1,501 - 2,000	169	156	1	12	82	0	0	0	1	22	64
Over 2,000	212	208	0	4	87	6	0	1	0	49	69
Total	1,060	936	10	114	518	14	6	4	6	155	357

*Type of Retirement:
1 Service Retirement
2 Disability Retirement
3 Beneficiary

**Option Selected:

Life	Remaining accumulated balance paid to beneficiary
Opt. C1	60 months guaranteed
Opt. C2	120 months guaranteed
Opt. C3	180 months guaranteed
Opt. C4	240 months guaranteed
Opt. D	50% continuation to beneficiary
Opt. E	100% continuation to beneficiary

SCHEDULE OF BENEFIT PAYMENTS BY TYPE

Fiscal Year Ended	Service Retirement	Disability Retirement	Beneficiaries	Refunds	Total Benefits
12/31/2001	8,395,024	152,803	823,870	480,050	9,851,747
12/31/2002	9,047,124	145,753	849,399	488,945	10,531,221
12/31/2003	9,557,946	142,349	899,312	461,226	11,060,833
12/31/2004	10,058,421	150,494	900,169	576,433	11,685,517
12/31/2005	11,313,520	148,355	942,622	605,600	13,010,097
12/31/2006	12,189,473	143,990	988,579	492,193	13,814,235
12/31/2007	13,115,104	143,990	994,861	717,005	14,970,960
12/31/2008	13,835,194	136,093	1,030,774	370,947	15,373,008
12/31/2009	14,341,682	130,868	1,037,317	315,919	15,825,786
12/31/2010	15,302,791	120,261	1,124,509	493,911	17,041,472

Table 15

SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENTS

Fiscal Year Ended	Service Retirement and Beneficiaries	Disability Retirement	Total	Annual Percentage Increase in Average Benefits
12/31/2001	11,684	9,550	11,642	6.43%
12/31/2003	12,675	10,950	12,649	4.24%
12/31/2005	13,365	11,412	13,338	2.69%
12/31/2006	13,799	11,076	13,762	3.18%
12/31/2007	14,181	11,076	14,141	2.75%
12/31/2008	14,748	12,372	14,722	4.11%
12/31/2009	14,773	13,087	14,757	0.24%
12/31/2010	15,645	12,026	15,611	5.79%

Table 16

DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Cost Method

The actuarial cost method used to determine the actuarial accrued liability and the normal cost is the Projected Unit Credit (PUC) Actuarial Cost Method. The accrued liability and the normal cost are used to determine the City's contribution requirement. Under this method, a PUC accrued benefit is determined for each active member in the plan on the basis of the member's average final compensation projected to the assumed date of retirement and the member's creditable service at the valuation date. The actuarial accrued liability for retirement benefits is the sum of the actuarial present value of the PUC accrued benefit for each active member. The normal cost for retirement benefits is the sum of the actuarial present value of the expected increase in the PUC accrued benefit during the plan year for each active member under the assumed retirement age.

The actuarial accrued liability and normal cost for termination benefits, disability benefits, and pre-retirement spouse's death benefits are determined in a similar manner by projecting the member's average final compensation to each assumed date of termination, disablement, or death.

The actuarial accrued liability for inactive members is determined as the actuarial present value of the benefits expected to be paid; no normal cost is determined for these members.

Unless otherwise specified, the following actuarial assumptions and methods were adopted December 31, 2007.

Actuarial Assumptions

Mortality: Healthy Lives — 1994 Group Annuity Mortality Static Table

Disabled Lives — 1994 Group Annuity Mortality Static Table

Interest: 7.5% per annum, compounded annually

Turnover: In accordance with the following table based on service:

Years of Service	Turnover Probability
<3	8.0%
3-6	5.0%
7-9	4.0%
10-14	3.0%
15+	2.0%

Table 16

DESCRIPTION OF ACTUARIAL ASSUMPTIONS AND METHODS

Retirement: In accordance with the following table based on age:

Age	Retirement Probability
<50	0.0%
50	8.0%
51	7.0%
52	6.0%
53-54	5.0%
55	9.0%
56	8.0%
57-60	7.0%
61	10.0%
62	20.0%
63-65	25.0%
66	30.0%
67-68	35.0%
69-70	40.0%
71	45.0%
72	50.0%
73+	100.0%

Disability: None assumed

Salary Increases: In accordance with the following table based on service:

Years of Service	Annual Increase
<2	10.0%
2-3	8.0%
4-15	3.5%
16+	3.0%

Inflation Rate: 3.00% per year

Non-Investment Expenses: Prior year's actual amount rounded up to next $100,000

Family Composition: 75% of employees are assumed to be married with males assumed to be four years older than their spouses.

Asset Valuation Basis

Smoothed fair value of assets, which is the Market Value with a five year averaging of the difference between actual and expected investment performance subject to the restriction that the smoothed fair value of assets must not be less than 90% nor greater than 110% of Market Value.

Table 17

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

Outlined on the following pages are the principal features of the Plan reflected in the 2010 valuation.

Definitions:

Creditable Service	Service credited as an employee of the City of Spokane during which contributions were made as an eligible member of the Retirement System up to a maximum of 35 years. The maximum is 30 years for employees hired prior to January 1, 2009 who terminate after January 1, 2009 and who do not elect the alternate benefit formula.
Service Buy-Back	A six-month window was opened from October 1, 2009 through March 31, 2010 during which members who had withdrawn their retirement accumulations and not elected to buy back prior service time could do so. Future rehired employees will have one year from their date of rehire to elect to buy back prior service time
Compensation	Total amount received by an employee including base pay, shift differential, overtime, holiday pay, hazardous duty pay and out-of-classification pay and not reduced by salary reduction contributions to the City's cafeteria plan or Section 457 plan.
Final Compensation	The highest average annual Compensation received by a member during any two consecutive years.
Normal Retirement Date	The first day of the month coinciding with or next following the attainment of age 62 and completion of 5 years of Creditable Service.
Early Retirement Date	The first day of the month coinciding with or next following the attainment of age 50 and with the sum of age plus Creditable Service greater than or equal to 75. Employees hired prior to January 1, 2009 who terminate after January 1, 2009 and who do not elect the alternate benefit formula described below may retire after attainment of age 50 with 5 years of Creditable Service.
Member Contributions	7.75% of Compensation is required to be paid by the members. These contributions are credited with 4% interest annually, compounded quarterly.

Table 17

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

Service Retirement Eligibility:

A member is eligible for normal retirement on his Normal Retirement Date. Early retirement is permitted at any time after attaining age 50 if the sum of age plus Creditable Service is greater than or equal to 75. Early retirement is permitted at any time after attaining age 50 with 5 years of Credited Service for employees hired prior to January 1, 2009 who terminate after January 1, 2009 and who do not elect the alternate benefit formula described below.

Service Retirement Allowance:

Upon service retirement, a member becomes eligible to receive an annual allowance, payable in equal monthly installments. The annual allowance is computed as follows:

Normal Retirement Allowance under Alternate Benefit Formula

Applies to all employees hired after January 1, 2009. Employees hired before January 1, 2009 who terminate after January 1, 2009 may elect this formula at retirement.

An amount equal to 2.00% of the member's Final Compensation, multiplied by the number of years of Creditable Service up to 35 years. The maximum annual benefit is 70.0% of Final Compensation.

Normal Retirement Allowance under Benefit Formula in SMC 3.05.160

Employees hired before January 1, 2009 who terminate after January 1, 2009 may elect this formula at retirement.

An amount equal to 2.15% of the member's Final Compensation, multiplied by the number of years of Creditable Service up to 30 years. The maximum annual benefit is 64.5% of Final Compensation.

Early Retirement Allowance

The Normal Retirement Allowance calculated using Creditable Service and Final Compensation as of the member's Early Retirement Date.

Disability Retirement Eligibility:

Permanent and total disability, as determined by the Board, prior to age 62 provided the member has at least 5 years of City service in the ten-year period prior to disability. The 5 year service requirement does not apply if the disability is due to accidental causes while engaged in City service.

Disability Retirement Allowance:

An amount equal to 1.25% of the member's Final Compensation, multiplied by the number of years of Creditable Service projected to age 62. The minimum annual benefit is $2,400 per year for "Duty Related" disability and $1,200 per year for "Non-duty Related" disability.

Table 17

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

Withdrawal Benefits:	If termination occurs after five years of service, a member is entitled to a retirement allowance commencing on his Early Retirement Date or later, up to his Normal Retirement Date, based on his years of Creditable Service and Final Compensation as of his termination date provided he has not withdrawn his Member Contributions.
Death Benefit Before Retirement:	**Not married or not completed 5 years of service** Beneficiary will receive a refund of the member's contributions with interest. **Married with 5 years of service** The surviving spouse of a member may elect to receive the survivor's portion of the benefit that would have been payable if the member had survived to his earliest retirement date and elected the 100% Joint & Survivor option in lieu of a refund of the member's contribution account.
Post-retirement Death:	An amount determined in accordance with the optional form of payment elected at retirement, but not less than the accumulated value of the member's contributions with interest less actual payments made.

Appendix - Data Tables

EXHIBIT A

Summary of Membership Data as of December 31, 2010

Active Members

Item	Male	Female	Total
Number of Members	978	538	1,516
Annual Salaries	$56,260,518	$27,940,297	$84,200,815
Average Age	48.0	48.8	48.3
Average Service	12.4	11.4	12.0

EXHIBIT A
(continued)

Summary of Membership Data as of December 31, 2010

Retirees and Beneficiaries

Item	Number	Annual Annuities	Average Annuities
Retired Members	936	$15,556,472	$16,620
Survivor Annuitants	114	$1,198,203	$10,511
Disabled Annuitants	10	$120,447	$12,045
Total Annuitants	1,060	$16,875,122	$15,920

EXHIBIT A
(continued)

Summary of Membership Data as of December 31, 2010

Vested Terminations and Portables

Item	Number	Annual Annuities	Average Annuities
Vested Terminations	63	$781,812	$12,410
Portables*	27	$152,209	$5,637

* Annuity amounts are estimates based on last known earnings projected to retirement. Actual annuity amounts will be calculated using actual earnings at retirement.

EXHIBIT B

20 Year Benefit Payment Projection

Spokane Employees' Retirement System

Year Ended December 31	Current and Future Retirees	Current Retirees Only
2011	$19,772,616	$16,745,314
2012	21,138,549	16,452,001
2013	22,487,900	16,139,439
2014	23,819,718	15,812,743
2015	25,011,147	15,438,394
2016	26,094,722	15,083,560
2017	27,076,780	14,712,515
2018	27,933,357	14,330,333
2019	28,680,318	13,937,449
2020	29,285,683	13,533,002
2021	29,795,782	13,117,644
2022	30,195,067	12,691,409
2023	30,421,831	12,245,754
2024	30,523,412	11,798,385
2025	30,527,987	11,340,723
2026	30,399,143	10,873,067
2027	30,167,048	10,395,899
2028	29,834,831	9,909,954
2029	29,391,026	9,416,250
2030	28,846,944	8,915,321

EXHIBIT C

Age and Service Distribution

Spokane Employees' Retirement System

Attained	Years of Creditable Service										
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 25	3	9	0	0	0	0	0	0	0	0	12
25 to 29	7	56	6	0	0	0	0	0	0	0	69
30 to 34	13	59	42	7	0	0	0	0	0	0	121
35 to 39	17	53	32	27	1	0	0	0	0	0	130
40 to 44	14	56	40	60	24	6	0	0	0	0	200
45 to 49	6	41	44	46	49	31	3	0	0	0	220
50 to 54	11	44	48	40	53	38	19	11	0	0	264
55 to 59	5	40	31	43	44	44	26	24	6	0	263
60 to 64	0	18	24	42	30	21	15	22	14	0	186
65 to 69	1	5	5	9	8	6	1	2	3	1	41
70 & Up	0	0	1	3	1	2	0	1	0	2	10
Total	77	381	273	277	210	148	64	60	23	3	1,516
Freq. Pct.	5.1%	25.1%	18.0%	18.3%	13.9%	9.8%	4.2%	4.0%	1.5%	0.2%	100.0%

EXHIBIT D

Age, Salary and Service Distribution

Spokane Employees' Retirement System

Attained	Years of Creditable Service										
Age	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up	Total
Under 25	83,710	333,094	0	0	0	0	0	0	0	0	416,804
25 to 29	227,871	2,529,272	240,540	0	0	0	0	0	0	0	2,997,683
30 to 34	513,403	2,831,259	2,156,567	418,496	0	0	0	0	0	0	5,919,725
35 to 39	686,825	2,672,436	2,023,098	1,629,978	35,443	0	0	0	0	0	7,047,780
40 to 44	513,186	2,770,464	2,254,537	3,818,778	1,415,804	288,769	0	0	0	0	11,061,538
45 to 49	251,232	2,167,372	2,396,371	2,537,107	2,905,333	1,836,777	192,525	0	0	0	12,286,717
50 to 54	438,285	2,221,440	3,031,063	2,603,300	3,342,602	2,215,216	1,187,090	602,121	0	0	15,641,117
55 to 59	216,361	2,083,530	1,749,063	2,331,710	2,481,921	2,542,026	1,618,882	1,668,788	341,535	0	15,033,816
60 to 64	0	1,015,657	1,334,078	2,450,362	1,791,484	1,222,040	938,608	1,327,908	997,859	0	11,077,997
65 to 69	46,342	319,477	205,377	429,405	440,985	335,684	53,878	136,384	159,361	48,797	2,175,691
70 & Up	0	0	55,162	160,758	44,658	83,451	0	89,094	0	108,826	541,948
Total	2,977,216	18,944,000	15,445,857	16,379,893	12,458,230	8,523,963	3,990,984	3,824,294	1,498,756	157,622	84,200,815
Freq. Pct.	3.5%	22.5%	18.3%	19.5%	14.8%	10.1%	4.7%	4.5%	1.8%	0.2%	100.0%
Avg. Sal.	38,665	49,722	56,578	59,133	59,325	57,594	62,359	63,738	65,163	52,541	55,541

EXHIBIT E

Average Benefits for Service Retirement

Spokane Employees' Retirement System

Attained	Male		Female		Total	
Age	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	0	0	0	0
50 to 54	28	16,659	18	12,172	46	14,903
55 to 59	78	19,736	56	15,690	134	18,045
60 to 64	133	22,093	71	14,603	204	19,486
65 to 69	107	20,244	73	12,080	180	16,933
70 to 74	87	20,392	55	12,481	142	17,328
75 to 79	61	15,231	22	11,465	83	14,233
80 to 84	41	14,982	18	13,152	59	14,424
85 to 89	32	12,981	27	10,042	59	11,636
90 to 94	17	8,786	8	7,398	25	8,342
95 & Up	2	9,867	2	10,981	4	10,424
Total	586	18,793	350	12,983	936	16,620
Average Age	68.5		68.3		68.4	
Freq. Pct.	62.6%		37.4%		100.0%	

EXHIBIT F

Average Benefits for Survivor Beneficiary

Spokane Employees' Retirement System

Attained	Male		Female		Total	
Age	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	0	0	0	0
50 to 54	1	9,123	4	13,432	5	12,570
55 to 59	0	0	9	10,626	9	10,626
60 to 64	0	0	5	12,266	5	12,266
65 to 69	0	0	8	11,494	8	11,494
70 to 74	0	0	19	12,934	19	12,934
75 to 79	4	7,831	22	10,988	26	10,502
80 to 84	0	0	18	10,404	18	10,404
85 to 89	0	0	9	8,122	9	8,122
90 to 94	1	8,765	10	7,798	11	7,886
95 & Up	0	0	4	5,131	4	5,131
Total	6	8,202	108	10,639	114	10,511
Average Age	75.3		76.1		76.0	
Freq. Pct.	5.3%		94.7%		100.0%	

EXHIBIT G

Average Benefits for Disability Retirement

Spokane Employees' Retirement System

Attained	Male		Female		Total	
Age	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	1	19,080	1	19,080
50 to 54	2	13,054	0	0	2	13,054
55 to 59	1	16,772	0	0	1	16,772
60 to 64	0	0	3	10,497	3	10,497
65 to 69	2	9,584	0	0	2	9,584
70 to 74	0	0	0	0	0	0
75 to 79	0	0	0	0	0	0
80 to 84	1	7,828	0	0	1	7,828
85 to 89	0	0	0	0	0	0
90 to 94	0	0	0	0	0	0
95 & Up	0	0	0	0	0	0
Total	6	11,646	4	12,643	10	12,045
Average Age	62.5		57.3		60.4	
Freq. Pct.	60.0%		40.0%		100.0%	

EXHIBIT H

Average Benefits for Vested Terminations

Spokane Employees' Retirement System

Attained	Male		Female		Total	
Age	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 30	0	0	0	0	0	0
30 to 34	1	8,845	2	6,343	3	7,177
35 to 39	4	9,224	6	8,316	10	8,679
40 to 44	8	8,636	3	9,898	11	8,980
45 to 49	14	16,888	13	14,077	27	15,534
50 to 54	3	25,621	3	7,444	6	16,533
55 to 59	1	6,531	4	11,355	5	10,390
60 to 64	1	4,128	0	0	1	4,128
65 & Up	0	0	0	0	0	0
Total	32	13,712	31	11,065	63	12,410
Average Age	45.3		45.8		45.6	
Freq. Pct.	50.8%		49.2%		100.0%	

EXHIBIT I

Average Benefits for Portables

Spokane Employees' Retirement System

Attained	Male		Female		Total	
Age	Number	Avg. Ben.*	Number	Avg. Ben.*	Number	Avg. Ben.*
Under 30	1	1,422	0	0	1	1,422
30 to 34	0	0	0	0	0	0
35 to 39	1	2,240	1	1,754	2	1,997
40 to 44	3	3,272	2	4,916	5	3,929
45 to 49	4	6,660	1	7,207	5	6,770
50 to 54	0	0	3	9,636	3	9,636
55 to 59	2	4,478	2	2,761	4	3,619
60 to 64	1	3,014	4	10,307	5	8,848
65 & Up	2	2,835	0	0	2	2,835
Total	14	4,126	13	7,266	27	5,637
Average Age	48.9		52.0		50.4	
Freq. Pct.	51.9%		48.1%		100.0%	

* Annuity amounts are estimates based on last known earnings projected to retirement. Actual annuity amounts will be calculated using actual earnings at retirement.

Statistical Section

Schedule of Revenues by Source

Fiscal Year	Employer Contribution	Employer Contributions	Member Contributions	Net Investment Income	Total Revenues
1996	6.72%	$3,153,824	$3,153,849	$12,001,154	$18,308,827
1997	6.72%	3,255,914	3,255,940	17,724,510	24,236,364
1998	6.72%	3,514,958	3,525,057	15,109,664	22,149,679
1999	6.72%	3,643,468	3,655,819	18,454,642	25,753,929
2000	6.72%	3,715,600	3,715,600	10,470,991	17,902,191
2001	6.72%	3,894,757	3,895,131	(1,820,109)	5,969,779
2002	6.72%	3,919,254	3,919,254	(16,687,140)	(8,848,632)
2003	6.72%	4,017,431	4,029,561	28,862,507	36,909,499
2004	6.72%	4,095,810	4,152,843	17,530,588	25,779,241
2005	6.72%	4,148,874	4,154,743	11,985,450	20,289,067
2006	6.72%	4,287,457	4,336,560	21,140,066	29,764,083
2007	6.72%	4,518,363	4,518,363	16,715,588	25,752,314
2008	6.72%	4,875,443	4,882,622	(59,972,361)	(50,214,296)
2009	7.75%	6,474,432	6,637,872	38,442,846	51,555,150
2010	7.75%	6,580,795	6,618,558	27,752,165	40,951,518

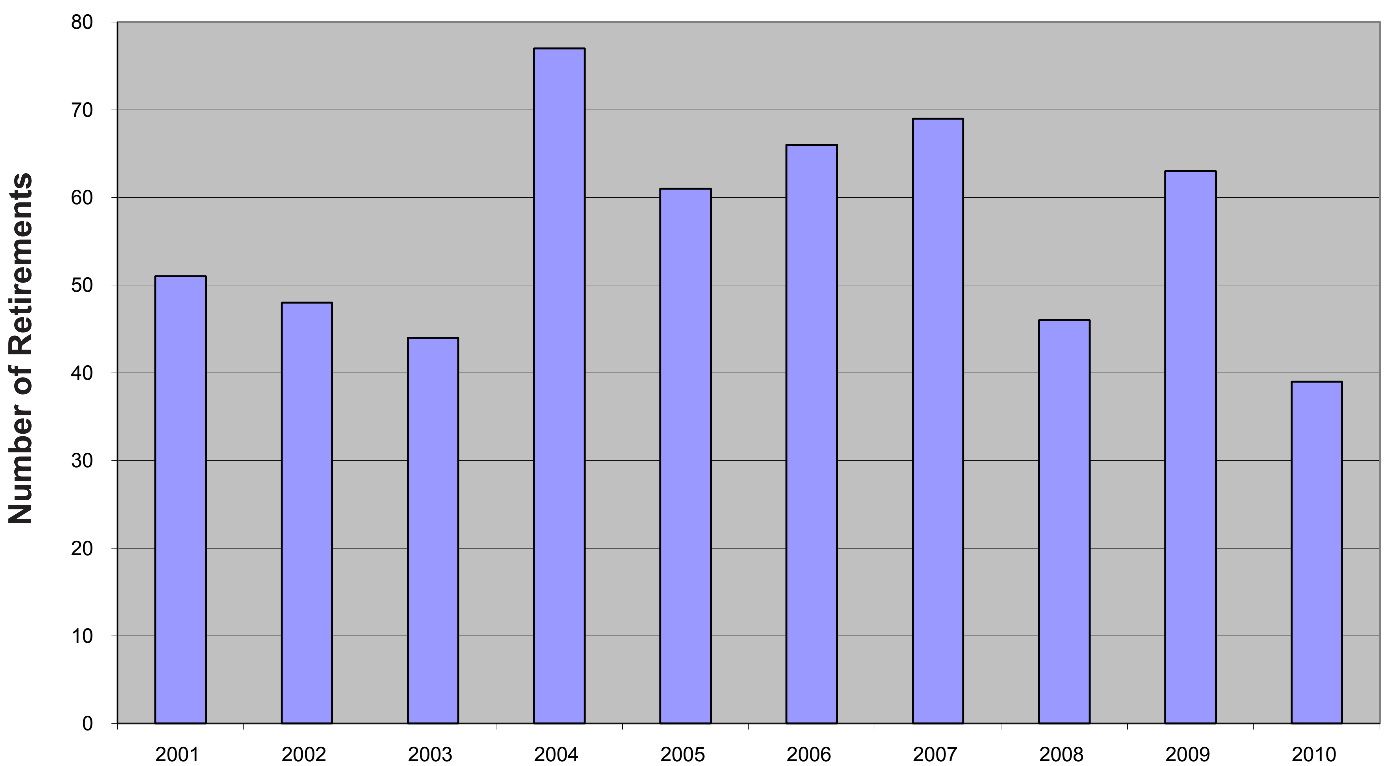
Schedule of Expenses by Type

Fiscal Year	Benefits	Refunds	Net Administrative	Total Expenses
1996	$6,590,519	$440,926	$345,004	$7,376,449
1997	7,001,401	354,289	355,400	7,711,090
1998	7,327,482	547,031	352,272	8,226,785
1999	7,779,528	502,764	375,385	8,657,677
2000	8,704,644	520,973	429,178	9,654,795
2001	9,371,697	480,050	399,918	10,251,665
2002	10,042,276	488,945	410,833	10,942,054
2003	10,599,607	461,226	485,370	11,546,203
2004	11,109,084	576,433	494,831	12,180,348
2005	12,404,497	605,600	457,798	13,467,895
2006	13,322,042	492,193	412,824	14,227,059
2007	14,253,955	717,005	448,654	15,419,614
2008	15,002,061	370,947	581,294	15,954,302
2009	15,509,868	315,919	563,408	16,389,195
2010	16,547,561	493,911	505,222	17,546,694

Schedule of Benefit Expenses by Type

Year	Service Retiree Benefits	Survivor Benefits	Disability Retiree Benefits	Refunds	Total
1996	$ 5,845,673	$ 637,876	$ 106,970	$ 440,926	$ 7,031,445
1997	6,205,060	685,793	110,548	354,289	7,355,690
1998	6,495,974	711,738	119,770	547,031	7,874,513
1999	6,921,021	713,185	145,322	502,764	8,282,292
2000	7,811,737	744,106	148,801	520,973	9,225,617
2001	8,395,024	823,870	152,803	480,050	9,851,747
2002	9,047,124	849,399	145,753	488,945	10,531,221
2003	9,557,946	899,312	142,349	461,226	11,060,833
2004	10,058,421	900,169	150,494	576,433	11,685,517
2005	11,313,520	942,622	148,355	605,600	13,010,097
2006	12,189,473	988,579	143,990	492,193	13,814,235
2007	13,115,104	994,861	143,990	717,005	4,970,960
2008	13,835,194	1,030,774	136,093	370,947	15,373,008
2009	14,341,682	1,037,317	130,869	315,919	15,825,787
2010	15,302,791	1,124,509	120,261	493,911	17,041,472

Retirements by Year



Retirements During 2010

	Name	Department	Position	Date Retired	Option	Yrs Serv	Age
1	Sharon J. Ufer-Lavell #	Library	Professional Librarian I	01/01/10	ST	3.2	62
2	Donald G. Nesbitt	Real Estate	Senior Real Estate Agent	02/03/10	E	16.2	60
3	Myron E. Guffey	Street	Laborer II	02/06/10	D	20.5	56
4	James D. MacInnis	PW & Utilities	Senior Engineer	02/06/10	E	10.0	58
5	Patrick E. Kelley *	Water	Water Hydro Plant Mechanic	02/09/10	E	15.4	50
6	Dwayne C. Jantz	Engineering Services	Public Works Lead Inspector	02/10/10	ST	30.0	62
7	Melissa K. Tenney	Police	Police Comm Supervisor	03/06/10	ST	17.4	54
8	Deborah E. Watkins	PW & Utilities	Clerk II	03/06/10	E	16.6	59
9	Stephen L. Watkins	Engineering Services	Engineering Tech III	03/13/10	E	29.6	62
10	Wendy J. Acosta *	Office of Youth	Youth Involvement Coordinator	03/19/10	B	25.3	50
11	Dennis C. Thompson	Street	Asphalt Raker	04/03/10	D	17.9	62
12	Gilbert A. Hart	Engineering Services	Field Engineer	04/07/10	ST	27.0	65
13	John F. Kenney	Street	Sig Maint Tech II/Elec Tech II	04/17/10	E	21.6	65
14	Mary L. Franklin	Council	Sr. Executive Assist. To Council	04/22/10	E	7.1	52
15	Peter O. Cheney *	Worker's Comp/Risk Mgmt	Safety Coordinator	04/25/10	E	6.8	50
16	Terry W. Danzer	Building Services	Certified Plan Examiner	05/04/10	D	19.3	66
17	Carl F. Slater	Street	Laborer II	05/05/10	ST	30.2	50
18	Candace E. Schumacher	Human Services	Clerk II	05/08/10	ST	8.8	64
19	David W. Chandler #	Human Resources	Director	06/12/10	E	2.8	57
20	Julie A. Glenn	Street	Engineering Tech III	07/01/10	Disab	18.6	44
21	Lee Roger Brown	Municipal Court	Cash Accounting Clerk I	07/09/10	E	17.7	72
22	Carol A. Rogers	Legal	Clerk II	07/09/10	ST	18.1	58
23	Wilfred D. Simpson	Water	Water Inspector	07/10/10	D	35.3	64
24	Lon D. Skaarvold	Sewer Maintenance	Waste Water District Supv	07/17/10	C-5	35.1	68
25	Eddie G. Cates	Sewer Maintenance	Waste Water Specialist	08/07/10	D	38.4	65
26	Dennis W. Hubbard	Administrative Services	Building Engineer II	08/14/10	E	24.8	63
27	Dennis P. Larson	Street	Street Maintenance Oper I	08/21/10	D	20.3	62
28	Uncha Kim	MIS	Supervisory Analyst	09/04/10	ST	30.4	60
29	Thomas H. Starks	Water	Welder	09/10/10	D	36.6	62
30	Michael E. Judd *	Water	Welder	09/27/10	E	22.8	50
31	Virginia L. Murphy	Water	Certified Water Service Specialist	10/02/10	ST	21.8	57
32	Allan J. Nordling	Pub Affairs/Communications	A/V Technician	12/11/10	E	22.8	50
33	Kimberly A. Dowd-Vega *	Parks & Recreation	Recreation Supervisor I	12/23/10	E	19.5	50
34	Robert G. Beaumier	Legal	Assistant City Attorney - L-III	12/25/10	ST	24.8	61
35	John F. Henry	Code Enforcement	City Planner II	12/25/10	D	30.4	64
36	Lorraine F. Keane	Police	Clerk II	12/25/10	ST	18.5	61
37	Marietta L. McKelvey	Code Enforcement	Clerk I	12/25/10	ST	27.2	55
38	Denise S. Wiggins	Police	Secretary II	12/25/10	ST	9.5	56
39	Roy W Campbell	Building Services	Certified Combination Inspector	12/28/10	E	7.3	64

^ Retired as spouse of deceased active employee * Retired as vested employee # Retired under membership through Portability

Deaths During 2010

Retiree Deaths

	Name	Date Retired	Date of Death	Age	Retirement Option
1	N. Pauline Nelson	03/09/88	01/06/10	94	E
2	Laura D. Trezona	03/08/96	01/14/10	100	E
3	Sara L. Schweikert	09/09/94	01/15/10	80	ST
4	Mary V. Ferris	09/08/82	01/28/10	92	E
5	Richard L. Schram	05/07/88	02/14/10	78	D
6	John H. Enquist Sr.	09/07/05	02/27/10	62	A
7	Arnold A. McMullen	07/22/83	02/28/10	91	A
8	Ronnie A. Bakken	09/04/02	03/08/10	70	ST
9	Bettie Robinson	09/21/96	03/21/10	84	ST
10	William J.Lockridge	09/17/94	03/30/10	80	D
11	Dolly Richendrfer	09/03/01	04/03/10	61	ST
12	Gerald W. Treffry	01/16/88	04/10/10	84	A
13	Kelsey L. Campbell	06/06/79	04/17/10	92	A
14	Charles M. Thurman	05/01/73	04/20/10	96	A
15	James Swain	12/31/04	04/30/10	67	A
16	Robert W. Devereaux	09/13/96	05/08/10	78	E
17	Elvin J. Christensen	01/08/83	05/13/10	78	A
18	Margaret M. Doric	06/27/96	05/29/10	81	D
19	F.D. Taylor	01/31/87	06/03/10	85	D
20	Timothy A. Turner	03/02/04	06/13/10	61	E
21	LeVern Stevens	03/03/82	07/02/10	90	D
22	Janet Miller	03/31/79	07/18/10	94	A
23	Dorothy H. Watson	01/05/80	07/19/10	96	A
24	Teresa A. Scholz	05/16/99	07/23/10	51	DR
25	Angelo L. Bomben	07/10/99	07/29/10	84	E
26	Agnes H. Hoerner	05/24/04	08/30/10	90	D
27	Michael R. Parkins	10/03/96	09/05/10	63	D
28	James M. Kees	12/02/88	09/11/10	87	ST
29	Richard E. Tuininga	03/07/81	09/14/10	91	A
30	Dorothy L. Collison	07/08/78	09/18/10	97	E
31	Elwin K. Allen	10/07/89	09/19/10	74	E
32	Robert S. Conard	03/13/94	09/21/10	78	E
33	Elmer W. Hite	07/09/88	09/28/10	79	ST
34	Roy R. Munro	12/27/97	10/17/10	74	E
35	Warren D. Fuller	06/25/01	10/26/10	59	ST
36	Thomas J. Taylor	06/18/05	10/29/10	56	E
37	Cecil E. Ferguson	10/31/06	11/16/10	76	ST
38	William W. Bosch	03/03/88	11/26/10	84	E
39	Frances F. Joachim	10/23/02	12/04/10	82	E
40	Abby E. Glenn	07/01/88	12/08/10	85	ST
41	Eileen M. Appa	05/28/99	12/11/10	83	E
42	John B. Schoenberg	08/21/02	12/29/10	76	ST
43	Adolph M. Lund	07/04/92	12/31/10	81	E

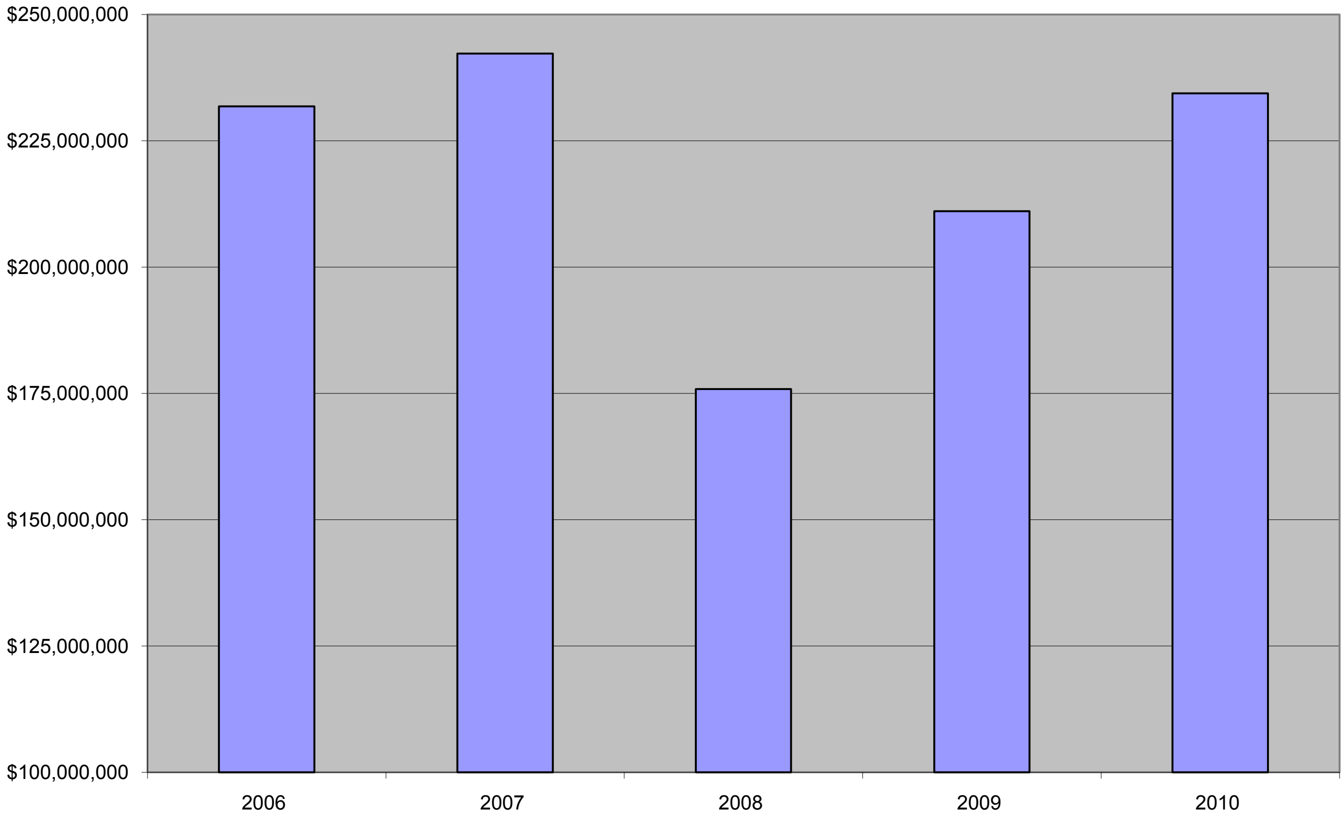
Deaths During 2010

Active Member Deaths

	Name	Department	Date of Death	Age	Years of Service
1	Nathaniel Morse	AWWTP	03/13/2010	45	15.9
2	Darin Crockett	Solid Waste Management	07/03/2010	41	12.9

Investment Section

Total Retirement Assets
A 5 year look

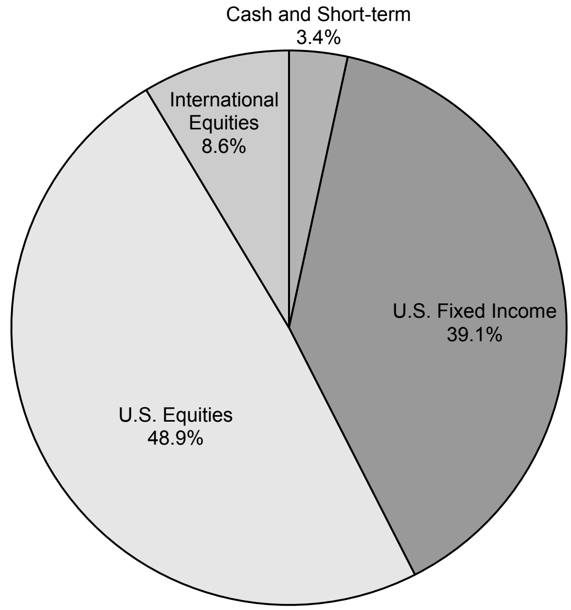


Schedule of Investment Results

	Market Value of Investments	Net Investment Income	Investment Rate of Return
2000	$ 193,346,778	$ 10,470,991	5.90%
2001	189,123,034	(1,820,109)	-0.70%
2002	169,398,533	(16,687,140)	-8.60%
2003	194,831,995	28,862,507	17.10%
2004	209,431,314	17,530,588	9.50%
2005	216,277,686	11,985,450	6.30%
2006	231,815,276	21,140,066	10.50%
2007	242,213,605	16,715,588	7.77%
2008	175,878,430	(59,972,361)	-24.68%
2009	211,055,762	38,442,846	21.99%
2010	234,404,883	27,752,165	13.47%

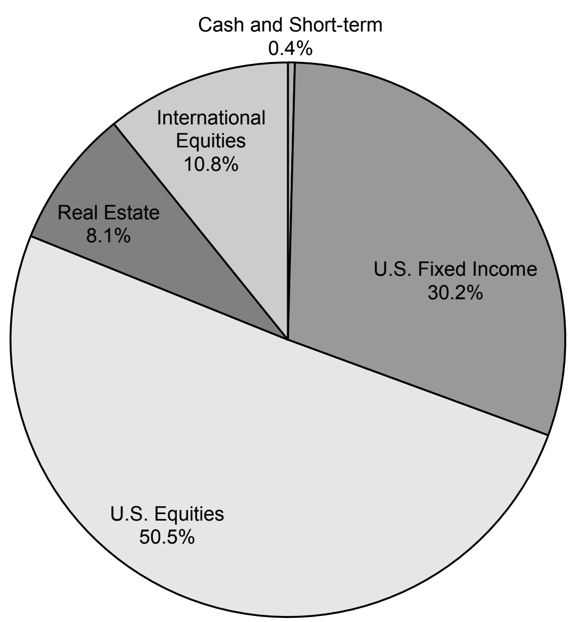
The Evolution of SERS Investment Asset Allocation

2004 Year-End Asset Allocation



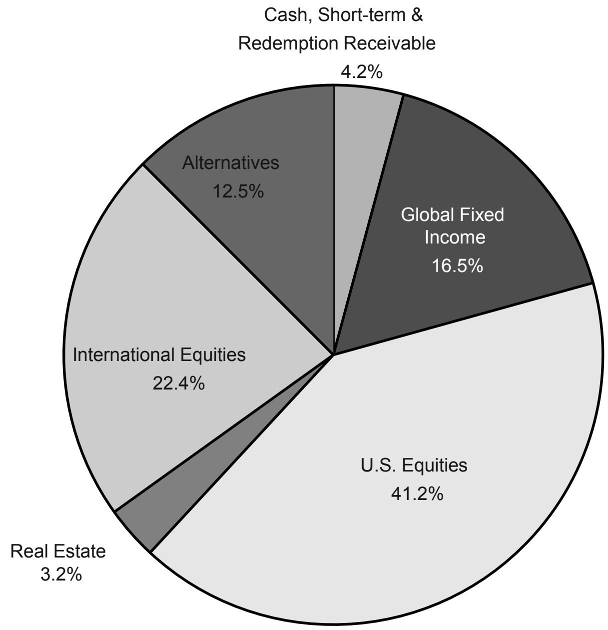
Traditional 60/40 portfolio with an allocation to international equities

2006 Year-End Asset Allocation



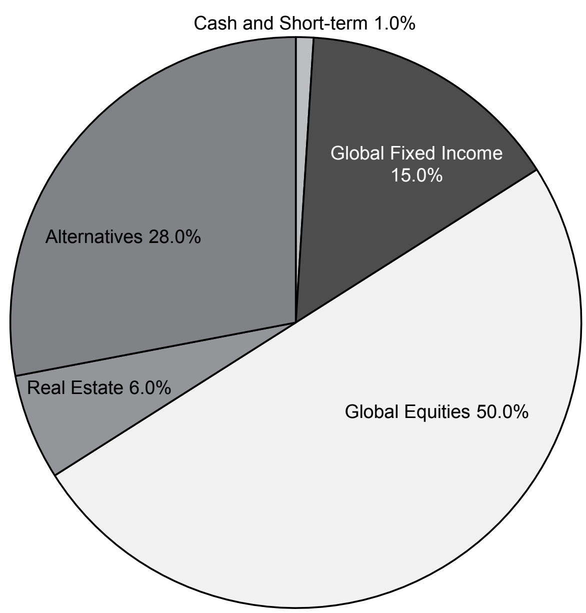
Equity exposure grew with overall market increase; real estate assets added; fixed income reduced as internally managed bond portfolio is phased out.

2010 Year-End Asset Allocation



Major shift in asset allocation (beginning in 2008) to better manage risk; alternative assets added.

Target Asset Allocation



SERS continues to manage the overall allocation towards the policy targets. Due to the complexity of certain asset classes and the unpredictability of the financial markets, it is expected to take years to reach target levels.

Investments Listed by Type
As of December 31, 2010

Cash and Cash Equivalents:	
Cash Held by Treasurer	$ 207,449
Union Bank	84,987
Common Sense Offshore (redemption receivable)	9,536,831
Fixed Income Investments:	
PIMCO Low Duration	13,444,879
Vanguard Short-Term	13,526,930
Metropolitan West High Yield I	3,725,969
PIMCO Global	8,102,584
Equity Investments:	
Hotchkis & Wiley Core Value I	9,812,597
Santa Barbara Large Cap Growth	9,120,832
Victory Capital Large Cap Core	9,360,783
Vanguard Institutional Index	36,354,664
Sterling Mid Cap Value	6,410,004
Rainier Mid Cap Growth	6,394,856
Vanguard Mid Cap Index	6,415,142
Champlain Small Cap Growth	3,275,516
Westwood Small Cap Value	2,999,592
Essex Micro-Small Cap Growth	2,993,050
Vanguard Small Cap Index	3,407,351
International Investments:	
Berens Global Value	10,339,018
Vanguard International Index	3,386,929
EuroPacific Core	17,295,987
Artisan International Value	11,346,748
Epoch International Small Cap Value	10,191,364
Real Estate Investments:	
Legacy Partners Realty III	278,972
Metropolitan Realty V	852,959
Principal Global Investors REIT	6,291,557
Alternative Investments:	
7 X 7 Offshore	2,474,800
Landmark Value Strategies	5,255,291
Post Limited Term High Yield	4,274,324
Rimrock Low Volatility	4,327,707
Weatherlow Offshore I	6,645,858
iShares S&P GSCI Commodity	6,269,353
Total Cash and Investments	$ 234,404,883