



Spokane Employees'
Retirement System

Annual Report

FOR THE YEAR ENDED
DECEMBER 31, 2007



Shawn Lindstrom, Refuse Collector II
Solid Waste Management



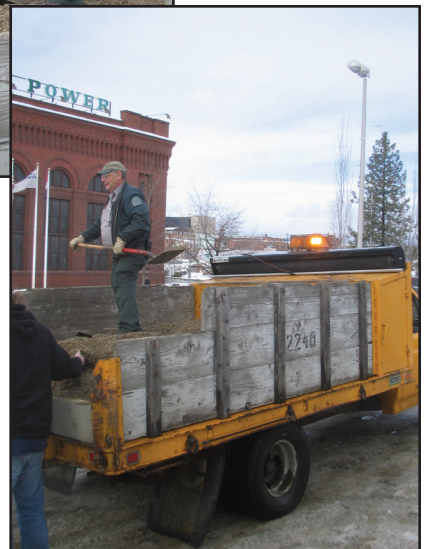
Erika Minier, Building Engineer I
Administrative Services Department

Code Red

The 2007 Spokane Employees' Retirement System Annual Report is dedicated to the City of Spokane employees, who braved one long, cold snowy winter. It is impossible to list each department and task here, but you plowed, sanded, sprayed and dug us out, kept the water flowing, collected our recyclables and garbage, treated our wastewater, and kept us safe.

Over 90 inches of snow fell during the winter of 2007-08, coming close to breaking the all-time record set in 1949-50. On Monday, January 28, 2008, City Hall closed for the first time since 1980, when ash covered the city from Mount St. Helen's eruption. The weekend of January 26-27, 2008 will be remembered for a snowstorm that resulted in 13.7 inches of snow (on top of at least another couple feet of snow on the ground) which is believed to be the biggest 24-hour snowfall to ever hit the Spokane region.

Source: <http://www.spokesmanreview.com/breaking/story.asp?ID=13356>

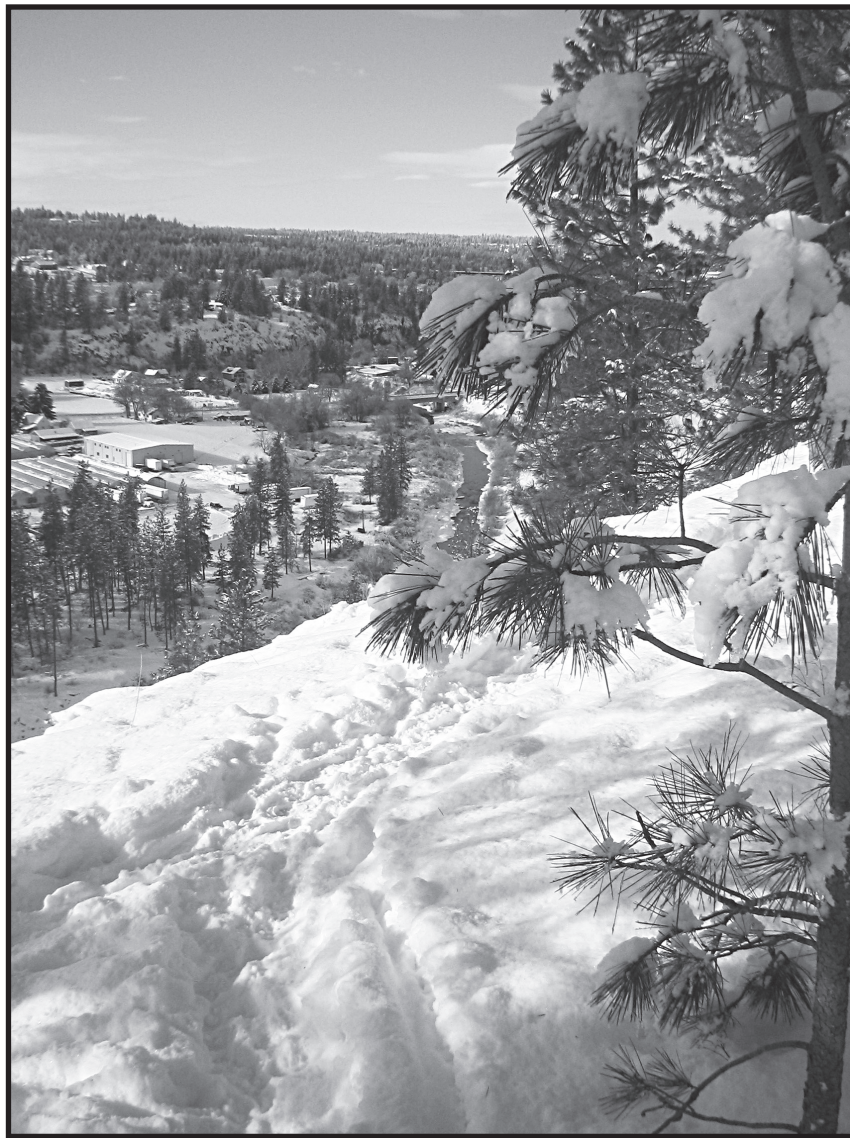


Tom Higgins, Parks Facilities
& Grounds Foreperson
Parks & Recreation Department

Spokane Employees'
Retirement System

Comprehensive Annual Report

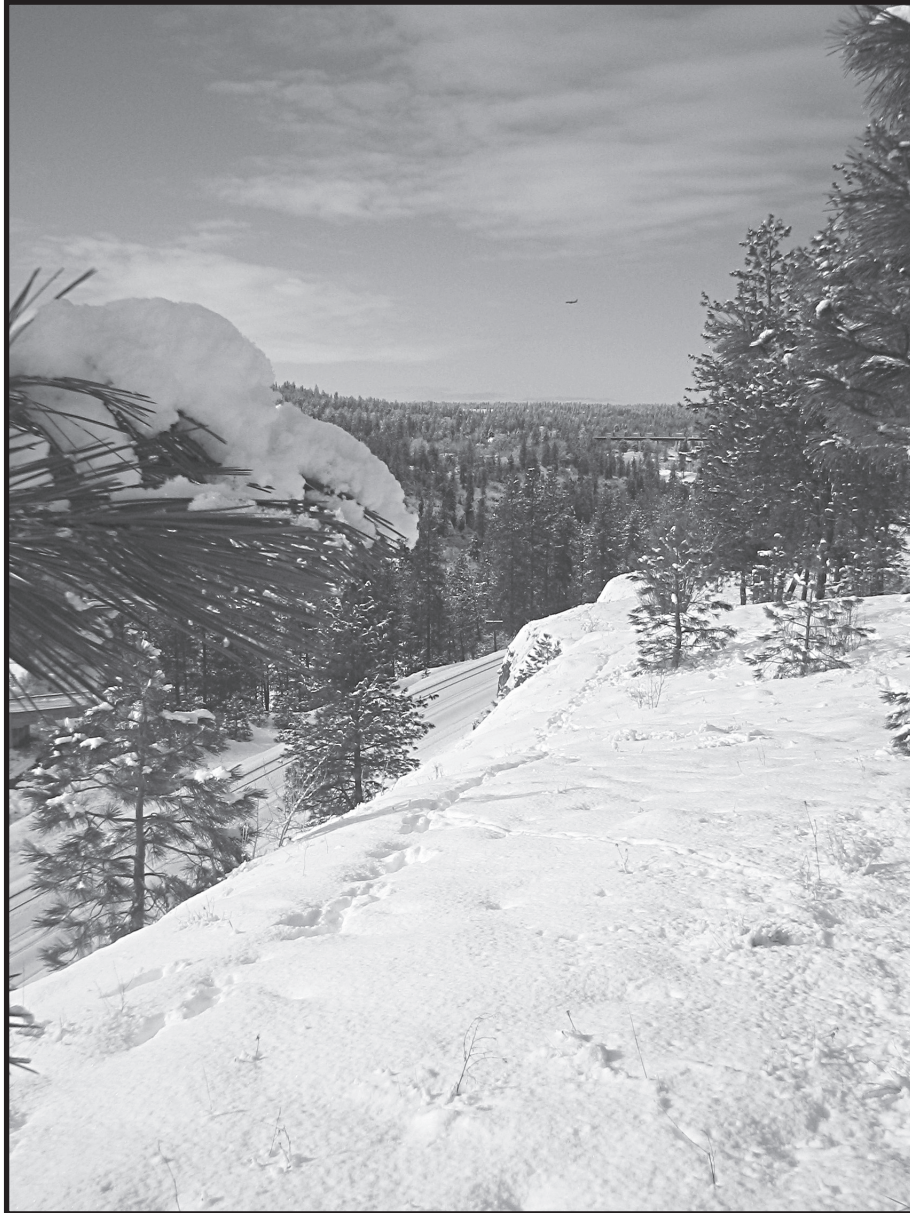
FOR THE YEAR ENDED DECEMBER 31, 2007



Latah Creek
High Drive Conservation Area
Photography by Leo Griffin

City Hall, Fourth Floor
808 W. Spokane Falls Blvd.
Spokane, WA 99201-3324
tel 509.625.6330
fax 509.625.6861

Introductory Section



On the Bluff

High Drive Conservation Area looking towards High Bridge Park

Photography by Leo Griffin

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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
Open	Council Appointee	Open
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	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

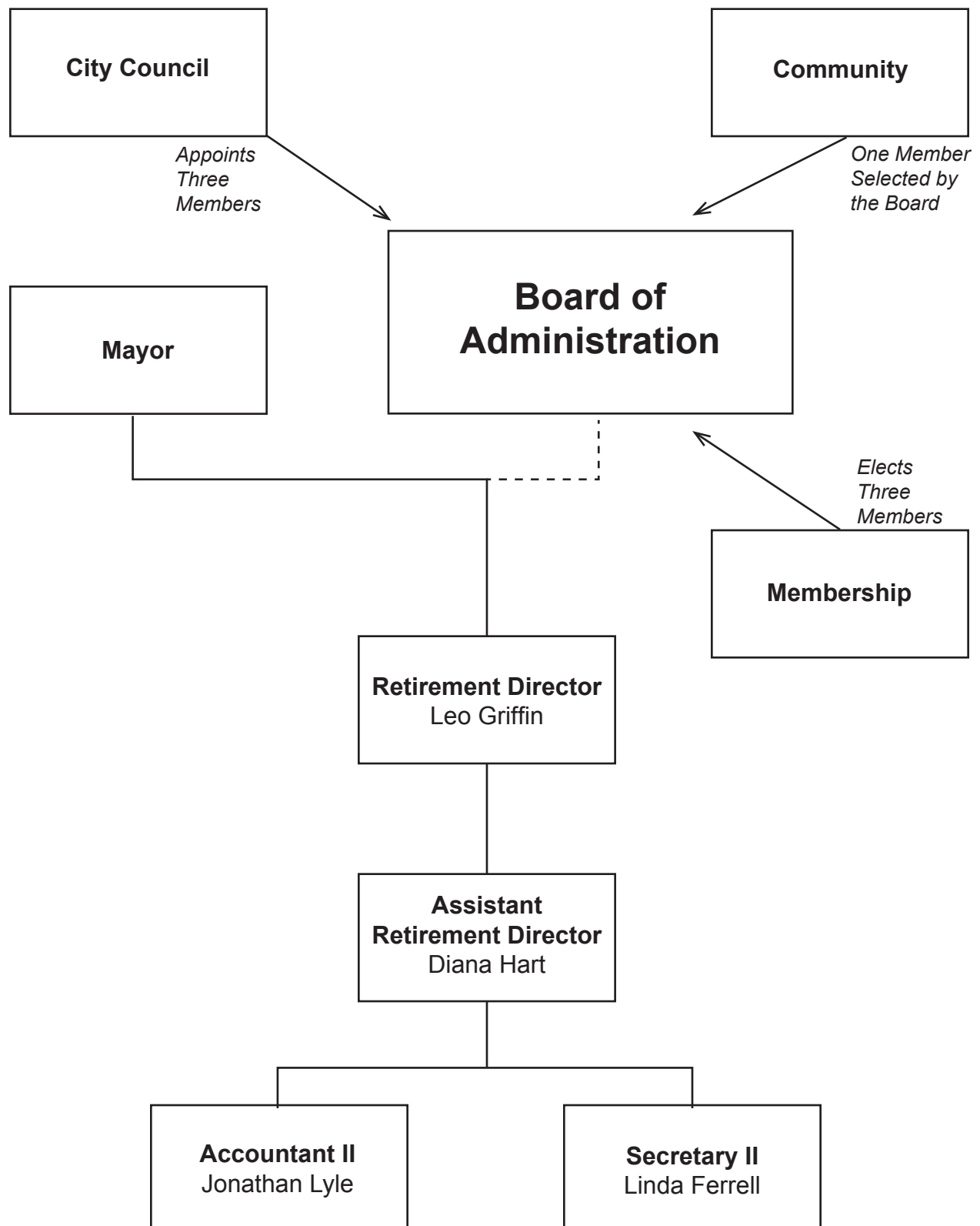
STAFF

Leo F. Griffin	Retirement Director and Chief Investment Officer
Diana Hart	Assistant Retirement Director
Jonathan Lyle	Accountant II
Linda Ferrell	Secretary II
Timothy Szambelan	Legal Advisor

ADVISORY

Certified Public Accountants	Moss Adams, LLP
Actuary	HRH Consulting
Investment Performance Analysis	Arnerich Massena & Associates, Inc.
Custodial Services	Bank of New York

Organization Chart



Description of Retirement System

SERS was founded July 1, 1942 and is a defined benefit pension plan. Membership in SERS is required for all regular employees of the City of Spokane. Police and Fire are excluded as they participate in the Washington State Law Enforcement Officers and Firefighters' Retirement System. 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 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 to a maximum of 64.5%. A number of optional forms of retirement benefits (see Service Retirement Options on the following page) are available which allow a retiree to provide benefits to his or her beneficiary with a reduction in pension benefits. Early retirement is allowed at age 50, with five years of service, with no penalty for early retirement.

Member contributions, currently 6.72% of total salary-based compensation, are deducted from the member's salary and paid into the retirement fund. The City also contributes 6.72%. 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 credit for service as if the employee had worked until age 62.

If you terminate service within five years of entering SERS, your contributions plus interest are refunded to you. If you are over age 50 and terminate after five years of service, you can elect to withdraw your contributions or you can elect to receive a monthly pension. If you are under age 50 and terminate after five years of service, you can withdraw your contributions or you can vest and begin receiving a pension at age 50. A number of service retirement options exist and these options are briefly explained on the following page.

This is a brief summary of the provisions of the Retirement System. Members who want more specific information should contact:

Spokane Employees' Retirement System
City Hall, Fourth Floor
808 West Spokane Falls Boulevard
Spokane, WA 99201-3324
509.625.6330
509.625.6861 (fax)

Service Retirement Options

In each option, a pension will be paid to you for your lifetime. The options provide different types of settlement to your beneficiary upon your death. Briefly, the options are as follows:

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

Option “A” An annuity portion is deducted monthly from your total accumulations, with a lump-sum cash refund of any remaining balance being paid to your beneficiary upon your 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, your beneficiary receives your pension for the remainder of the pre-selected time period of 5, 10, 15, or 20 years.

Option “D” Upon your death, 50% of your pension is continued to your spouse for life.

Option “E” Upon your death, 100% of your pension is continued to your spouse for life.

If you elect options “A” through “E”, your monthly pension will be actuarially reduced to provide a death benefit.

At the time of retirement, you also have the option of withdrawing your accumulations in a lump-sum payment and giving up all rights to any further benefits from the Spokane Employees' Retirement System.

Retirement rules and people's life circumstances change over the years. It is important to keep your beneficiary designation up to date. To make a beneficiary change, please contact the Retirement Department and obtain a form.



SPOKANE EMPLOYEES'
RETIREMENT SYSTEM
FIREFIGHTERS' PENSION FUND
POLICE PENSION FUND
808 W. SPOKANE FALLS BLVD.
SPOKANE, WASHINGTON 99201-3324
(509) 625-6330
FAX (509) 625-6861

May 30, 2008

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

LEO F. GRIFFIN, CPA
RETIREMENT DIRECTOR
AND CHIEF INVESTMENT OFFICER

DIANA HART
ASSISTANT RETIREMENT DIRECTOR

This 66th 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 Statements 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, Christine Ellingson and Linda Ferrell. Without them, this report would not be possible.

Respectfully submitted,

Board of Administration,
Spokane Employees' Retirement System
As of December 31, 2007

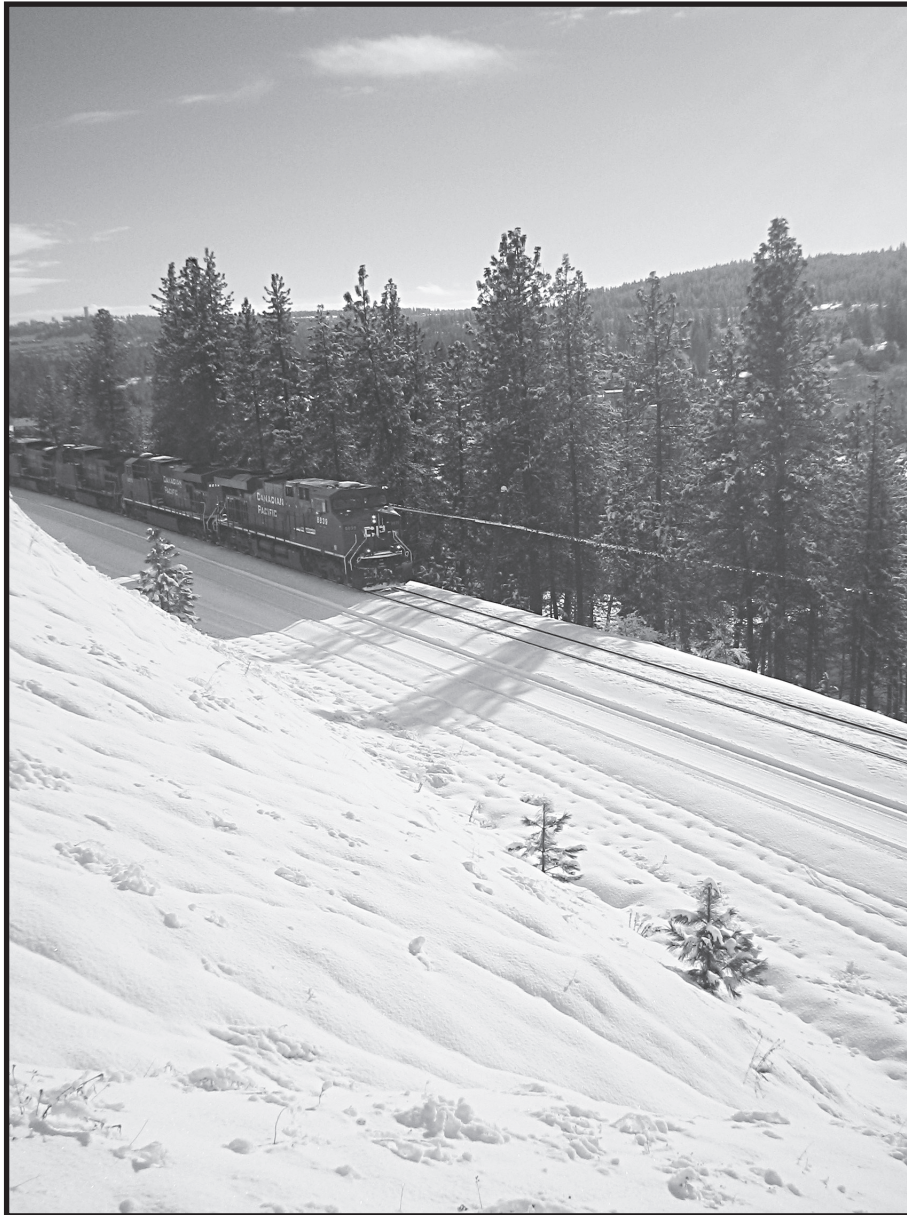
Leo F. Griffin, CPA
Retirement Director

Key Changes During the Year

Key Changes to the Spokane Employees' Retirement System For the Year Ended December 31, 2007

January	Arnerich Massena & Associates, Inc. replaced Merrill Lynch as the investment consultant.
April	Hilb Rogal & Hobbs (HRH) Consulting replaced Mercer as the actuary.
May	After reviewing an asset allocation study performed by Arnerich Massena, the Board approved a new asset allocation which is designed to maximize investment performance and minimize risk.
September	The Board approved a new money manager structure; implementation started in December.
September	After reviewing an Experience (Assumption) Study undertaken by HRH, the Board approved new Plan assumptions and a new asset valuation method. Plan assumptions are reviewed and updated every four to five years.
September	The Board approved a new funding objective "...to achieve and maintain an actuarial liability funded status between 90% and 110%." The ABO funded ratio was discontinued.
November	The Board adopted a new Appendix B to its existing investment policy. This formalized, into the policy, the new asset allocation approved by the Board in May 2007.
November	<p>The Board approved a change to the Ad-Hoc Performance Adjustment Policy. The revised policy, in part, reads:</p> <p style="padding-left: 40px;">The Retirement System will consider granting an ad-hoc performance adjustment under the following conditions: 1. 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).</p>
December	At its April 2008 board meeting, the Board approved a closed amortization method, as a level percentage of payroll, for the Unfunded Accrued Liability (UAL). From an actuarial standpoint, this change is retroactive back to December 31, 2007, but there will be no impact on valuation results until December 31, 2008.

Financial Section



Hangman Valley Rail Line
Photography by Leo Griffin

MOSS ADAMS LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements 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, 2007 and 2006, and the related statement of changes in Plan 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that 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, 2007 and 2006, 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 funding progress and employer contributions and related note on pages 17 and 18 are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary 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 19 through 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements 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.



Spokane, Washington
July 16, 2008

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY OF SPOKANE, WASHINGTON)
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 ending December 31, 2007. 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. The basis of contributions to the System follows the principles of level cost financing, with current service financed on a current basis and unfunded prior service amortized as a level percentage of covered payroll in accordance with GASB Standards. HRH Consulting, 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 the financial statements
- 2. Required Supplementary Information** including:
 - a. Schedule of employer contributions
 - b. Schedule of funding progress
- 3. Other Supplementary Schedules** 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 supplementary information, as well as in the documentation provided by the actuary that is included in Note 1 of the required supplementary information section of the report.
- 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 (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)
MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis (Continued)

The required supplementary 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 \$10.3 million (4.5%) during 2007 and \$15.5 million (7.2%) in 2006, primarily due to gains in the equity markets in the U.S. and abroad. Overseas investment gains were particularly strong in 2007 and were aided by the weakening U.S. dollar.
- Revenues (additions to net assets) for 2007 were \$25.7 million, compared to \$29.8 million in the prior year. Revenue includes member and employer contributions of \$9.0 million and net investment earnings from investment activities totaling \$16.7 million in 2007. Member and employer contributions increased during 2007 by \$413,000 and \$320,000 in 2006. Net investment income, which fluctuates year-to-year depending on market conditions, decreased by \$4.4 million in 2007 after an increase of \$9.2 million in 2006.
- Expenses (deductions from net assets) for 2007 were \$15.4 million, an 8.4% increase from 2006. Expenses for 2006 were \$14.2 million, a 5.6% increase from 2005. Retiree benefits and withdraws increased by \$1.2 million during 2007 and by \$804,000 during 2006.

Financial Statements and Analysis

Plan net assets:

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

	December 31,		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash and receivables	\$ 28,411,344	\$ 6,648,809	\$ 10,365,792
Investments at fair value	<u>213,819,507</u>	<u>225,197,177</u>	<u>205,911,894</u>
Total assets	242,230,851	231,845,986	216,277,686
Accrued expenses	<u>322,030</u>	<u>269,865</u>	<u>238,589</u>
TOTAL NET ASSETS	<u>\$ 241,908,821</u>	<u>\$ 231,576,121</u>	<u>\$ 216,039,097</u>

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY OF SPOKANE, WASHINGTON)
MANAGEMENT DISCUSSION AND ANALYSIS

Changes in Plan Net Assets

This 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,		
	2007	2006	2005
Additions:			
Employer contributions	\$ 4,518,363	\$ 4,287,457	\$ 4,148,874
Plan member contributions	4,518,363	4,336,560	4,154,743
Net investment income	16,715,588	21,140,066	11,985,450
Total additions	25,752,314	29,764,083	20,289,067
Deductions:			
Monthly retiree benefits	14,253,955	13,322,042	12,404,497
Refunds of contributions	717,005	492,193	605,600
Net administrative expenses	448,654	412,824	457,798
	15,419,614	14,227,059	13,467,895
NET INCREASE	\$ 10,332,700	\$ 15,537,024	\$ 6,821,172

Revenues - Additions to Net Plan Assets

- Employer contributions increased by \$231,000 (5.4%) in 2007 and \$139,000 (3.3%) in 2006. Plan member contributions increased by \$182,000 (4.2%) in 2007 and also increased by \$182,000 (4.4%) in 2006.
- Net investment income was \$16.7 million in 2007 as compared to \$21.1 million in 2006. In 2007, the financial markets under-performed the prior year. Negative REIT performance in 2007 attributed to the decrease in overall investment performance.

Expenses - Deductions from Net Plan Assets

- Retiree benefits increased by \$932,000 (7.0%) in 2007 and \$918,000 (7.4%) in 2006 due to new retirees drawing pensions at much higher monthly amounts compared to the retirees and beneficiaries that died during the year. In addition, retiree benefits increased due to an increase in the number of retirees drawing benefits.
- Refunds of contributions increased by \$225,000 in 2007 and decreased by \$113,000 in 2006. Lump sum withdrawals from the Plan fluctuate from year-to-year.

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)
MANAGEMENT DISCUSSION AND ANALYSIS**

Expenses - Deductions from Net Plan Assets (Continued)

- 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. Administrative expenses increased by \$36,000 (8.7%) during 2007 and decreased by \$45,000 (9.8%) in 2006, but remain lower than their peak in 2004. The primary increases in 2007 were \$13,000 for salaries and benefits, \$12,000 for professional services, and \$6,000 for Interfund MIS charges.

Plan Membership

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

	<u>2007</u>	<u>2006</u>	<u>% Change Increase</u>
Retirees and beneficiaries receiving normal retirement benefits	995	955	4.2%
Disability retirees	13	13	0.0%
TOTAL RETIREES AND BENEFICIARIES	<u>1,008</u>	<u>968</u>	4.1%
Current and terminated employees entitled to, but not yet receiving benefits:			
Current employee members	1,425	1,414	0.8%
Vested terminated members	99	95	4.2%
TOTAL CURRENT AND VESTED EMPLOYEE MEMBERS	<u>1,524</u>	<u>1,509</u>	1.0%

Funding Status

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. The funded ratio increased by 4.2% during 2007 due to changes in Plan assumptions resulting from the 2007 Experience Study, which are explained in the System's December 31, 2007 Actuarial Report. The Plan's actuary has determined that the funded ratio would have decreased by 0.7% without implementing the new Plan assumptions. 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 low point in 2002. 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 involved with the ratio's decline earlier this decade are actuarial losses due to differences between actual and assumed plan experience.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY OF SPOKANE, WASHINGTON)

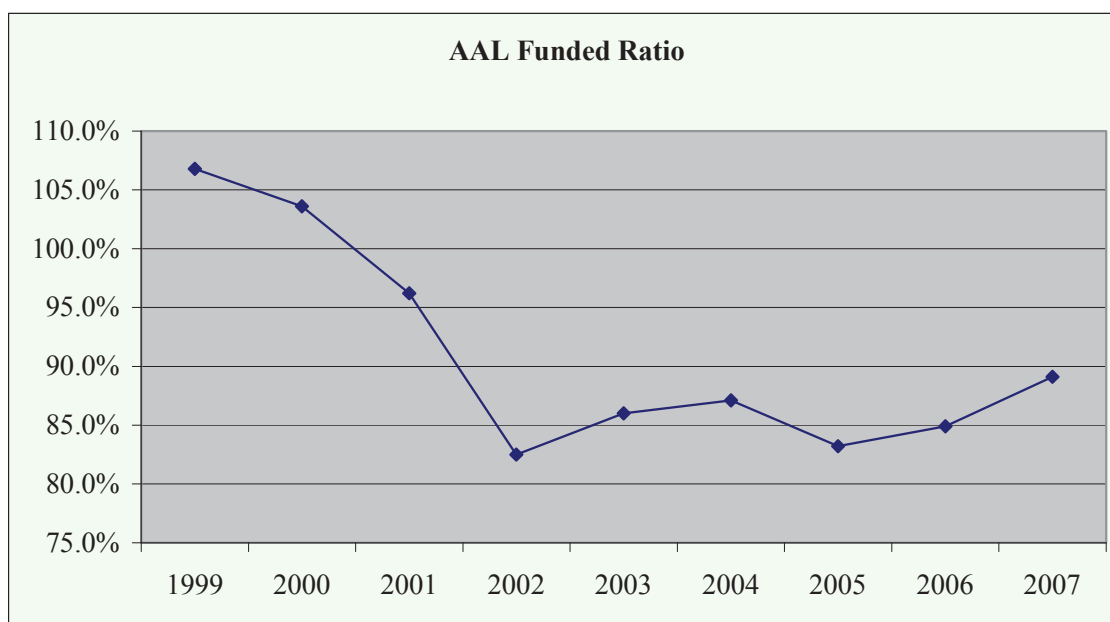
MANAGEMENT DISCUSSION AND ANALYSIS

Funding Status (Continued)

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 currently contribute 6.72% of their salaries to the retirement fund and the City contributes 6.72%. These contribution rates were last raised in 1992.

Staff and the Board are working closely with the new investment consultant and the actuary in order to develop a strategy, which will ultimately return the Plan to a fully funded status.

Schedule of Funding Progress Funded Ratio



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 of December 31, 2007, the AAL funded ratio is 89.1%; hence, the Board did not authorize an adjustment this year. Based on current funding levels, the rate of withdrawals and future expected market returns, it will take a significant favorable experience in the equity markets or an increase in contribution levels to raise these ratios above their respective targets.

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)
MANAGEMENT DISCUSSION AND ANALYSIS**

Investment Activities

One-year returns (negative returns are displayed in brackets) on asset classes and comparative benchmarks are presented in the table below:

	Investment Return	
	2007	2006
Total portfolio	7.8%	10.5%
Domestic equities	9.3%	10.9%
Benchmark: Russell 3000 Index	5.1%	15.7%
Real Estate Investment Trusts	(16.6%)	17.5%
Benchmark: NAREIT Composite	(17.9%)	18.7%
Global Diversified - International	16.7%	18.8%
Benchmark: MSCI ACWI	12.2%	19.9%
Fixed income	6.8%	4.2%
Benchmark: LB Aggregate Bond Index	7.0%	4.3%

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.

Cash and investments, valued at fair market value, increased \$10.4 million in 2007 compared to an increase of \$15.6 million in 2006. The overall performance of the portfolio was 7.8% in 2007 and 10.5% in 2006. As shown in the above table, bonds were the only System asset class that performed at higher levels in 2007 compared to 2006. Conversely, domestic and international equities slightly underperformed the prior year and REITs significantly underperformed in 2007 compared to 2006. However, the domestic and international equity asset classes, along with REITs, outperformed their 2007 benchmarks.

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. In April 2007, the SERS Board engaged Arnerich Massena & Associates, Inc. of Portland, Oregon, as its new independent investment consultant. In May 2007, the SERS Board adopted a new asset allocation policy and it is anticipated that the new asset allocation will be implemented in 2008.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)
STATEMENT OF PLAN NET ASSETS

	December 31,	
	2007	2006
ASSETS		
Cash	\$ 169,956	\$ 34,886
Equity in pooled investments	27,442,458	5,767,844
Interest and dividends receivable	781,684	815,369
Other receivables	17,246	30,710
	<hr/>	<hr/>
Total cash and receivables	28,411,344	6,648,809
	<hr/>	<hr/>
Investments at fair value		
U.S. fixed income securities	59,554,752	66,356,412
Foreign bonds	-	2,849,378
U.S. equities	117,308,394	112,334,232
Real estate investment trusts	14,609,211	18,545,296
International equities	11,108,460	25,111,859
Alternatives - limited partnership	11,238,690	-
	<hr/>	<hr/>
Total investments	213,819,507	225,197,177
	<hr/>	<hr/>
Total assets	242,230,851	231,845,986
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	253,828	206,254
Current portion employee salary and benefits	29,184	26,916
Other current liabilities	12,052	11,551
Employee leave benefits	26,966	25,144
	<hr/>	<hr/>
Total liabilities	322,030	269,865
	<hr/>	<hr/>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see Schedule of Funding Progress)	\$ 241,908,821	\$ 231,576,121
	<hr/>	<hr/>

See accompanying notes.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY OF SPOKANE, WASHINGTON)
STATEMENT OF CHANGES IN PLAN NET ASSETS

	Year Ended December 31,	
	2007	2006
ADDITIONS		
Contributions		
Employer	\$ 4,518,363	\$ 4,287,457
Plan members	<u>4,518,363</u>	<u>4,336,560</u>
Total contributions	<u>9,036,726</u>	<u>8,624,017</u>
Investment Income		
Net appreciation in fair value of investments	11,880,238	16,037,509
Interest, dividends and other investment income	<u>6,106,251</u>	<u>6,171,570</u>
	17,986,489	22,209,079
Less investment expenses	<u>1,270,901</u>	<u>1,069,013</u>
Net investment income	<u>16,715,588</u>	<u>21,140,066</u>
Total additions	<u>25,752,314</u>	<u>29,764,083</u>
DEDUCTIONS		
Benefits	14,253,955	13,322,042
Refunds of contributions	717,005	492,193
Administrative expenses, net of administrative income	<u>448,654</u>	<u>412,824</u>
	<u>15,419,614</u>	<u>14,227,059</u>
CHANGE IN NET ASSETS	10,332,700	15,537,024
Net assets, beginning of year	<u>231,576,121</u>	<u>216,039,097</u>
Net assets, end of year (held in trust for pension benefits)	<u>\$ 241,908,821</u>	<u>\$ 231,576,121</u>

See accompanying notes.

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)
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 Chapter 4.14 of the Spokane City Code.

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 participate in the SERS Plan with the exception of police and firefighters who are members of the State Law Enforcement Officers and Firefighters' Retirement System. At December 31, 2007, there are 1,008 retirees and beneficiaries receiving benefits; 99 vested terminated employees entitled to future benefits; and 1,425 active members of the Spokane Employees' Retirement System for a total of 2,532 total members.

SERS provides retirement, death, and disability benefits. All employees who participate in SERS are eligible for service retirement after completing five years of service if they are age 50 or older. 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%. This benefit 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 GASB No. 25, *Financial Reporting for Defined Benefit Pension Plans*. 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.

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.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY OF SPOKANE, WASHINGTON)
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments:

All fixed income, equities, 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 equities 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.

The investment in the limited partnership is stated at estimated fair value as determined by management. Many factors are considered in arriving at fair value. In general, however, recent capital transactions and capital account balances comprise the most significant factors considered.

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. 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.

Reclassifications:

Certain items in the 2006 report have been reclassified to conform to the 2007 presentation. These reclassifications had no effect on net assets as previously reported.

Note 3 - Deposits and Investments

Deposits:

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

SERS large cash and short-term deposit position at December 31, 2007, is attributable to a restructuring of its investment portfolio, which was in process at year end. Two asset classes were funded in early January 2008 totaling \$21 million. Berens' Global Fund required cash delivered to them by December 28, 2007, for investment in early January 2008. Arden was funded on January 2, 2008.

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)**
NOTES TO FINANCIAL STATEMENTS

Note 3 - Deposits and Investments (Continued)

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.

The investments of SERS 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.

In 2007, the Board approved a new asset allocation which includes an allocation to alternative investments. 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 in 2007 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 that the use of alternative investments is a prudent approach to managing risk.

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to SERS. 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. At December 31, 2007, 83% of SERS' fixed income securities are rated AAA, or AAA equivalent, by Standard & Poor's. All fixed income securities held by SERS carry an investment grade rating or higher.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY OF SPOKANE, WASHINGTON)
NOTES TO FINANCIAL STATEMENTS

Note 3 - Deposits and Investments (Continued)

Credit risk (continued):

SERS' fixed income assets, categorized with credit ratings, are as follows as of December 31, 2007:

Investment Type	Total Market Value	Standard & Poor's Credit Quality Ratings					
		Treasury	Agency	AAA	AA	A	BBB
Fixed income							
Government							
Treasuries	\$ 5,460,422	\$ 5,460,422	\$ -	\$ -	\$ -	\$ -	\$ -
Agencies	32,546,712	-	119,979	32,426,733	-	-	-
State and local	4,318,559	-	-	3,571,840	653,675	93,044	-
Mortgage-backed							
Corp pass through	3,442,664	-	-	2,581,610	577,202	283,852	-
CMOs							
Governmental CMOs	2,774,511	315,542	151,985	2,306,984	-	-	-
Corporate							
Notes and bonds	8,889,339	-	-	778,638	1,615,195	4,130,992	2,364,514
Asset-backed	2,122,545	-	-	1,541,608	-	472,857	108,080
TOTAL FIXED INCOME	\$ 59,554,752	\$ 5,775,964	\$ 271,964	\$ 43,207,413	\$ 2,846,072	\$ 4,980,745	\$ 2,472,594
Percentage of							
fixed income portfolio		9.7%	0.4%	72.5%	4.8%	8.4%	4.2%

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 (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)**
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, all of the System's fixed income portfolios are professionally managed with an expected range of interest rate risk within the portfolios. In addition, the portfolios are closely monitored by the independent consultant and management. The segmented time distribution of the System's fixed income assets are as follows as of December 31, 2007:

Investment Type	Total Market Value	Fixed Income Maturities (in years)				
		<1	1 - 5	5 - 10	10 - 30	>30
Fixed income						
Government						
Treasuries	\$ 5,460,422	\$ 150,913	\$ 36,168	\$ 3,525,984	\$ 1,747,357	\$ -
Agencies	32,546,712	3,927,379	7,886,110	4,203,726	16,529,497	-
State and local	4,318,559	-	1,125,175	2,684,284	509,100	-
Mortgage-backed						
Corp pass through	3,442,664	-	-	402,337	365,317	2,675,010
CMOs						
Governmental CMOs	2,774,511	-	-	730,295	2,044,216	-
Corporate						
Notes and bonds	8,889,339	140,440	3,082,886	3,505,916	1,965,526	194,571
Asset-backed	2,122,545	-	410,474	1,472,297	104,034	135,740
TOTAL FIXED INCOME	\$ 59,554,752	\$ 4,218,732	\$ 12,540,813	\$ 16,524,839	\$ 23,265,047	\$ 3,005,321
Percentage of fixed income portfolio		7.1%	21.1%	27.7%	39.1%	5.0%

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, 2007, 4.6% of the System's investment portfolio is invested in international mutual funds, which primarily consist of foreign equities. The fair market value of the portion of the mutual funds that invest in foreign securities is \$11.1 million as of December 31, 2007. The SERS' Investment Policy does not specifically address foreign currency risk; however, the System expects the professional mutual fund managers to maintain adequately diversified portfolios to limit foreign currency risk.

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)
NOTES TO FINANCIAL STATEMENTS

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 90.00% and 110.00%. Member contributions are currently 6.72% of eligible compensation and are deducted from the member's salary and paid into the retirement fund; the City contributes 6.72% of eligible compensation for a combined total of 13.44%.

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

REQUIRED SUPPLEMENTARY INFORMATION

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)**
**SCHEDULE OF EMPLOYER CONTRIBUTIONS; SCHEDULE OF FUNDING
PROGRESS**

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

Fiscal Year Ended	Actual Employer Contribution	Annual Required Contribution			Annual Pension Cost*		Net Pension Obligation
		Amount	Percentage Contributed	Excess/ (Shortfall)	Amount	Percentage Contributed	
12/31/98	\$ 3,525,057	\$ 3,255,418	108.28%	\$ 269,639	\$ 3,255,418	108.28%	\$ (269,639)
12/31/99	3,643,468	3,053,294	119.33%	590,174	3,053,294	119.33%	(859,813)
12/31/00	3,715,600	2,747,528	135.23%	968,072	2,706,566	137.28%	(1,868,847)
12/31/01	3,894,757	3,859,885	100.90%	34,872	3,792,685	102.69%	(1,970,919)
12/31/02	3,919,254	3,569,284	109.81%	349,970	3,789,014	103.44%	(2,101,159)
12/31/03	4,017,431	4,547,346	88.35%	(529,915)	4,471,792	89.84%	(1,646,798)
12/31/04	4,095,810	5,867,117	69.81%	(1,771,307)	5,811,040	70.48%	68,432
12/31/05	4,148,874	6,015,711	68.97%	(1,866,837)	6,018,087	68.94%	1,937,645
12/31/06	4,287,457	6,231,299	68.81%	(1,943,842)	6,298,582	68.07%	3,948,770
12/31/07	4,518,363	5,742,761	78.68%	(1,224,398)	5,834,697	77.44%	5,265,104

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

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
		Projected Unit Credit (b)		(UAAL) (b) - (a)		(b) - (a) / (c)
12/31/98*	\$ 169,501,938	\$ 166,001,552	102.10%	\$ (3,500,386)	\$53,064,549	(6.60%)
12/31/99	186,394,015	174,562,092	106.78%	(11,831,923)	54,142,268	(21.85%)
12/31/00*	194,488,937	187,644,219	103.65%	(6,844,718)	55,420,648	(12.35%)
12/31/01	190,150,661	197,656,627	96.20%	7,505,966	59,292,582	12.66%
12/31/02*	170,359,975	206,435,061	82.52%	36,075,086	56,454,409	63.90%
12/31/03	195,723,271	227,662,674	85.97%	31,939,403	61,380,769	52.03%
12/31/04*	209,217,925	240,260,424	87.08%	31,042,499	64,252,485	48.31%
12/31/05	216,039,097	259,791,544	83.16%	43,752,447	64,061,964	68.30%
12/31/06*	231,576,121	272,817,605	84.88%	41,241,484	67,750,706	60.87%
12/31/07	242,615,032	272,201,880	89.13%	29,586,848	69,261,673	42.72%

* An actuarial update

SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY OF SPOKANE, WASHINGTON)

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1 - Actuarial Information

The information presented in the required supplementary schedules was determined as a part of the actuarial valuation dated December 31, 2007, the latest valuation report. Additional information from the latest actuarial valuation follows:

Valuation date	December 31, 2007
Actuarial cost method	Projected unit credit
Amortization method	Level percent
Amortization period*	30 years; open
Asset valuation method**	Smoothed fair value
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.

Changes in actuarial assumptions and methods used in the current year included changing the amortization period from 40 years open to 30 years open; however, in 2008, the SERS Board approved a 30-year closed amortization period retroactive back to 2007; the asset valuation method changed from market value to smoothed fair value; the investment rate of return increased from 7.0% to 7.5%; the inflation rate increased from 2.5% to 3.0%; and the annual salary increase assumption changed from a schedule that started at 13.0% for each of the first 5 years, decreasing to 4.0% thereafter to a graduated schedule starting at 10.0% declining to 3.0% over a period of 15 years.

*The total contribution rate is fixed at 13.44% of payroll (6.72% for the employer and 6.72% 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. The amortization period for the unfunded accrued liability will change over time as actual experience emerges that is different from the actuarial assumptions.

**Smoothed fair value of assets uses the fair 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.

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)**
SCHEDULE OF ADMINISTRATIVE EXPENSES

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Personnel services:			
Salaries and wages	\$ 328,519	\$ 261,516	\$ 249,796
Personnel benefits	96,211	76,042	69,433
Administrative income	<u>(100,000)</u>	<u>(121,501)</u>	<u>(116,507)</u>
Total personnel services	<u>324,730</u>	<u>216,057</u>	<u>202,722</u>
Supplies:			
Office supplies	2,025	743	709
Publications	2,000	302	1,086
Postage	6,000	5,828	5,857
Minor equipment	<u>3,334</u>	<u>836</u>	<u>957</u>
Total supplies	<u>13,359</u>	<u>7,709</u>	<u>8,609</u>
Other services and charges:			
State audit charges	6,232	8,164	5,524
Professional services	212,835	114,863	103,335
Travel	10,000	2,809	2,705
Equipment repairs and maintenance	500	-	-
Registration and schooling	6,000	1,940	75
Other dues, subscriptions, and memberships	2,000	1,447	1,016
Printing	2,000	2,562	882
Other miscellaneous charges	<u>1,120</u>	<u>1,015</u>	<u>938</u>
Total other services and charges	<u>240,687</u>	<u>132,800</u>	<u>114,475</u>

Continued on next page

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)**
SCHEDULE OF ADMINISTRATIVE EXPENSES

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Interfund (IF) payments for services:			
IF communication	\$ 4,938	\$ 5,091	\$ 4,675
IF office supplies	500	-	-
Motor Pool	500	-	-
IF risk management	6,088	6,088	6,161
IF unemployment	204	204	187
IF workers' compensation	1,769	1,769	1,744
IF MIS	76,913	76,913	70,912
IF purchasing	-	-	44
IF reprographics	3,412	751	993
IF records management	-	-	1,108
IF warrant service	950	1,098	1,064
IF parking	174	174	130
	<u>95,448</u>	<u>92,088</u>	<u>87,018</u>
TOTAL ADMINISTRATIVE EXPENSES, NET OF ADMINISTRATIVE INCOME	<u>\$ 674,224</u>	<u>\$ 448,654</u>	<u>\$ 412,824</u>

**SPOKANE EMPLOYEES' RETIREMENT SYSTEM (PENSION TRUST FUND OF THE CITY
OF SPOKANE, WASHINGTON)
SCHEDULE OF INVESTMENT EXPENSES**

	Year Ended December 31, 2007
Investment Services:	
Allegiance Capital Inc	\$ 52,262
Bank of New York	11,982
Chase Investment Counsel Corp	66,547
Eagle Capital Management LLC	128,345
ICM Asset Management	114,858
McDonnell Investment Management LLC	46,455
M.D. Sass Investor Services, Inc	94,669
Principal Real Estate Investors LLC	130,148
Rigel Capital LLC (large cap)	66,309
Rigel Capital LLC (small to mid cap)	70,221
Santa Barbara Asset Management LLC	71,345
Victory Capital Management	96,480
Wedge Capital Management LLP	57,771
Wentworth, Hauser, and Violich	71,780
	<hr/> 1,079,172
Performance Measurement:	
Arnerich Massena & Associates, Inc	<hr/> 82,902
Custodial Services:	
Bank of New York	<hr/> 108,827
 TOTAL INVESTMENT EXPENSES	 <hr/> \$ 1,270,901

Actuarial Section



Winter Tree
Latah Creek Conservation Area
Photography by Leo Griffin

**SPOKANE EMPLOYEES'
RETIREMENT SYSTEM**

**ACTUARIAL VALUATION
AS OF DECEMBER 31, 2007**



h i l b r o g a l & h o b b ssm

HRH Consulting
4951 Lake Brook Drive, Suite 500, Glen Allen, VA 23060
804.747.6500 www.hrh.com

April 30, 2008

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

Ladies and Gentlemen:

Actuarial valuations of the Spokane Employees' Retirement System are performed biannually. The results of the latest actuarial valuation of the System, which was prepared as of December 31, 2007, 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;
- (c) through a combination of Employee Contributions (6.72% of pay) and Employer Contributions (currently 6.72% of pay).

The December 31, 2007 valuation develops an Annual Required Employer Contribution Rate (ARC), exclusive of employee contributions, of 8.29% of total payroll. The ARC rate compares with an actual Employer Contribution rate of 6.72% of total payroll. The Employer Contribution for the 2007 fiscal year of \$4,518,363 was less than the ARC of \$5,742,761 by \$1,224,398. As a result, the Net Pension Obligation (NPO) which is a measure of the excess of ARC over Employer Contributions for fiscal years ended 12/31/1998 (the effective date of GASB 27) through 12/31/2007 increased from \$3,948,770 to \$5,265,104.

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, with contributions increasing 4% per year.

The unfunded accrued liability is \$29,586,848 as of December 31, 2007 and is being amortized over a period of 30 years 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 improved to 89.1% as of December 31, 2007 from 84.9% as of December 31, 2006.

Spokane Employees' Retirement System
April 30, 2008
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 current 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. The net impact of these changes was a decrease of \$16,038,659 in accrued liability.

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 initial impact of this change was a decrease of \$706,211 in unfunded accrued liability.

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. For purposes of determining contribution rates, the difference between the actual and expected investment performance of the market value of assets is recognized over a five-year period.

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

Effective July 1, 2006, interest on member contributions accrues at a rate of 5%. This is a change from the prior interest crediting rate of 7%. The impact of this change was a decrease of \$404,828 in accrued liability.

Spokane Employees' Retirement System

April 30, 2008

Page three

Financial Results and Membership Data

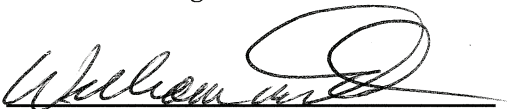
Detailed summaries of financial results of the valuation and membership data used in preparing the valuation are shown in the valuation report and the related membership data schedules. We were responsible for providing information for all schedules included in the Actuarial Section, as well as certain 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, 2007.

To the best of our knowledge, this report is complete and accurate, and the System is being operated on an actuarially sound basis. 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:

HRH Consulting



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, 2007 for the Spokane Employees' Retirement System.

The principal results include:

- The Annual Required Employer Contribution Rate (ARC) is 8.29% of total payroll. This compares to an actual Employer Contribution rate of 6.72% of total payroll.
- The actuarial funded status of the System (ratio of actuarial value of assets to accrued liability) as of December 31, 2007 is 89.1% as compared to 84.9% as of December 31, 2006.
- The actuarial funded status of the System as of December 31, 2007 was 83.8% before the changes in plan provisions and assumptions described below. The net impact of the changes was to improve the funded status by 5.3% as of December 31, 2007.

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. The net impact of these changes was a decrease of \$16,038,659 in accrued liability.

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 initial impact of this change was a decrease of \$706,211 in unfunded accrued liability.

- **Legislative and Administrative Changes**

Effective July 1, 2006, interest on member contributions accrues at a rate of 5%. This is a change from the prior interest crediting rate of 7%. The impact of this change was a decrease of \$404,828 in accrued liability.

Summarized on the following page are the principal financial results of the December 31, 2007 actuarial valuation of the Spokane Employees' Retirement System. Comparable results from the December 31, 2006 valuation update are also shown.

Summary of Valuation Results (continued)

<u>Demographics</u>	<u>2007</u>	<u>2006</u>
<u>Active</u>		
Number	1,425	1,414
Average Pay for Coming Year	\$ 48,605	\$ 47,914
<u>Retired and Beneficiaries</u>		
Number	1,008	968
Average Annual Allowance	14,566	14,097
<u>Terminated Vested and Portables</u>		
Number	99	95
<u>Total Membership</u>	2,532	2,477
<u>Unfunded Accrued Liability</u>		
Accrued Liability as of December 31	\$272,201,880	\$272,817,605
Actuarial Asset Value	\$242,615,032	\$231,576,121
Unfunded Accrued Liability	\$ 29,586,848	\$ 41,241,484
Actuarial Value Funded Status	89.1%	84.9%
<u>Contribution Rates</u>		
Annual Required Contribution (ARC) Rate*	8.29%	9.77%
Actual Employer Contribution Rate	6.72%	6.72%

* Exclusive of Employee Contributions (6.72% of pay)

Summary of Valuation Results (continued)

Contribution Rates

The results of the valuation as of December 31, 2007 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, 2007 the actual Employer Contribution rate of 6.72% is less than the ARC rate of 8.29%. 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 12/31/2007, was \$5,265,104.

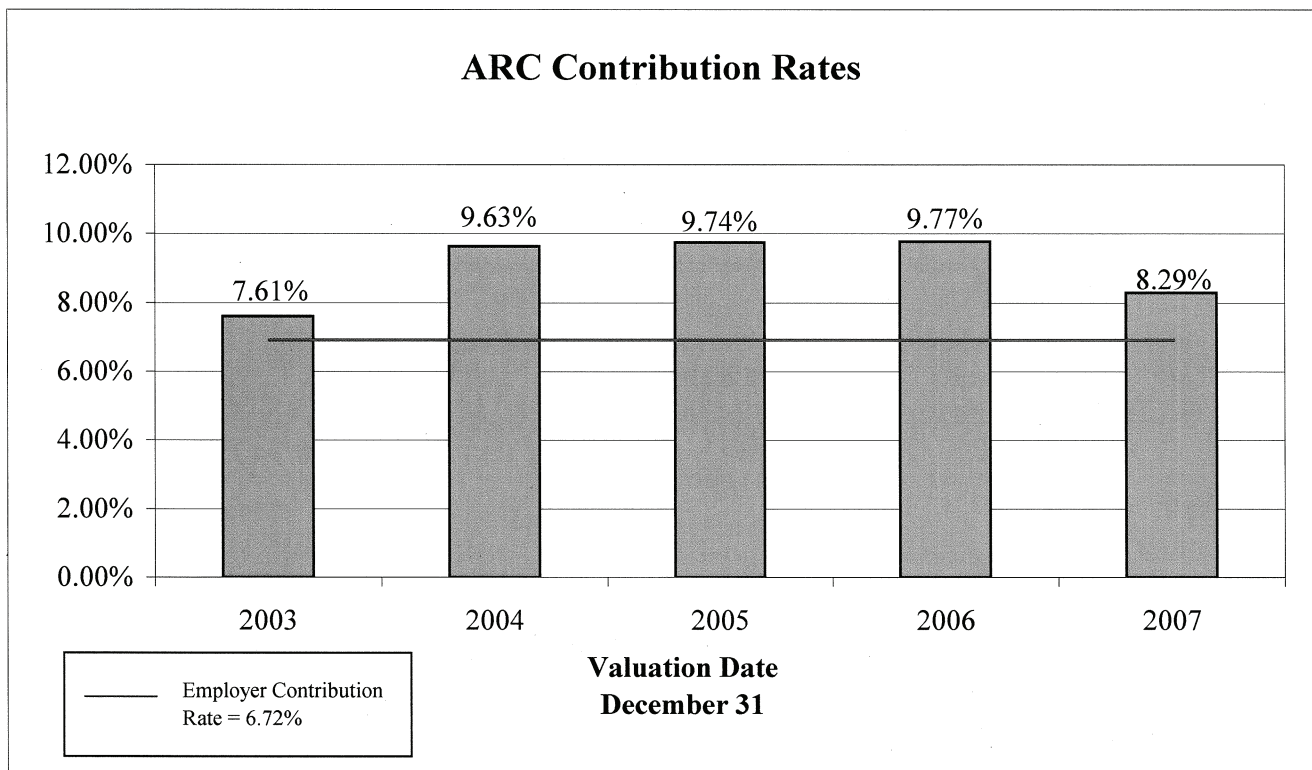
Reasons for Change in the Rate

The recommended employer contribution rate decreased from 9.77% as of December 31, 2006 to 8.29% as of December 31, 2007. The decrease of 1.48% is due to the following reasons:

● Decrease due to return on assets	(0.01%)
● Decrease due to change in benefit provisions	(0.09%)
● Decrease due to changes in assumptions	(2.44%)
● Decrease due to change asset method	(0.05%)
● Increase due to change in amortization period	0.54%
● Increase due to other factors	0.57%
● Total	(1.48%)

Summary of Valuation Results (continued)**Five-Year History of Contribution Rates
(As a % of payroll)**

Valuation Date	ARC	Employer Rate
2003	7.61%	6.72%
2004	9.63%	6.72%
2005	9.74%	6.72%
2006	9.77%	6.72%
2007	8.29%	6.72%



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;

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 \$29,586,848 as of December 31, 2007. The unfunded accrued liability is based on a smoothed fair value of assets of \$242,615,032 and an accrued liability of \$272,201,880.

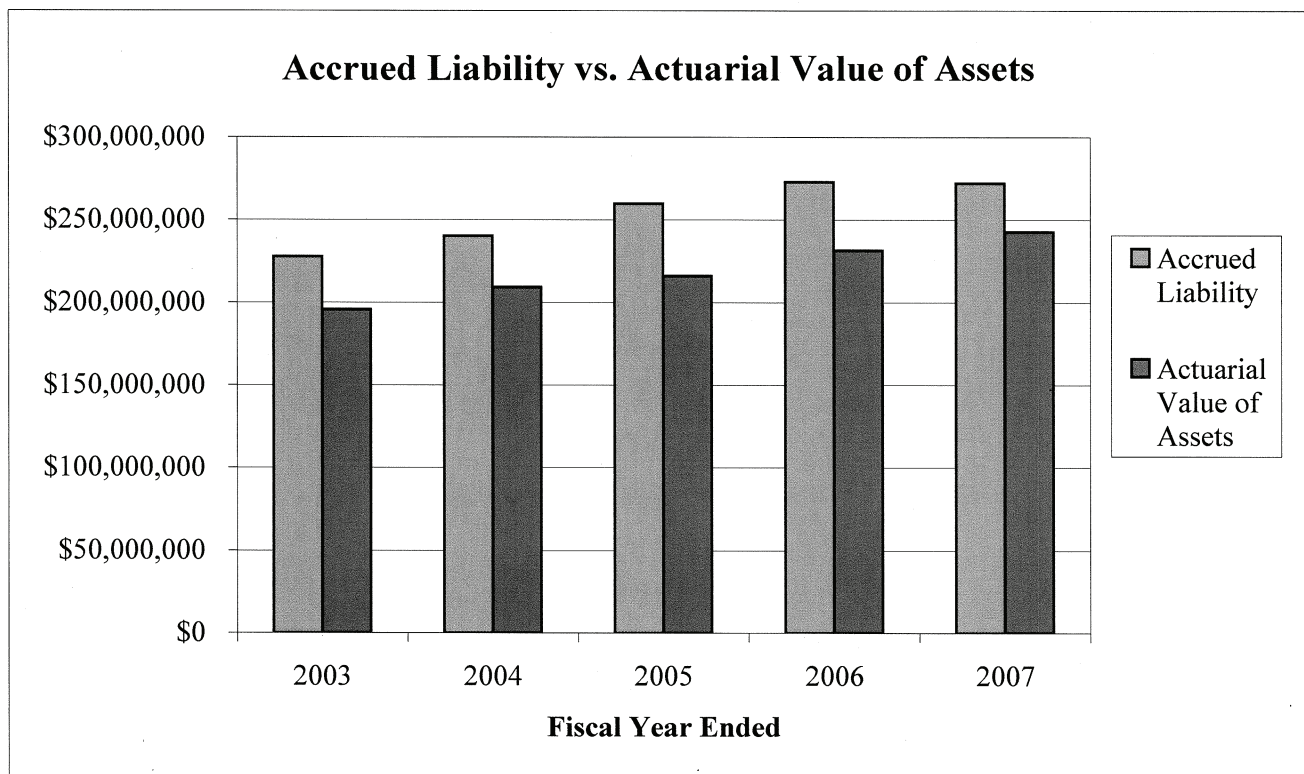
Reasons for Change in the Unfunded Accrued Liability

The unfunded accrued liability decreased from \$41,241,484 as of December 31, 2006 to \$29,586,848 as of December 31, 2007. Changes in actuarial assumptions adopted based on the results of the most recent experience study covering the five year period ended December 31, 2006 was the primary reason for the decrease in unfunded accrued liability.

The changes in actuarial assumptions resulted in a decrease in unfunded accrued liability of \$16,038,659. In addition, a plan change adopting a 5% interest credit on member contributions (from 7% previously) decreased unfunded accrued liability by \$404,828 and the adoption of an asset smoothing method decreased unfunded accrued liability by \$706,211.

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
2003	\$227,662,674	\$195,723,271
2004	\$240,260,424	\$209,217,925
2005	\$259,791,544	\$216,039,097
2006	\$272,817,605	\$231,576,121
2007	\$272,201,880	\$242,615,032



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 89.1% as of December 31, 2007. The funded status is based on a smoothed fair value of assets of \$242,615,032 and an accrued liability of \$272,201,880.

The market value funded status is calculated using the market value of assets. On this basis, the System's funded status is 88.9% as of December 31, 2007. The funded status is based on a market value of assets of \$241,908,821 and an accrued liability of \$272,201,880.

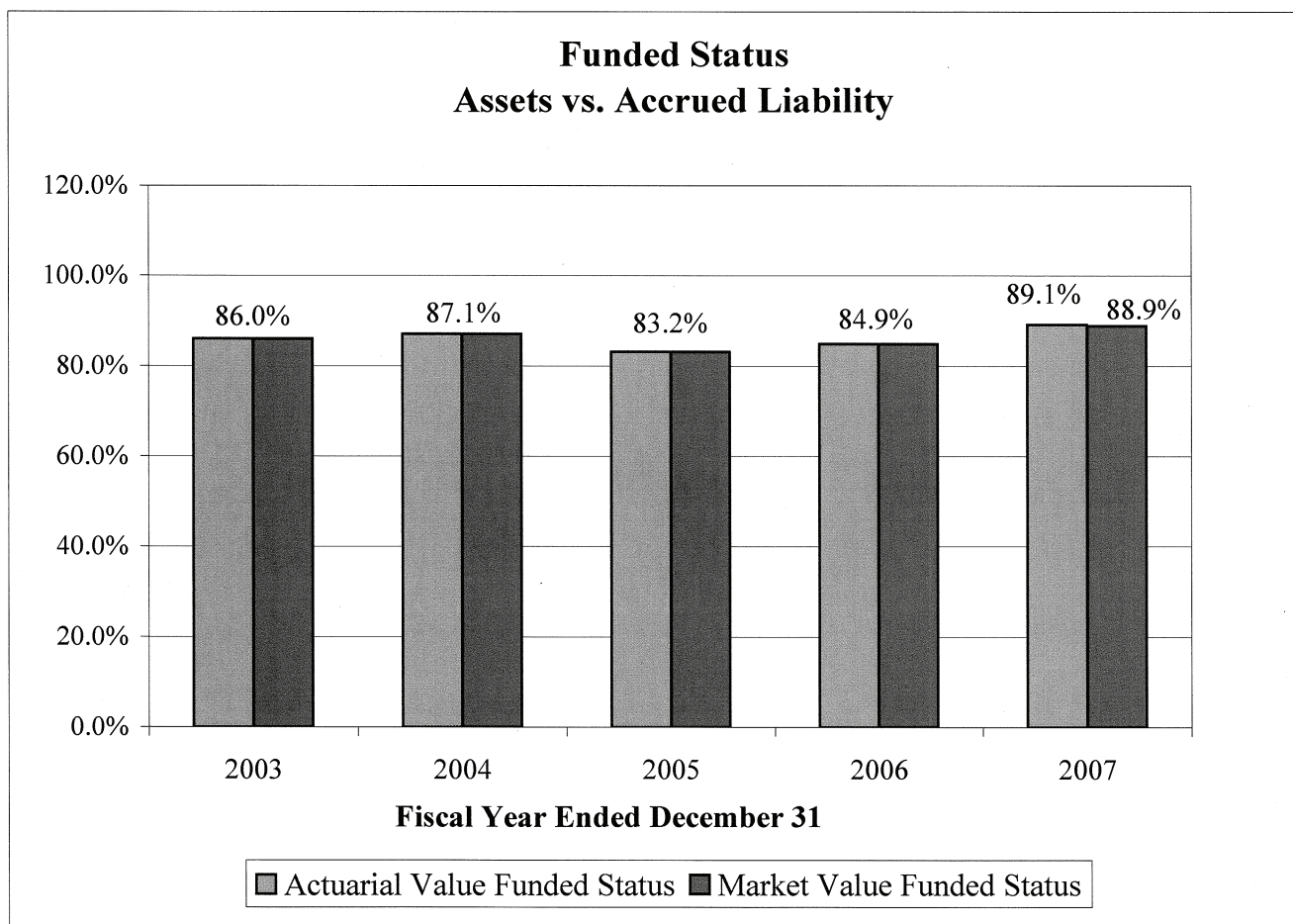
Reasons for Change in Funded Status

The actuarial value funded status increased from 84.9% as of December 31, 2006 to 89.1% as of December 31, 2007. The market value funded status increased from 84.9% as of December 31, 2006 to 88.9% as of December 31, 2007. In both cases, assumption changes adopted in conjunction with the most recent experience study was the primary reason for the increase.

Prior to any changes, both the actuarial value funded status and the market value funded status were 83.8% as of December 31, 2007. The change in benefit provisions (reducing the interest credit on member contributions from 7% to 5%) increased the funded status to 83.9%, the changes in actuarial assumptions increased the funded status to 88.9% and the change in asset method increased the actuarial value funded status to 89.1%

Summary of Valuation Results (continued)**Five-Year History of Funded Status
(Assets vs. Accrued Liability)**

Fiscal Year Ending	Funded Status	
	Actuarial Basis	Market Basis
2003	86.0%	86.0%
2004	87.1%	87.1%
2005	83.2%	83.2%
2006	84.9%	84.9%
2007	89.1%	88.9%



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)

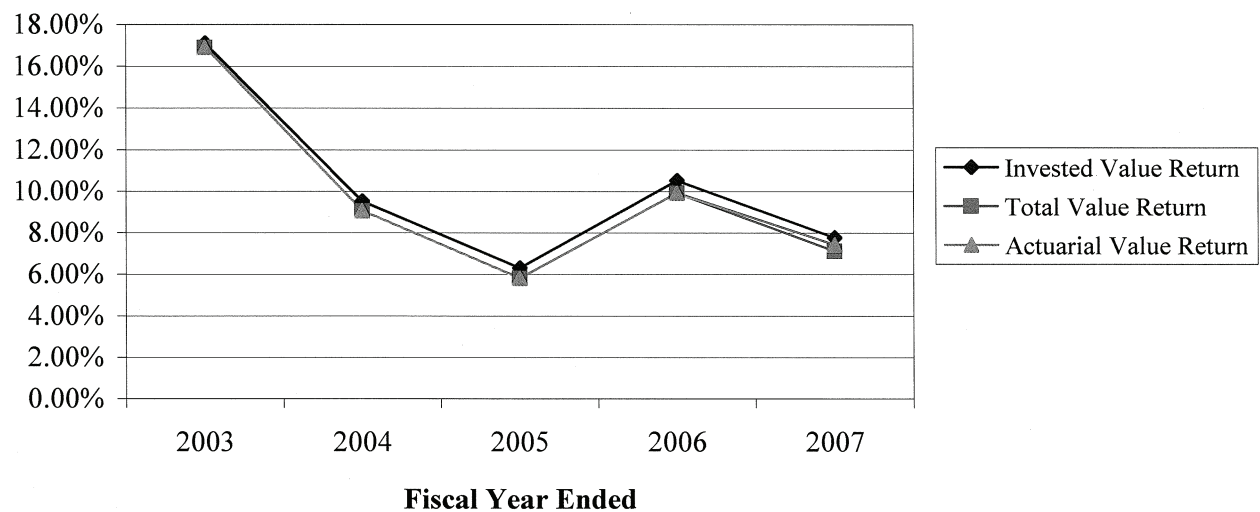
Rate of Return

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, 2007 was 7.76%. 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 7.12%. The investment return on the smoothed fair value of assets was 7.42%. 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 four-year period.

Summary of Valuation Results (continued)**Five-Year History of Rates of Return**

Fiscal Year Ending	Rate of Return on Assets		
	Invested	Total	Actuarial
2003	17.10%	16.90%	16.90%
2004	9.50%	9.05%	9.05%
2005	6.30%	5.80%	5.80%
2006	10.50%	9.91%	9.91%
2007	7.76%	7.12%	7.42%

Rates of Return

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 of Unfunded Accrued Liability
Table 6	Normal Cost
Table 7	Contribution Summary
Table 8	Schedule of Funding Progress
Table 9	Schedule of 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**

	<u>2007</u>	<u>2006</u>	<u>Increase/ (Decrease)</u>
Number of Members:			
Retirees	880	844	36
Beneficiaries	115	111	4
Disabled	13	13	0
Terminated Vested*	68	68	0
Portables	31	27	4
Active	1,425	1,414	11
Total Members	2,532	2,477	55
Projected Compensation for Coming Year	69,261,673	67,750,706	1,510,967
Average Compensation for Coming Year	48,605	47,914	691
Average Age (Active Members)	47.75	47.60	0.15
Average Service (Active Members)	11.96	11.99	(0.03)
Annual Retirement Allowance	14,682,156	13,645,458	1,036,698
Average Annual Retirement Allowance	14,566	14,097	469
Average Monthly Retirement Allowance	1,214	1,175	39

* The 68 Terminated Vested participants reported as of December 31, 2007 include 3 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, 2007**

1. Cash & Equity in Pooled Investments		27,612,414
2. Investments		
a. U. S. Fixed Income	59,554,752	
b. U. S. Common Stocks	117,308,394	
c. Real Estate Investment Trusts	14,609,211	
d. International Stocks	11,108,460	
e. Alternatives	11,238,690	
f. Total Investments		213,819,507
3. Receivables		
a. Accrued Interest and Dividends	781,684	
b. Taxes	0	
c. Other	17,246	
d. Total Receivables		798,930
4. Liabilities		
a. Accounts Payable	(253,828)	
b. Salary & Benefits	(56,150)	
c. Other	(12,052)	
d. Total Liabilities		(322,030)
5. Total Market Value of Net Assets		241,908,821

Table 2**ASSET INFORMATION****Market Value Reconciliation**

1. Total Market Value of Net Assets, 12/31/2006		231,576,121
2. Audit Adjustment		-
3. Contributions		
a. Employer	4,518,363	
b. Employee	4,518,363	
c. Total Contributions		9,036,726
4. Investment Earnings		
a. Interest & Dividends & Other Income	6,106,251	
b. Realized & Unrealized Gain/(Loss)	11,880,238	
c. Investment Expenses	(1,270,901)	
d. Total Investment Earnings		16,715,588
5. Benefit Payments		
a. Benefits	(14,253,955)	
b. Refund of Contributions	(717,005)	
c. Total Benefit Payments		(14,970,960)
6. Administrative Expenses		(448,654)
7. Total Market Value of Net Assets, 12/31/2007		241,908,821
8. Approximate Rate of Return on Total Assets		7.12%
9. Approximate Rate of Return on Invested Assets		7.76%

Table 2**ASSET INFORMATION****Smoothed Fair Value of Net Assets Determination**

1. Total Market Value of Net Assets, 12/31/2006	231,576,121
2. Expected Return for Plan Year	17,149,698
3. Actual Return for Plan Year	16,266,934
4. Total Market Value of Net Assets, 12/31/2007	241,908,821
5. Determination of Deferred Gain (Loss)	

<u>Fiscal Year</u>	<u>Actual vs. Expected Return</u>	<u>Portion Deferred</u>	<u>Deferred Amount</u>
2007	(882,764)	4/5	(706,211)
2006	N/A	3/5	N/A
2005	N/A	2/5	N/A
2004	N/A	1/5	N/A
Total	(882,764)		(706,211)
6. Smoothed Fair Value of Net Assets			242,615,032
7. Ratio of Smoothed Fair Value to Market Value (Must be between 90% and 110%)			100.29%
8. Approximate Rate of Return on Smoothed Fair Value of Net Assets			7.42%

Table 3**ACCRUED LIABILITY AND FUNDED STATUS**

1. Accrued Liability prior to Changes in Benefit Provisions and Assumptions		
a. Active	133,443,185	
b. Terminated Vested & Portables	8,183,779	
c. Retirees	137,053,797	
d. Beneficiaries	8,372,955	
e. Disableds	1,591,651	
f. Total Accrued Liability prior to Changes		288,645,367
2. Market Value of Assets		241,908,821
3. Unfunded Accrued Liability prior to Changes (1.f. - 2.)		46,736,546
4. Change in Unfunded Accrued Liability		
a. Due to Change in Interest Crediting Rate	(404,828)	
b. Due to Changes in Assumptions	(16,038,659)	
c. Due to Change in Asset Method	(706,211)	
d. Total Change in Unfunded Accrued Liability		(17,149,698)
5. Actual Unfunded Accrued Liability (3. + 4.c.)		29,586,848
6. Funded Liability Percentage as of December 31, 2007		89.1%

Table 4**ACTUARIAL (GAIN)/LOSS****1. Increase (decrease) in Unfunded Accrued Liability**

a. Unfunded Accrued Liability, prior year	41,241,484
b. Projected Unit Credit Normal Cost (excluding expenses)	8,524,448
c. Contributions	9,036,726
d. Interest	3,172,679
e. Expected Unfunded Accrued Liability, current year (a. + b. - c. + d.)	43,901,885
f. Actual Unfunded Accrued Liability, current year before benefit and assumption changes	46,736,546
g. (Gain)/Loss (f. -e.)	2,834,661

2. Reasons for (Gain)/Loss

a. Investment Return on Smoothed Fair Value of Assets	(260,791)
b. Other	3,095,452
c. Total	2,834,661

Table 5**AMORTIZATION OF UNFUNDED ACCRUED LIABILITY**

1. Actuarial Accrued Liability as of December 31, 2007	272,201,880
2. Smoothed Fair Value of Assets	242,615,032
3. Unfunded Accrued Liability (1. - 2.)	29,586,848
4. Amortization Period (maximum 30 years)	30
5. Amortization Factor	19.3357
6. Amortization Amount (3. / 5.)	1,530,167

Table 6**NORMAL COST**

1. Normal Cost for All Benefits	7,701,918
2. Offset for Employee Contributions	(3,989,324)
3. Estimated Expenses	500,000
4. Total	4,212,594

Table 7**CONTRIBUTION SUMMARY**

1. Annual Required Contribution Amount

a. Normal Cost	4,212,594	
b. Amortization Charges	1,530,167	
c. Total		5,742,761

2. Annual Required Contribution Rate

a. Normal Cost	6.08%	
b. Amortization Charges	2.21%	
c. Total		8.29%

3. Projected Pay for the Upcoming Year

69,261,673

Table 8**SCHEDULE OF FUNDING PROGRESS**

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a % of Covered Payroll</u>
12/31/98	169,501,938	166,001,552	(3,500,386)	102.11%	53,064,549	-6.60%
12/31/99	186,394,015	174,562,092	(11,831,923)	106.78%	54,142,268	-21.85%
12/31/00	194,488,937	187,644,219	(6,844,718)	103.65%	55,420,648	-12.35%
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%

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	Annual Excess/ (Shortfall)	Annual Pension Cost*	Percentage Contributed	Net Pension Obligation
12/31/1998	3,255,418	3,525,057	269,639	3,255,418	108.28%	(269,639)
12/31/1999	3,053,294	3,643,468	590,174	3,053,294	119.33%	(859,813)
12/31/2000	2,747,528	3,715,600	968,072	2,706,566	137.28%	(1,868,847)
12/31/2001	3,859,885	3,894,757	34,872	3,792,685	102.69%	(1,970,919)
12/31/2002	3,569,284	3,919,254	349,970	3,789,014	103.44%	(2,101,159)
12/31/2003	4,547,346	4,017,431	(529,915)	4,471,792	89.84%	(1,646,798)
12/31/2004	5,867,117	4,095,810	(1,771,307)	5,811,040	70.48%	68,432
12/31/2005	6,015,711	4,148,874	(1,866,837)	6,018,087	68.94%	1,937,645
12/31/2006	6,231,299	4,287,457	(1,943,842)	6,298,582	68.07%	3,948,770
12/31/2007	5,742,761	4,518,363	(1,224,398)	5,834,697	77.44%	5,265,104

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

Table 10**HISTORICAL SUMMARY OF FUND ADDITIONS AND DEDUCTIONS****ADDITIONS BY SOURCE**

<u>Fiscal Year Ended</u>	<u>Employer Contributions as a Percent of Payroll</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>	<u>Net Investment Income</u>	<u>Total</u>
12/31/98	6.72%	3,525,057	3,525,057	15,109,664	22,159,778
12/31/99	6.72%	3,643,468	3,655,819	18,454,642	25,753,929
12/31/00	6.72%	3,715,600	3,715,600	10,470,991	17,902,191
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	15,444,687	24,481,413

DEDUCTIONS BY TYPE

<u>Fiscal Year Ended</u>	<u>Benefit Payments</u>	<u>Refunds</u>	<u>Admin Expenses</u>	<u>Total</u>
12/31/98	7,327,482	547,031	352,272	8,226,785
12/31/99	7,779,528	502,764	375,385	8,657,677
12/31/00	8,704,644	520,973	429,178	9,654,795
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

Table 11**SCHEDULE OF MEMBERSHIP**

<u>Fiscal Year Ended</u>	<u>Active Members</u>	<u>Terminated Vested Members</u>	<u>Service Retirees and Beneficiaries</u>	<u>Disabled Retirees</u>	<u>Total Retirees</u>	<u>Total Members</u>
12/31/97	1,407	60	729	17	746	2,213
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

Table 12**SCHEDULE OF ACTIVE MEMBERS VALUATION DATA**

<u>Fiscal Year Ended</u>	<u>Active Members</u>	<u>Covered Payroll</u>	<u>Average Payroll Rate</u>	<u>Annual Percentage Increase in Average Payroll Rate</u>
12/31/1997	1,407	48,451,101	34,436	3.34%
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%

Table 13**SCHEDULE OF RETIREES ADDED TO AND REMOVED FROM ROLLS**

Fiscal Year Ended	Added	Annual Allowances		Annual Allowances		Total	Annual Allowances	Percent Change	Average Annual Allowances	Retirees as Percent of Active Members	
		Added	Removed	Removed	Removed					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%

Table 14**SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT**

Amount of Monthly Benefit	Number of Retirees	Type of Retirement*			Option Selected**						
		<u>1</u>	<u>2</u>	<u>3</u>	<u>LIFE</u>	<u>C1</u>	<u>C2</u>	<u>C3</u>	<u>C4</u>	<u>D</u>	<u>E</u>
1 - 100	1	1	0	0	1	0	0	0	0	0	0
101 - 200	26	19	0	7	7	0	0	0	0	3	16
201 - 300	34	29	1	4	22	1	1	0	0	4	6
301 - 400	57	43	0	14	29	1	0	0	0	7	20
401 - 500	68	50	2	16	35	0	0	1	1	11	20
501 - 600	61	51	0	10	37	0	0	1	0	7	16
601 - 700	62	52	2	8	32	0	0	0	0	9	21
701 - 800	66	56	1	9	40	0	0	0	2	9	15
801 - 900	59	52	1	6	39	0	0	0	0	7	13
901 - 1,000	55	49	0	6	24	3	1	1	0	6	20
1,001 - 1,500	211	181	6	24	111	1	1	1	1	23	73
1,501 - 2,000	151	141	0	10	74	0	0	0	1	22	54
Over 2,000	<u>157</u>	<u>156</u>	<u>0</u>	<u>1</u>	<u>71</u>	<u>3</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>32</u>	<u>50</u>
Total	1,008	880	13	115	522	9	3	5	5	140	324

*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
12/31/1997	6,205,060	110,548	685,793	354,289	7,355,690
12/31/1998	6,495,974	119,770	711,738	547,031	7,874,513
12/31/1999	6,921,021	145,322	713,185	502,764	8,282,292
12/31/2000	7,811,737	148,801	744,106	520,973	9,225,617
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

Table 15**SCHEDULE OF AVERAGE ANNUAL BENEFIT PAYMENTS**

<u>Fiscal Year Ended</u>	<u>Service Retirement and Beneficiaries</u>	<u>Disability Retirement</u>	<u>Total</u>	<u>Annual Percentage Increase in Average Benefits</u>
12/31/1997	9,452	6,503	9,385	
12/31/1999	10,330	8,073	10,277	4.64%
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%

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:	

<u>Years of Service</u>	<u>Turnover Probability</u>
<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:

<u>Age</u>	<u>Retirement Probability</u>
<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:

<u>Years of Service</u>	<u>Annual Increase</u>
<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 2007 valuation.

Definitions:

<u>Creditable Service</u>	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 30 years.
<u>Compensation</u>	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.
<u>Final Compensation</u>	The highest average annual Compensation received by a member during any two consecutive years of creditable service.
<u>Normal Retirement Date</u>	The first day of the month coinciding with or next following the attainment of age 62 and completion of 5 years of Creditable Service.
<u>Early Retirement Date</u>	The first day of the month coinciding with or next following the attainment of age 50 and completion of 5 years of Creditable Service.
<u>Member Contributions</u>	6.72% of Compensation is required to be paid by the members. These contributions are credited with 5% interest annually.
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 with 5 years of Creditable Service.
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 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.

Table 17**SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS**

Disability Retirement Eligibility:	Permanent and total disability, as determined by the Board, prior to age 65 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.
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:	<p>Not married or not completed 5 years of service</p> <p>Beneficiary will receive a refund of the member's contributions with interest.</p> <p>Married with 5 years of service</p> <p>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.</p>
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, 2007
Exhibit B	20 Year Benefit Payment Projections
Exhibit C	Age and Service Distributions
Exhibit D	Age, Salary and Service Distributions
Exhibit E	Average Benefits for Service Retirement
Exhibit F	Average Benefits for Survivor Beneficiary
Exhibit G	Average Benefits for Disability Retirement
Exhibit H	Average Benefits for Vested Terminations
Exhibit I	Average Benefits for Portables

EXHIBIT A**Summary of Membership Data as of December 31, 2007****Active Members**

Item	Male	Female	Total
Number of Members	909	516	1,425
Annual Salaries	\$43,788,652	\$22,437,360	\$66,226,012
Average Age	47.8	47.7	47.8
Average Service	12.9	10.4	12.0

EXHIBIT A
(continued)

Summary of Membership Data as of December 31, 2007

Retirees and Beneficiaries

Item	Number	Annual Annuities	Average Annuities
Retired Members	880	\$13,455,494	\$15,290
Survivor Annuitants	115	\$1,082,672	\$9,415
Disabled Annuitants	13	\$143,990	\$11,076
Total Annuitants	1,008	\$14,682,156	\$14,566

EXHIBIT A
(continued)

Summary of Membership Data as of December 31, 2007

Vested Terminations and Portables

Item	Number	Annual Annuities	Average Annuities
Vested Terminations	68	\$740,637	\$10,892
Portables*	31	\$164,178	\$5,296

* 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
2008	\$16,611,757	\$14,561,797
2009	17,361,261	14,293,832
2010	18,234,593	14,014,389
2011	19,093,990	13,715,231
2012	19,969,074	13,414,445
2013	20,790,044	13,084,388
2014	21,591,974	12,740,178
2015	22,289,566	12,394,635
2016	22,957,308	12,052,729
2017	23,522,087	11,702,798
2018	23,967,583	11,334,943
2019	24,316,454	10,969,217
2020	24,558,065	10,596,641
2021	24,712,301	10,217,564
2022	24,789,730	9,832,333
2023	24,708,735	9,397,310
2024	24,568,399	8,998,216
2025	24,362,546	8,594,340
2026	24,057,738	8,186,240
2027	23,667,246	7,774,608

EXHIBIT C**Age and Service Distribution****Spokane Employees' Retirement System**

Attained Age	Years of Creditable Service										Total
	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	
Under 25	9	15	0	0	0	0	0	0	0	0	24
25 to 29	17	39	13	0	0	0	0	0	0	0	69
30 to 34	17	37	37	2	0	0	0	0	0	0	93
35 to 39	15	39	53	33	9	1	0	0	0	0	150
40 to 44	9	44	43	45	44	4	0	0	0	0	189
45 to 49	6	42	40	50	57	22	10	0	0	0	227
50 to 54	11	36	49	39	66	33	31	9	0	0	274
55 to 59	13	26	49	46	49	20	31	26	6	0	266
60 to 64	1	9	17	15	22	14	12	8	9	1	108
65 to 69	2	0	6	4	5	0	1	3	0	1	22
70 & Up	0	0	1	0	1	0	0	0	0	1	3
Total	100	287	308	234	253	94	85	46	15	3	1,425
Freq. Pct.	7.0%	20.1%	21.6%	16.4%	17.8%	6.6%	6.0%	3.2%	1.1%	0.2%	100.0%

EXHIBIT D**Age, Salary and Service Distribution****Spokane Employees' Retirement System**

Attained Age	Years of Creditable Service										Total
	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	
Under 25	257,722	385,888	0	0	0	0	0	0	0	0	643,611
25 to 29	593,393	1,226,646	410,168	0	0	0	0	0	0	0	2,230,206
30 to 34	620,458	1,616,056	1,788,883	68,162	0	0	0	0	0	0	4,093,558
35 to 39	428,724	1,582,693	2,580,268	1,509,000	199,784	39,770	0	0	0	0	6,340,239
40 to 44	416,894	1,848,315	1,960,840	1,874,446	1,928,410	192,962	0	0	0	0	8,221,867
45 to 49	280,925	1,931,051	1,976,035	2,830,196	3,042,370	1,048,944	408,554	0	0	0	11,518,074
50 to 54	376,397	1,803,617	2,490,836	1,821,809	3,059,771	1,521,541	1,394,515	414,336	0	0	12,882,822
55 to 59	517,291	1,035,562	2,238,579	2,172,498	2,269,093	1,100,840	1,749,114	1,592,781	241,550	0	12,917,308
60 to 64	125,050	566,983	820,331	798,075	1,355,120	736,195	785,533	425,506	390,499	44,866	6,048,158
65 to 69	48,974	0	350,355	154,523	177,632	59,925	53,144	98,800	67,413	45,781	1,056,546
70 & Up	0	0	48,568	0	109,075	0	0	67,413	0	48,568	273,624
Total	3,665,827	11,996,812	14,664,863	11,228,709	12,141,254	4,700,176	4,390,859	2,598,835	699,462	139,214	66,226,012
Freq. Pct.	5.5%	18.1%	22.1%	17.0%	18.3%	7.1%	6.6%	3.9%	1.1%	0.2%	100.0%
Avg. Sal.	36,658	41,801	47,613	47,986	47,989	50,002	51,657	56,496	46,631	46,405	46,474

EXHIBIT E

**Average Benefits for Service Retirement
Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	0	0	0	0
50 to 54	44	16,728	32	16,092	76	16,460
55 to 59	89	19,167	43	13,730	132	17,396
60 to 64	94	20,231	65	12,387	159	17,024
65 to 69	89	19,518	58	12,408	147	16,713
70 to 74	85	16,894	43	11,854	128	15,201
75 to 79	57	14,410	27	10,964	84	13,302
80 to 84	47	13,148	27	11,679	74	12,612
85 to 89	38	10,540	19	9,389	57	10,156
90 to 94	10	8,563	12	6,701	22	7,547
95 & Up	1	3,301	0	0	1	3,301
Total	554	17,050	326	12,301	880	15,290
Average Age	68.3		68.0		68.2	
Freq. Pct.	63.0%		37.0%		100.0%	

EXHIBIT F

**Average Benefits for Survivor Beneficiary
Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	1	19,353	1	19,353
50 to 54	0	0	4	10,920	4	10,920
55 to 59	0	0	6	8,851	6	8,851
60 to 64	0	0	3	12,891	3	12,891
65 to 69	0	0	12	10,241	12	10,241
70 to 74	2	8,204	17	12,848	19	12,360
75 to 79	1	10,403	21	8,940	22	9,006
80 to 84	0	0	12	8,255	12	8,255
85 to 89	1	8,765	19	8,125	20	8,157
90 to 94	0	0	10	7,879	10	7,879
95 & Up	0	0	6	5,166	6	5,166
Total	4	8,894	111	9,433	115	9,415
Average Age	77.5		77.3		77.3	
Freq. Pct.	3.5%		96.5%		100.0%	

EXHIBIT G**Average Benefits for Disability Retirement****Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 50	0	0	1	16,035	1	16,035
50 to 54	3	14,293	0	0	3	14,293
55 to 59	0	0	2	9,296	2	9,296
60 to 64	3	12,290	1	12,898	4	12,442
65 to 69	0	0	0	0	0	0
70 to 74	0	0	0	0	0	0
75 to 79	2	6,631	0	0	2	6,631
80 to 84	0	0	1	3,453	1	3,453
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	8	11,626	5	10,196	13	11,076
Average Age	61.6		61.2		61.5	
Freq. Pct.	61.5%		38.5%		100.0%	

EXHIBIT H**Average Benefits for Vested Terminations****Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.	Number	Avg. Ben.	Number	Avg. Ben.
Under 30	0	0	0	0	0	0
30 to 34	2	11,163	3	7,247	5	8,813
35 to 39	4	6,252	4	8,037	8	7,144
40 to 44	11	12,989	7	11,453	18	12,392
45 to 49	13	12,681	13	11,178	26	11,930
50 to 54	4	8,116	7	10,533	11	9,654
55 to 59	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0
65 & Up	0	0	0	0	0	0
Total	34	11,398	34	10,386	68	10,892
Average Age	43.6		44.4		44.0	
Freq. Pct.	50.0%		50.0%		100.0%	

EXHIBIT I**Average Benefits for Portables****Spokane Employees' Retirement System**

Attained Age	Male		Female		Total	
	Number	Avg. Ben.*	Number	Avg. Ben.*	Number	Avg. Ben.*
Under 30	1	1,422	0	0	1	1,422
30 to 34	1	5,087	1	1,754	2	3,421
35 to 39	4	2,841	2	4,916	6	3,533
40 to 44	5	5,683	0	0	5	5,683
45 to 49	0	0	3	10,110	3	10,110
50 to 54	1	8,229	1	50	2	4,140
55 to 59	2	1,870	4	4,741	6	3,784
60 to 64	1	4,421	3	11,106	4	9,435
65 & Up	1	1,249	1	6,001	2	3,625
Total	16	3,996	15	6,683	31	5,296
Average Age	44.4		51.7		47.9	
Freq. Pct.	51.6%		48.4%		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



Little Guys on 21st Ave
Photography by Leo Griffin

Schedule of Revenues by Source

<i>Fiscal Year</i>	<i>Employer Contribution</i>	<i>Employer Contributions</i>	<i>Member Contributions</i>	<i>Net Investment Income</i>	<i>Total Revenues</i>
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

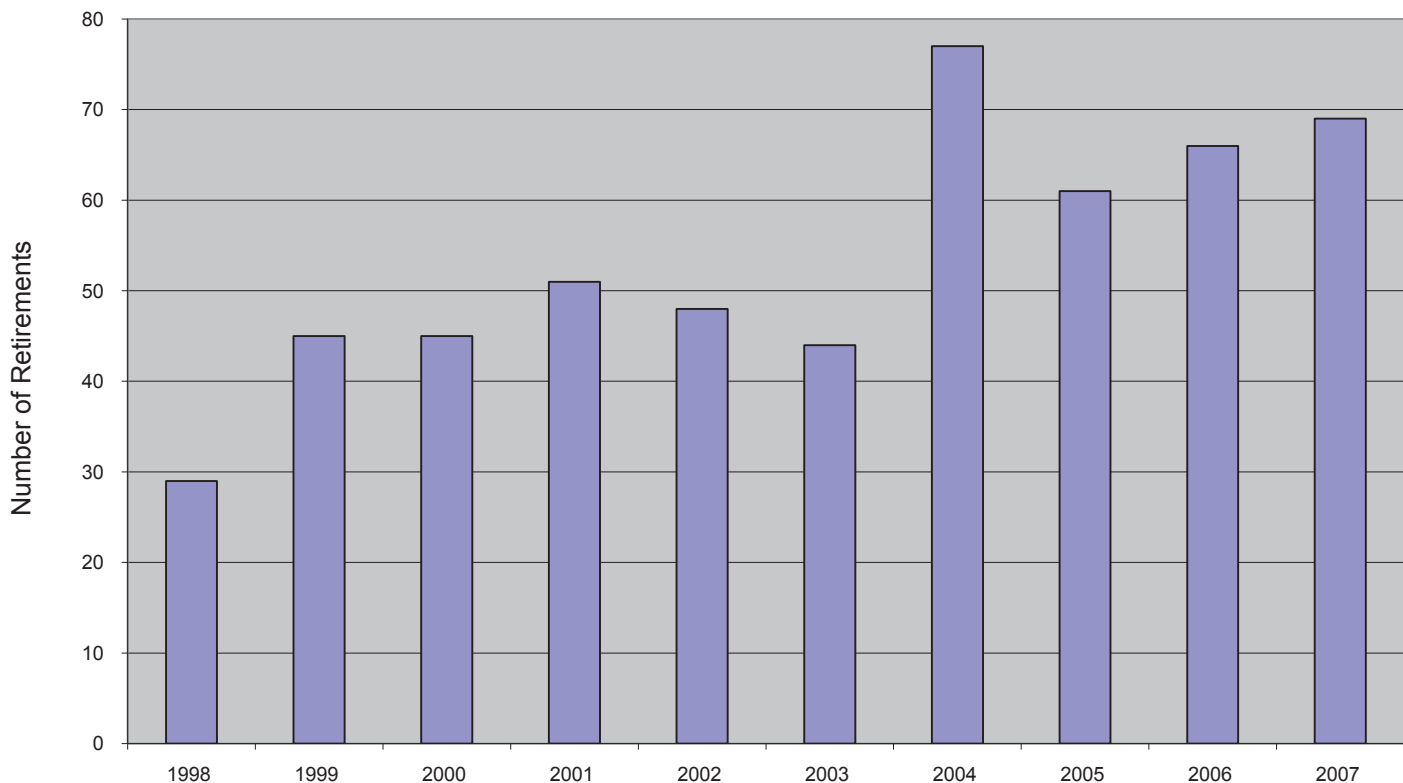
Schedule of Expenses by Type

<i>Fiscal Year</i>	<i>Benefits</i>	<i>Refunds</i>	<i>Net Administrative</i>	<i>Total Expenses</i>
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

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	14,970,960

Retirements by Year



Retirements During 2007

SERVICE RETIREMENTS

	Name	Department	Position	Date Retired	Option	Yrs Serv	Age
1	Donna M Fisk	Fire	Clerk Stenographer II	01/06/07	ST	40.5	59
2	Douglas K Schwab	Parks & Recreation	Parks Facility & Grounds Foreperson	01/09/07	B	28.4	53
3	Brian G Volesky	Sewer Maintenance	Waste Water Specialist	01/09/07	ST	29.5	50
4	Jon H Kowitz	Fleet Services	Cert. Equipment Maint. Foreperson	01/13/07	E	30.7	61
5	Michael C Shea	# Human Resources	Director	01/13/07	E	3.8	62
6	James T Pace	* Library	Professional Librarian I	01/16/07	ST	7.3	50
7	Larry E Lanning	Bldg. Services & Code Enforcement	Code Enforcement Supervisor	02/02/07	E	16.2	57
8	Mary L Breitzke	CCC-Fire	Fire Dispatcher	02/03/07	ST	9.1	58
9	Sharon L Erickson	Water	Clerk II	02/03/07	ST	22.5	68
10	Dale R Fattu	Fleet Services	Equipment Servicer (LO)	02/20/07	ST	15.3	56
11	Jeanne M Ruebke	*MIS	Information Analyst	02/25/07	E	11.1	50
12	George R Bailey	Solid Waste Mgt	Radio Operator II	03/02/07	D	27.4	53
13	Vicki B Hern	Police	Police Communications Supervisor	03/02/07	ST	20.9	62
14	Carol A Normandeau	Water	Accountant I	03/02/07	ST	10.0	61
15	Jeffrey B Lilly	Water	Water Serv/Maintenace Supervisor	03/03/07	D	29.4	52
16	John P Lynch	Mayor's Office	Deputy Mayor	03/10/07	E	6.0	59
17	Richard A Thain	AWWTP	WWTP Operator II	03/10/07	E	7.1	63
18	Garrett R Jessee	Water	Laborer II	03/11/07	ST	35.0	58
19	Victor L Jagim	Solid Waste Mgt	Laborer II	03/21/07	ST	6.1	53
20	Milton J Rowland	Legal	Assistant City Attorney L-III	03/24/07	E	14.0	53
21	Dennis R Clute	Fleet Services	Cert. Auto Body Specialist	04/03/07	E	30.6	53
22	Dennis B Cornelius	* Building Services	Cert. Inspector	05/02/07	E	6.1	50
23	David D Ingle	Police	Director-Police Admin. Sup. Serv.	05/05/07	E	22.3	58
24	Therese E Kallas	Probation Services	Clerk II	05/05/07	D	26.2	50
25	Karen L Taff	MIS	Programmer Analyst	05/05/07	ST	9.5	56
26	Stephen J Franks	Planning Services	Director	05/17/07	E	13.4	50
27	Janice L Freese	Mayor's Office	Administrative Assistant Exempt	06/02/07	D	27.1	67
28	Susan T Mahn	Administrative Services	Criminal Justice Administrator	06/02/07	ST	30.6	54
29	Karla C McNeilly	Probation Services	Chief Probation Officer	06/02/07	E	11.5	50
30	Donald D Salinas	Fleet Services	Electronic Comm. Systems Tech	06/02/07	E	15.8	53
31	William J Steiner	Fleet Services	Cert. Equipment Maint. Foreperson	06/02/07	ST	27.9	68
32	Karen R Trottman	Fire	Clerk III	06/02/07	E	19.7	63
33	Terrance L Murphy	Sewer Maintenance	Waste Water Inspector	06/05/07	E	29.8	51
34	James R Guyor	Civil Service	Exam and Class Analyst III	06/06/07	C-5	33.6	62
35	Lawrence Tennyson	Water	Water Service Specialist	06/07/07	ST	27.6	54
36	Randolph E Yates	Solid Waste Management	Refuse Collector II	06/30/07	ST	31.1	61
37	Laurence A Harding	Fleet Services	Equipment Servicer	07/06/07	ST	8.1	65
38	Valerie N Robbins	Street	Clerk III	07/07/07	D	22.2	54
39	Ronald E Sacco	Sewer Maintenance	Waste Water Inspector	07/07/07	ST	30.2	58
40	LuAnne D Naccarini	On behalf of Michael Naccarini	Deceased 12/20/02	07/09/07	E	5.2	55
41	John H Owen	Solid Waste Management	Accountant I	07/12/07	E	30.0	57

SERVICE RETIREMENTS (CONTINUED)

	Name	Department	Position	Date Retired	Option	Yrs Serv	Age
42	Bradley W Blegen	Water	Director	07/14/07	C-5	35.6	63
43	Ronald L Kerr	AWWTP	WWTP Operator II	07/15/07	E	29.2	50
44	William M Stephenson	Police	Clerk II	08/02/07	ST	14.2	62
45	Lucille J Way	Police	Police Records Specialist	08/02/07	ST	15.9	56
46	Bert L McGown	AWWTP	Electrician	08/04/07	B	30.0	58
47	Gary D Sciuchetti	Sewer Maintenance	Engineering Tech II	08/04/07	E	7.1	65
48	Kathy D Cmos	On behalf of Mike Cmos	Deceased 5/10/04	08/08/07	E	24.2	50
49	Glen W Satre	* Fire	Professional Plan Examiner	08/14/07	E	9.8	50
50	Stephen V Smith	* AWWTP	Chemist	08/15/07	ST	5.2	50
51	Barbara G Jenkins	CCC-Fire	Fire Dispatcher	09/04/07	ST	9.7	62
52	Larry A Michaels	AWWTP	WWTP Operator III	09/09/07	D	27.1	53
53	Kathy L Chandler	Parks & Recreation	Accounting Clerk	09/15/07	A	18.3	53
54	Marilyn M Fleenor	Library	Acctg/Personnel Assistant II	09/22/07	D	24.6	62
55	Richard L Frein	Public Facilities District	PFD Employee in SERS	09/23/07	E	13.3	52
56	Brenda A Tarvin	Municipal Court	Clerk III	10/03/07	ST	8.1	58
57	Henry O Bosse, Jr.	Bldg. Services & Code Enforc.	Labor Foreperson	10/06/07	E	15.7	67
58	Karen L Volland	Accounting	Accountant II	10/13/07	ST	15.3	54
59	William P Welsford	Street	Asphalt Raker	11/02/07	C-5	30.0	50
60	Janet M Ingram	Bldg. Services & Code Enforc.	Clerk III	11/03/07	ST	16.2	68
61	David B Tatro	Solid Waste Management	Refuse Collector II	11/03/07	ST	10.4	64
62	Charlene L Walt	Fire	Administrative Secretary	11/03/07	ST	23.0	64
63	Christine K McLaughlin	* Administrative Services	Administrative Assistant	11/23/07	ST	6.5	50
64	Dennis P Hession	Mayor's Office	Mayor	11/28/07	E	5.9	57
65	Marilyn D Laughter	Library	Library Clerical Assistant I	12/02/07	ST	15.0	62
66	Jeanie J Spiering	* Legal	Attorney IV	12/12/07	D	14.4	50
67	Dean S Fowler	Solid Waste Management	Senior Engineer	12/19/07	A	6.7	50
68	Michael A Smith	* Sewer Maintenance	Waste Water Specialist	12/24/07	E	6.2	50
69	Jared W Schatz	* Parks & Recreation	Accountant II	12/31/07	ST	10.1	50

* Retired as vested employee

Retired under membership through Portability

Deaths During 2007

Retiree Deaths

	Name	Date Retired	Date of Death	Age	Retirement Option
1	Harold Porteous	03/26/83	01/17/07	82	E
2	John Swanson	04/01/85	02/02/07	78	E
3	Louise Turner	11/22/75	02/16/07	91	A
4	Stanley Rizzuti	02/07/98	02/23/07	71	E
5	Lucile Schatz	01/19/80	03/31/07	88	A
6	Margaret Eklund	08/02/80	04/11/07	88	A
7	Celine Pearce	07/03/02	04/30/07	73	E
8	Lawrence Shepard	12/05/87	05/08/07	81	A
9	Larry Lang	01/20/00	05/20/07	67	ST
10	Richard Stickels	04/03/05	06/06/07	59	E
11	William Sutton	09/01/72	06/10/07	98	A
12	Donna Fisk	01/06/07	06/12/07	60	ST
13	Hallie Hibbs	10/11/03	06/26/07	70	A
14	Gordon Newberg	07/07/84	06/29/07	83	E
15	Brian Wozny	06/02/99	07/23/07	59	E
16	Dorothy Fenton	01/18/92	08/15/07	79	ST
17	Ronald Brown	08/17/91	09/13/07	75	E
18	Clark Hogle	07/26/86	09/21/07	83	A
19	Donald Seever	10/01/87	10/10/07	77	ST
20	Rudolph Brandvold	12/02/78	10/28/07	87	A
21	Otto Kreitz	08/08/81	10/28/07	90	A
22	Robert Davis	10/31/01	10/29/07	62	ST
23	Samuel McKenna	06/02/82	10/29/07	87	D
24	Harold Watkins	01/19/85	10/30/07	80	A
25	Duane Hill	07/08/94	11/06/07	75	E
26	Maxene Clearwaters	01/07/84	12/13/07	78	A
27	Alice Cooney	02/01/73	12/20/07	97	A
28	Joseph Pukansky	02/10/95	12/28/07	75	ST

Active Members Deaths

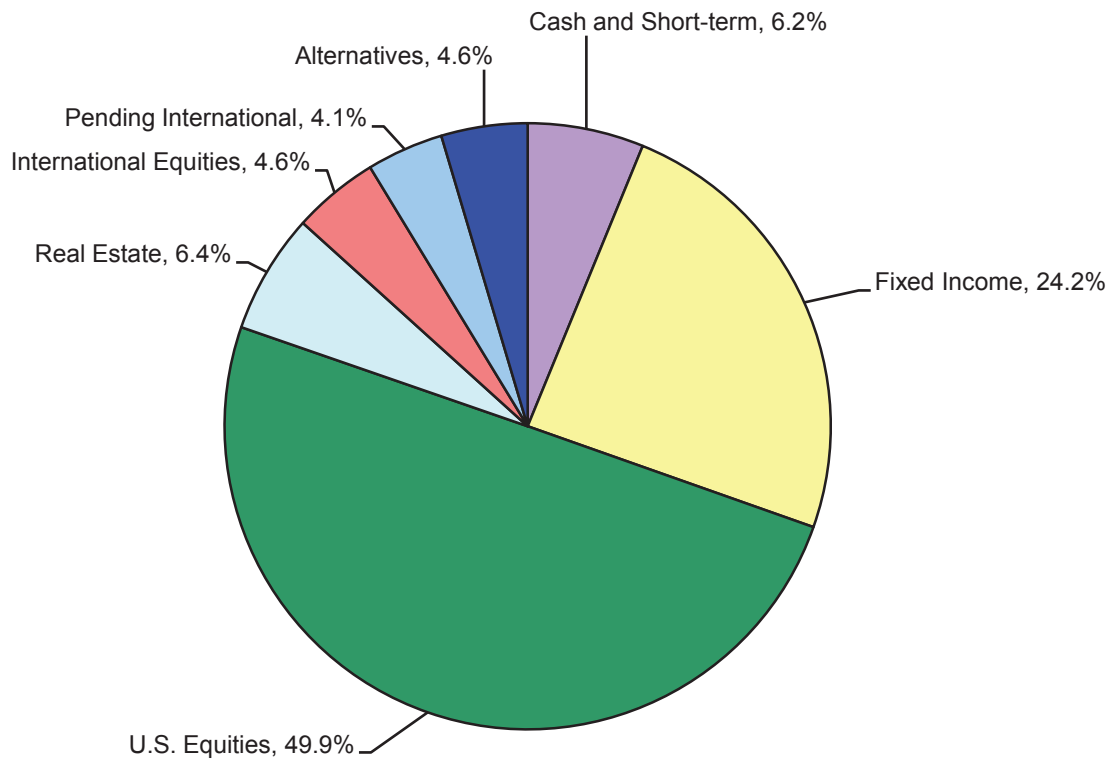
	Name	Department	Date of Death	Age	Years of Service
1	Ronald Schermerhorn	Solid Waste Management	04/16/07	60	26.5
2	Edward Frehse	Parks & Recreation	05/08/07	45	4
3	Gregory Beckham	Water	08/16/07	33	7

Investment Section

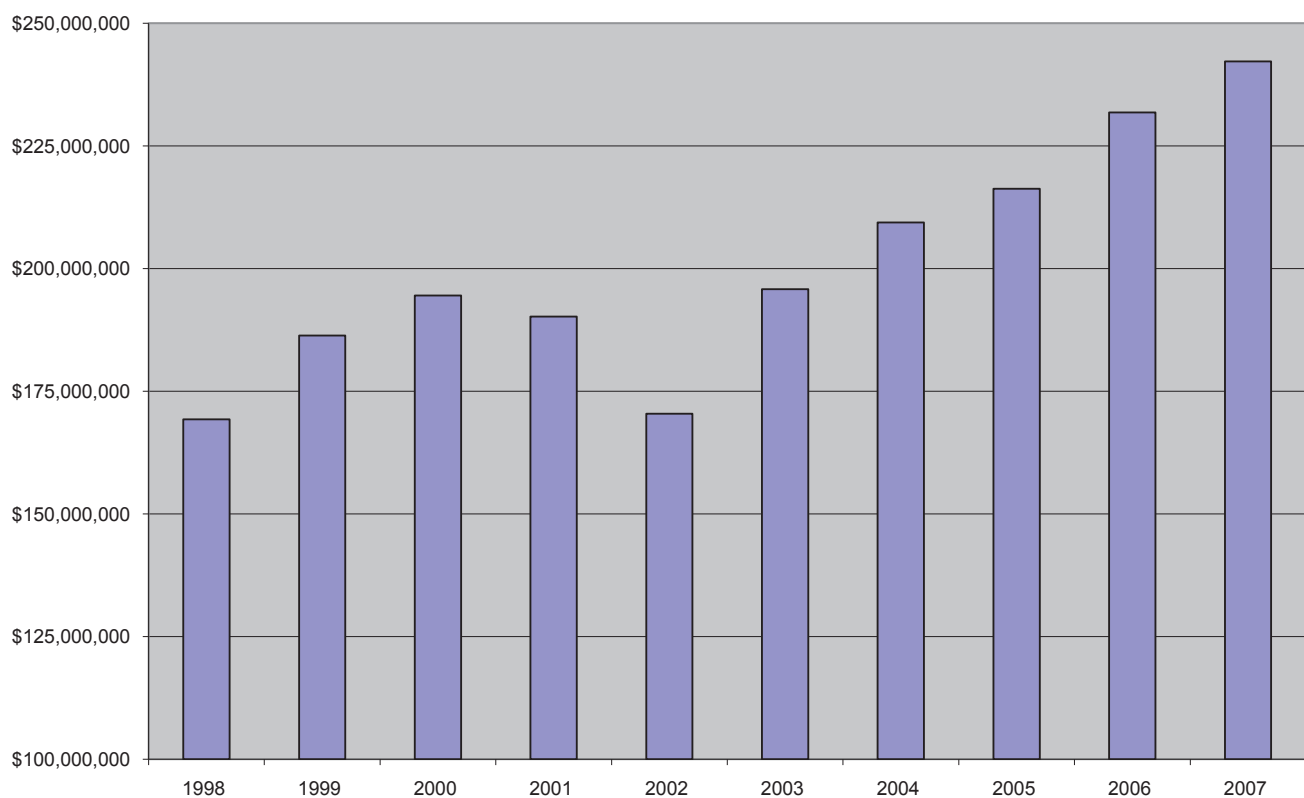


Spokane Snowman
Photography by Leo Griffin

Asset Allocation of Investments



Total Retirement Assets



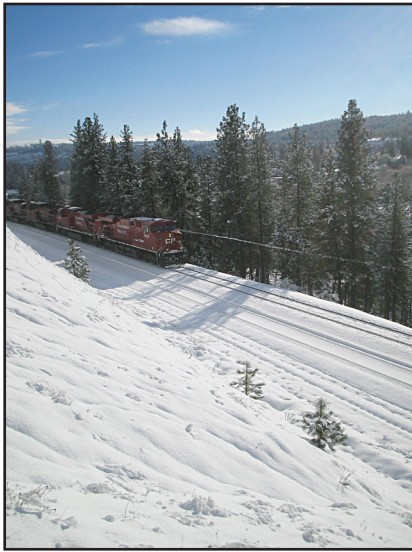
Schedule of Investment Results

	<i>Market Value of Investments</i>	<i>Net Investment Income</i>	<i>Investment Rate of Return</i>
1998	\$168,236,602	\$15,109,664	10.26%
1999	185,199,371	18,454,642	11.28%
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%

Investments Listed by Type

As of December 31, 2007

	<i>Investment Type</i>	<i>Market Value</i>
Equity Investments:		
ICM Asset Management	Small Cap Value	\$12,890,982
Rigel Capital	Small/Mid Cap Growth	8,693,930
Wentworth, Hauser, and Violich	Mid Cap Growth	8,494,303
Principal Real Estate Investors	Real Estate Investment Trusts	15,606,634
Eagle Capital Management	Large Cap Value	15,669,516
M.D. Sass Investor Services	Large Cap Value	14,925,577
Victory Capital Management	Large Cap Core	13,964,575
Rigel Capital	Large Cap Growth	10,335,791
Chase Investment Counsel	Large Cap Growth	10,565,575
Santa Barbara Asset Management	Large Cap Growth	9,265,416
Alternative Investments:		
Common Sense Offshore	Multi-Strategy Fund of Funds	11,238,690
Fixed Income Investments:		
Allegiance Capital	Core Bonds	18,191,551
McDonnell Investment Management	Core Bonds	18,291,439
Wedge Capital Management	Core Bonds	18,368,209
In-House Managed	Core Bonds	3,732,604
Mutual Funds:		
Euro Pacific Growth	International Equities	11,108,460
Bank of New York S&P 500 Index	Index Fund	15,965,696
Cash and Cash Equivalents:		
Cash Held by Treasurer	Cash & Cash Equivalents	169,956
Spokane Investment Pool	Cash & Cash Equivalents	1,393,298
Bank of New York	Cash & Cash Equivalents	13,441,403
Berens Global Value Fund (Pending)	Cash & Cash Equivalents	9,900,000
Total Cash and Investments		<u><u>\$242,213,605</u></u>



Spokane Employees' Retirement System

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