CITY OF NEWBERG
CITY RECORDER INDEX NO. 2045

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

ACTUARIAL VALUATION
As of July 1, 2003

Bruce R. Mitton, F.S.A., E.A.
Consulting Actuary

and

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November 26, 2003

Ms. Katherine L. Tri
Finance Director
City of Newberg
401 E. Third Street
Newberg, Oregon 97132

Dear Kathy:

At your request we have completed the actuarial valuation of the City of Newberg Employees Retirement Plan as of July 1, 2003. The results of the valuation are contained in the following report and summarized in Section 2.

In preparing our report, we relied without audit upon the employee and beneficiary data furnished us by the City and the financial statements provided by Principal Financial Group. We believe the data to be sufficient and reliable for the purposes of our calculations.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. We further certify that, in our opinion, the actuarial assumptions used are reasonably related to the experience of the Plan and to reasonable expectations and represent our best estimate of anticipated experience under the Plan. Nevertheless, the emerging costs of the Plan will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

Milliman's work is prepared solely for the internal business use of the City of Newberg and may not be provided to third parties without Milliman's prior written consent. The complete report may be distributed to the City of Newberg's auditors preparing the financial statements of the Plan.

I, Bruce R. Mitton, am a consulting actuary for Milliman USA. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully Submitted,

Bruce R. Mitton, F.S.A., E.A.
Consulting Actuary

BRM:whc

new:r:03v

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF JULY 1, 2003

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CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SECTION 1

SCOPE OF THE REPORT

This report presents the results of our actuarial valuation of the City of Newberg Employees Retirement Plan as of July 1, 2003.

Effective July 1, 2002, the City of Newberg General Employees Retirement Plan began merging with the Policemen and Firemen Retirement Plan. In portions of our report, we have shown results for the separate Plans for comparison to prior years, as well as the results for the combined Plan.

A summary of the findings resulting from this valuation is presented in Section 2 of the report along with the requirements for the Government Accounting Standards Board (GASB). The discussion found in Section 3 describes the actuarial concepts and methods upon which the findings are based. Tables 1 through 4 and 6 of that section summarize the calculations, which led to our findings. Tables 1, 2, 5, 7 and 8 show the GASB requirements.

All of the calculations of the valuation were carried out using certain assumptions as to the future experience of the plans in matters affecting the actuarial cost. Section 4 summarizes the most important of these assumptions and describes the actuarial procedures used to calculate costs.

Section 5 outlines the benefit and contribution provisions of the plans.

The membership data, which were supplied to us, are summarized in Section 6.

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SECTION 2

SUMMARY OF THE FINDINGS

This report presents the results of our actuarial valuation of benefits in effect under the Plan as of July 1, 2003. We have developed the following comparison with last year's results.

	7/1/02 Results	7/1/03 Results
Combined Plan		
Normal Cost Rate	16.8%	16.8%
Rate to amortize the unfunded actuarial liability	3.5%	4.3%
Recommended Contribution Rate	20.3%	21.1%
Less Employee Contribution Rate	(6.0)%	(6.0)%
Annual Required Contribution Rate	14.3%	15.1%
Fiscal Year Ending	June 30, 2004	June 30, 2005
Net Pension Obligation	$1,912	$2,597
For Year Ending	June 30, 2002	June 30, 2003
Invested Assets		
Member Accounts	$ 2,556,297	$ 2,710,305
City Accounts	7,997,349	8,546,068
Total	$ 10,553,646	$ 11,256,373

The total contribution rate increased, primarily due to experience losses. This increase was partially offset by a change to the Plan's definition of actuarial equivalence for General Services employees. The Annual Required Contribution before accounting for the plan change was 15.7%.

We have developed the following comparisons with the data of the previous valuations:

	2002 Data	2003 Data
Policemen and Firemen Plan		
Number of Members Valued		
Retired	12	12
Vested Terminated	1	1
Active	7	7
	20	20
Active Member Data		
Average Salary	$ 58,409	$ 63,056
Average Age	55.0	56.0
Average Years Employed	21.4	22.4
General Employees		
Retired	20	22
Vested and Non-vested Terminated	8	9
Active	47	45
	75	76
Active Member Data		
Average Salary	$ 39,311	$ 40,276
Average Age	45.9	46.2
Average Years Employed	10.4	10.4

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SECTION 3

DISCUSSION OF THE VALUATION

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to when those benefits are earned, rather than to when they are paid. There are a number of methods in use for making such a determination.

The method used for this valuation is technically referred to as the aggregate entry age normal actuarial cost method. Under the aggregate entry age method, the funding of the plan is separated into two pieces. First, a normal cost is determined by multiplying an aggregate entry age normal cost rate by current compensation. Second, the unfunded actuarial liability, which is the difference between the actuarial liability and the actuarial value of assets, is funded over a period of years. The unfunded actuarial liability will be amortized over 27 years for the July 1, 2003 actuarial valuation. In the future the amortization period will decrease annually by one until a period of 20 years is reached.

Effective July 1, 2002, the General Employees Retirement Plan began merging with the Policemen and Firemen Retirement Plan. In portions of this section we have shown results for the two plans separately and combined.

ACTUARIAL VALUE OF ASSETS

Table 1 shows the plan net assets as of July 1, 2003, and the changes to those assets in the preceding plan year.

Table 2 develops the actuarial value of plan assets as of July 1, 2003.

Table 3 develops the unfunded actuarial liability as of July 1, 2003.

ACTUARIAL BALANCE SHEET

Table 4 is the actuarial balance sheet as of July 1, 2003 based on our procedures and assumptions. The Resources equal the Requirements and can be thought of as the amount of funds resulting from

(1) the plan's Actuarial Value of Assets, plus

(2) the present value of future Employer contributions, plus

(3) the present value of future Member contributions.

The Actuarial Present Value of Benefits is the estimated single sum required on July 1, 2003 which, together with future interest earnings, would accumulate to provide all benefits due under the plan in the future for present members and beneficiaries.

The contribution rates recommended in this report are expected to remain stable as long as:

(1) Experience remains reasonably close to that expected according to the actuarial assumptions;

(2) Current eligibility and benefit provisions remain unchanged; and

(3) Contributions are made at the recommended rates.

ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued accounting standards for both the Financial Reporting for Defined Benefit Pension Plans (Statement No. 25) and the Accounting for Pensions by State and Local Governmental Employers (Statement No. 27).

> ***GASB Statement No. 25 - Financial Reporting for Defined Benefit Pension Plans.*** Statement No. 25 requires a summary of the funded status of the plan, and a statement on the relationship of the actual annual contributions to an annual required contribution (ARC). The initial effective period for Statement No. 25 was the plan year ending June 30, 1997 for the Plan.
>
> ***GASB Statement No. 27 - Employer's Accounting for Pension.*** Certain disclosures are required in the employer's financial statements including the annual pension cost (APC). Generally, the APC will equal to the employer's ARC, as actuarially determined by the funding methods and assumptions. If the actual contribution is either more or less than the ARC, then a Net Pension Obligation (NPO) must be determined, and this amount may be required to be disclosed in City's financial statements. The initial effective period for GASB 27 is the fiscal year ending June 30, 1997 for the City.

The required disclosure information under GASB 25 and GASB 27 is shown on Tables 5, 7 and 8 of this report.

Table 6 shows the ARC and APC contribution rates. The APC is larger (smaller) than the ARC depending on whether or not the City has a net pension obligation (asset). Tables 7 and 8 show historical information.

ACTUARIAL PROCEDURES AND ASSUMPTIONS

All of the calculations of the valuation were carried out using certain assumptions as to the future experience of the plan in matters affecting the actuarial cost. Section 4 summarizes the most important of these assumptions and describes the actuarial procedures used to calculate costs.

PLAN PROVISIONS

Section 5 outlines the benefit and contribution provisions of the Plan.

MEMBERSHIP INFORMATION

The membership data which were supplied to us are summarized in Section 6.

Table 1

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

STATEMENT OF PLAN NET ASSETS
(July 1, 2003)

(1)	Employer Account - General Acct.	$	2,589,894
(2)	Flexible Pension Investment Accounts		6,884,132
(3)	Separate Accounts		1,693,621
(4)	Subtotal	$	11,167,647
(5)	Receivable Contributions		
	Employee	$	33,798
	Employer		54,928
	Total	$	88,726
(6)	Total Assets	$	11,256,373

STATEMENT OF CHANGES IN PLAN NET ASSETS
(For the Year Ending June 30, 2003)

(1)	Increases		
	Employer Contribution	$	220,581
	Employee Contribution		137,340
	Earnings		830,620
	Total	$	1,188,541
(2)	Decreases		
	Expenses	$	34,197
	Benefits		451,617
	Total	$	485,814
(3)	Net Increase	$	702,727
(4)	Assets Held for Pension Benefit		
	Beginning of Year	$	10,553,646
	End of Year	$	11,256,373

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

ACTUARIAL VALUE OF PLAN ASSETS
(July 1, 2003)

Market Value Asset Reconciliation

	(1)	(2)	(3)	(4)	(5)
Fiscal Year Ending	Market Value of Assets Beginning of Fiscal Year	Contributions	Benefit Payments	Market Value of Assets at End of Fiscal Year	Actual Return (4)–(1)–(2)+(3)
2003	$10,553,646	$357,921	$451,617	$11,256,373	$ 796,423
2002	9,908,532	364,793	598,515	10,553,646	878,836
2001	10,099,454	360,712	317,947	9,908,532	(233,687)

Analysis of Market Value Investment Return

	(1)	(2)	(3)	(4)	(5)
	Fiscal Year Ending	Actual Rate of Return	Actual Return	Expected Return	Asset Gain/(Loss) (3)–(4)
(a)	2003	7.6%	$796,423	$788,010	$ 8,413
(b)	2002	9.0%	878,836	783,333	95,503
(c)	2001	–2.3%	(233,687)	809,667	(1,043,354)

Calculation of Actuarial Value of Assets

(1)	Market Value of Assets on July 1, 2003	$ 11,256,373
(2)	80% of 2003 asset gain/(loss)	$ 6,730
(3)	60% of 2002 asset gain/(loss)	57,302
(4)	40% of 2001 asset gain/(loss)	(417,342)
(5)	Total Adjustment to Market Value of Assets (2)+(3)+(4)	$ (353,310)
(6)	Actuarial Value of Assets on July 1, 2003 (1)–(5)	$ 11,609,683
	Actuarial Value as a Percentage of Market Value	103.1%

*Expected interest rate equals 8% for years ending before 2003.

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

DEVELOPMENT OF UNFUNDED ACTUARIAL LIABILITY
(July 1, 2003)

(1)	Unfunded Actuarial Liability July 1, 2002		$ 1,618,466
(2)	Normal Cost for 2002-2003 (mid-year)	$ 382,352	
(3)	Interest on (1) and (2) to June 30, 2003	135,723	
(4)	Contributions for 2002-2003	357,921	
(5)	Interest on Contributions to June 30, 2003	13,422	
(6)	Net Change in Unfunded Actuarial Liability as of June 30, 2003 (2)+(3)–(4)–(5)		$ 146,732
(7)	Expected Unfunded Actuarial Liability as of June 30, 2003 (1)+(6)		$ 1,765,198
(8)	Actuarial (Gain)/Loss		294,750
(9)	Effect of Plan Changes		(112,552)
(10)	Effect of Assumption Changes		0
(11)	Unfunded Actuarial Liability July 1, 2003		$ 1,947,396

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

ACTUARIAL BALANCE SHEET
(July 1, 2003)

RESOURCES

(1)	Actuarial Value of Assets		$ 11,609,683
(2)	Present Value of Future Employer Contributions		3,899,020
(3)	Present Value of Future Member Contributions		1,148,015
(4)	TOTAL RESOURCES		$ 16,656,718

REQUIREMENTS

Actuarial Present Value of Benefits

(5)	Retired or Disabled Members and Beneficiaries		$ 5,049,498
(6)	Vested Terminated and Inactive Members		931,667
(7)	Active Members		
	Retirement	$ 9,431,069	
	Withdrawal	717,814	
	Death	261,108	
	Disability	265,562	10,675,553
(8)	TOTAL REQUIREMENTS		$ 16,656,718

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

ANNUAL PENSION COST AND NET PENSION OBLIGATION
FOR YEAR ENDED JUNE 30, 2003

		Police and Fire	General Employees	Combined
(1)	Annual Required Contribution	$ 113,438	$ 107,161	$ 220,599
(2)	Interest on Net Pension Obligation	2,070	(1,927)	143
(3)	Adjustment to Annual Required Contribution	(1,324)	1,848	524
(4)	Annual Pension Cost (1) + (2) + (3)	$ 114,184	$ 107,082	$ 221,266
(5)	Contributions Made			220,581
(6)	Increase (Decrease) in Net Pension Obligation			$ 685
(7)	Net Pension Obligation Beginning of Year	$ 27,600	$ (25,688)	1,912
(8)	Net Pension Obligation End of Year			$ 2,957

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

ANNUAL REQUIRED CONTRIBUTION AND ANNUAL PENSION COST
JULY 1, 2003
(Rates as Percentages of Salary)

(1)	Present Value of Future Benefits	$ 16,656,718
(2)	Present Value of Future Normal Costs	3,099,639
(3)	Accrued Liability (1) – (2)	$ 13,557,079
(4)	Actuarial Value of Assets	11,609,683
(5)	Unfunded Actuarial Liability (3) – (4)	$ 1,947,396
(6)	Amortization Payment of the Unfunded Actuarial Liability (27 years)	$ 97,447
(7)	Normal Cost at Midyear	381,500
(8)	Total Recommended Contribution (6) + (7)	$ 478,947
(9)	Considered Pay	$ 2,269,818
(10)	Contribution Rate	21.1%
(11)	Employee Contribution Rate	6.0%
(12)	Annual Required Contribution (ARC) (net of employee contributions) (10) – (11)	15.1%
(13)	Interest on NPO	0.0%
(14)	ARC Adjustment	0.0%
(15)	Annual Pension Cost (APC) (12) + (13) + (14)	15.1%

GASB No. 25 and No. 27

ARC for Year Ending June 30, 2005	15.1%
APC for Year Ending June 30, 2005	15.1%

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS AND ANNUAL PENSION COST HISTORICAL TREND (July 1, 2003)

Policemen and Firemen Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	$ 97,465	100%
1999	124,329	78
2000	133,392	102
2001	133,964	100
2002	115,205	100

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2001	$ 134,350	100%	$ 26,416
2002	116,389	99	27,600

General Employees Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	$ 115,051	100%
1999	109,688	112
2000	108,728	100
2001	88,069	104
2002	105,316	105

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2001	$ 86,920	105%	$ (18,654)
2002	103,824	107	(25,688)

Combined Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2003	$ 220,599	100%

Year Ended June 30	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2003	$ 221,266	100%	$ 2,597

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SCHEDULE OF FUNDING PROGRESS

Policemen and Firemen Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
7/1/98	$3,311,153	$4,300,960	$ 989,807	77.0%	$487,082	203.2%
7/1/99	3,658,224	4,378,682	720,458	83.5	486,110	148.2
7/1/00	3,827,457	4,791,512	964,055	79.9	533,768	180.6
7/1/01	4,094,674	5,121,566	1,026,892	79.9	517,016	198.6
7/1/02	4,047,943	5,469,599	1,421,656	74.0	382,205	372.0

General Employees Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
7/1/98	$5,399,346	$5,049,632	$ (349,714)	106.9%	$1,561,910	(22.4)%
7/1/99	5,882,526	5,298,505	(584,021)	111.0	1,610,804	(36.3)
7/1/00	6,271,997	5,904,543	(367,454)	106.2	1,670,200	(22.0)
7/1/01	6,648,541	6,319,241	(329,300)	105.2	1,665,584	(19.8)
7/1/02	7,055,313	7,437,559	382,246	94.9	1,892,683	20.2

Combined Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) – (a)] / (c)
7/1/03	$11,609,683	$13,557,079	$1,947,396	85.6%	$2,269,818	85.8%

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

TEN-YEAR PROJECTION OF BENEFIT PAYOUTS

Plan Year Ending	Combined Plan
2004	$ 549,000
2005	607,000
2006	650,000
2007	743,000
2008	809,000
2009	887,000
2010	961,000
2011	1,049,000
2012	1,162,000
2013	1,242,000

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SECTION 4

ACTUARIAL PROCEDURES AND ASSUMPTIONS

This section of the report describes the actuarial procedures and assumptions used in this valuation. These procedures and assumptions have been chosen on the basis of recent experience of the plans and on current expectations as to future economic conditions.

The assumptions are intended to estimate the future experience of the members of the plans and of the plans themselves in areas, which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of the plans' benefits.

An "*" indicates a method or assumption has been revised since the last valuation.

ACTUARIAL COST METHOD

The accruing costs of all benefits are measured by the aggregate entry age normal actuarial cost method.

Under the aggregate entry age normal cost method, the normal cost is computed in the aggregate as the normal cost accrual rate multiplied by total current compensation of active members less than normal retirement age. The normal cost rate equals (A) the total present value of future benefits less the total actuarial liability divided by (B) the present value of future salaries. Each of these values is calculated at entry age. The normal cost for inactive members is $-0-. The actuarial liability is the present value of future benefits less the present value of future normal cost. The difference between the actuarial liability and the actuarial value of assets is the unfunded actuarial liability.

RECORDS AND DATA

The data used in the valuation consist of financial information and records of age, service and income of contributing members, former contributing members and their survivors. All of the data were supplied by the City and are accepted for valuation purposes without audit.

ADMINISTRATIVE EXPENSE

It is assumed that the administrative expenses will be met from earnings in excess of the assumed investment earnings rate, or paid outside of plan funds.

VALUATION OF ASSETS (effective July 1, 2001)

The Actuarial Value of Assets is determined using a five-year smoothing method. Under this method, annual asset gains and losses will be recognized fully after five years.

The five-year smoothing method will be phased in over five years. This year the actuarial value of assets is determined as follows.

(1) Market value of assets on the valuation date; less

(2) 80% of the difference between actual investment return and expected investment return for the plan year prior to the valuation date.

(3) 60% of the difference between actual investment return and expected investment return for the plan year two years prior to the valuation date.

(4) 40% of the difference between actual investment return and expected investment return for the plan year three years prior to the valuation date.

The Actuarial Value of Assets cannot be less than 80% nor greater than 120% of the Market Value of Assets on the valuation date.

INVESTMENT EARNINGS (effective July 1, 2002)

The future investment earnings of the assets of the plan are assumed to accrue at a net annual rate of 7.5%, compounded annually.

INTEREST ON MEMBER CONTRIBUTIONS

Interest on member contributions is assumed to accrue at a net annual rate of 8%, compounded annually.

POST-RETIREMENT BENEFIT INCREASES

It is assumed that the Consumer Price Index will increase at a rate in excess of 2% per year, so that retirement allowances will increase at the rate of 2% per year for eligible present retirees and after retirement for currently active members and their beneficiaries.

FUTURE SALARIES

The total annual rate of salary increase was assumed to be 5% per annum. It was estimated that the value of unused sick leave increases final average salary by 4%, and unused vacation pay increases final average salary by 2% for retirement benefits.

SERVICE RETIREMENT

The rates of retirement used in this valuation are shown below.

	Rates of Retirement	
Age	Police and Fire	General
50-54	10%	–
55	22%	5%
56	18%	5%
57-60	18%	10%
61-62	26%	22%
63	14%	22%
64	67%	22%
65	100%	100%

For terminations prior to early retirement eligibility, retirement is assumed to occur at age 55 for police and fire members, and at age 60 for general service members.

DISABLEMENT (effective July 1, 2002)

The rates of disablement used in this valuation are illustrated below.

	Rates of Disablement		
Age	General – Male	General - Female	Police and Fire
25	.00%	.00%	.00%
30	.11%	.03%	.22%
35	.11%	.03%	.33%
40	.15%	.24%	.38%
45	.46%	.24%	.80%
50	.68%	.76%	.84%
55	.91%	.77%	.00%
60	.00%	.00%	.00%

Disabled mortality was assumed to follow the 1983 Group Annuity Mortality Rates, male and female with ages set forward ten years.

MORTALITY

The probabilities of healthy member mortality are based on the following tables:

Males	The 1983 GAM Table for males
Females	The 1983 GAM Table for females

Post-retirement only for police and fire members.

ANNUITY

Retiring members may forfeit their right to an annuity based on the value of their post-July 1, 1979 employee contributions with interest, if they withdraw their accumulated contributions. We have assumed that 75% of retiring members will elect to receive the annuity instead of withdrawing accumulated contributions.

VESTING

Terminating members may forfeit a vested right to a deferred benefit if they withdraw their accumulated contributions. The table below gives the assumed probabilities, at selected ages, that vested terminating members will elect to receive the deferred benefit instead of withdrawing accumulated contributions.

Probabilities of Vesting
Upon Termination of Employment
With Five or More Years of Membership

Age	Police and Fire	General - Male	General - Female
25	100%	15%	30%
30	100%	30%	35%
35	100%	35%	45%
40	100%	40%	50%
45	100%	45%	60%
50	100%	80%	65%
55	100%	100%	100%

OTHER TERMINATIONS OF EMPLOYMENT

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown below for representative ages:

Police and Fire Employees Annual Withdrawal Rates (effective July 1, 2002)

No terminations are assumed to occur for police and fire employees.

General Employees Annual Withdrawal Rates

Males

Attained Age	1st Year	2nd Year	3rd Year	4th Year	5th Year	Thereafter
22	18%	18%	12%	10%	10%	7%
27	17	17	11	9	9	4
32	15	15	11	9	8	4
37	14	14	9	7	7	3
42	12	12	9	6	6	3
47	10	10	8	6	5	2

Females

Attained Age	1st Year	2nd Year	3rd Year	4th Year	5th Year	Thereafter
22	23%	23%	21%	20%	19%	13%
27	19	19	18	16	13	9
32	16	16	15	13	11	7
37	14	14	13	10	9	6
42	14	14	12	9	8	5
47	12	12	10	9	7	5

CHANGES SINCE THE LAST VALUATION

None.

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SECTION 5

PLAN PROVISIONS

1. **EFFECTIVE DATE**

   1964. The latest restatement date is July 1, 2002, at which date the General Employees Retirement Plan was merged with the Policemen and Firemen Retirement Plan.

2. **PLAN ELIGIBILITY**

   A full-time general employee becomes a member on his employment commencement date. PERS eligible general employees are excluded from participation. No new entrants are allowed under the Policemen and Firemen (P&F) provisions.

3. **NORMAL RETIREMENT**

   A. Eligibility

   First day of the month coinciding with or next following attainment of age 60 for general service and age 58 for P&F.

   B. Benefit

   (a) The product of the participant's high 36-month average monthly compensation times 1.67% for general service and 2.0% for P&F, times total Years of Service, plus

   (b) That portion of a participant's contribution account on or after July 1, 1979 shall be provided as an annuity or as a lump sum on the retirement date. (A general employee must be hired prior to July 1, 1993 for this benefit.)

   (c) Form of benefit: Life annuity with guaranteed payments for 60 months.

   (d) The retirement benefit is subject to a cost-of-living adjustment of up to 2% per year.

4. EARLY RETIREMENT

A. Eligibility

Attainment of age 55 for general service and age 50 for P&F.

B. Benefit

Vested accrued benefit on early retirement date, multiplied by factor below corresponding to the number of years the early retirement date is before the normal retirement date. Provided, however, that no reduction will apply to an active participant who retires on early retirement date with 30 years of service (25 years of service for P&F).

Number of Years Early Retirement Date is Before Normal Retirement Date	General Employees Factor	Policemen and Firemen Factor
1	.92	1.00
2	.84	1.00
3	.76	1.00
4	.68	.92
5	.60	.84
6	N/A	.76
7	N/A	.68
8	N/A	.60

5. DISABILITY

A. Eligibility

Totally and permanently disabled in the course of duty, or totally and permanently disabled after completion of ten years of service.

B. Benefit

General employees: Accrued benefit. (In no case will the monthly benefit be less than $100.)

Police and fire employees: Accrued benefit based on Average Compensation as of the date of disability and Years of Service as of the later of the date of disability or age 55.

In no case will the monthly benefit be less than $100 or greater than 75% of the Participant's Average Compensation.

6. DEATH BENEFIT

Two and two tenths times the participant contribution account plus the voluntary account, if any.

7. **VESTING**

A. Eligibility

Termination for reasons other than death, disability or retirement.

B. Benefit

If a participant has completed fewer than five years of plan participation, refund of employee contributions.

If a participant has five or more years of plan participation, vested accrued benefit or participant contribution account.

8. **MEMBER CONTRIBUTIONS**

All members contribute 6% of pay pursuant to the provisions of the Internal Revenue Code, Section 414(h).

9. **SENATE BILL 656 AND HOUSE BILL 3349**

For benefits payable on or after July 1, 1991, police and fire employees will have their monthly benefit increased by the better of SB 656 or HB 3349.

SB 656:

Years of Service	Percent Increase
10 or more but less than 20	1.0%
20 or more but less than 25	2.5%
25 or more	4.0%

HB 3349: Benefit attributable to pre-October 1, 1991 service will be increased by 1.0989.

10. **PLAN CHANGES**

Actuarial equivalence under the Plan was changed for General Employees effective September 1, 2002.

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SECTION 6

MEMBER INFORMATION

The following table shows the number of participants included in the current actuarial valuation.

	Police and Fire	General Service	Combined
Active			
Age 65 & Over	1	0	1
Other Vested Participants	6	35	41
Non-Vested Participants	0	10	10
TOTAL ACTIVE	7	45	52
Inactive			
Retired	12	22	34
Vested Terminations	1	8	9
Non-Vested Terminations	0	1	1
TOTAL INACTIVE	13	31	44
TOTAL PARTICIPANTS	20	76	96
Anticipated 2003-2004 Compensation for Actives under Age 65	$413,192	$1,856,626	$2,269,818

The distribution of earnings for the 2002-03 plan year follows on the next two pages.

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SUMMARY OF ACTIVE MEMBERS
(as of July 1, 2003)

	Years of Credited Service							
	Under 1		1 to 4		5 to 10		10 to 15	
Age	Police and Fire	General	Police and Fire	General	Police and Fire	General	Police and Fire	General
Under 25	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0
30 to 34	0	1	0	3	0	2	0	1
35 to 39	0	0	0	2	0	0	0	0
40 to 44	0	0	0	4	0	4	0	2
45 to 49	0	0	0	0	0	3	0	1
50 to 54	0	0	0	0	0	3	0	3
55 to 59	0	0	0	1	0	1	0	2
60 to 64	0	1	0	0	0	1	0	0
65 & Up	0	0	0	0	0	0	0	0
Total	0	2	0	10	0	14	0	9

	Years of Credited Service							
	15 to 20		20 to 25		Over 25		Total	
Age	Police and Fire	General	Police and Fire	General	Police and Fire	General	Police and Fire	General
Under 25	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	7
35 to 39	0	1	0	0	0	0	0	3
40 to 44	0	0	0	1	0	0	0	11
45 to 49	1	0	0	2	0	1	1	7
50 to 54	0	1	1	0	2	1	3	8
55 to 59	1	0	0	1	0	1	1	6
60 to 64	1	1	0	0	0	0	1	3
65 & Up	1	0	0	0	0	0	1	0
Total	4	3	1	4	2	3	7	45

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SUMMARY OF VESTED TERMINATED MEMBERS
(As of July 1, 2003)

Age	Count	Total Monthly Benefit*
Under 35	0	$ 0
35 – 39	0	0
40 – 44	1	433
45 – 49	1	695
50 – 54	2	842
55 – 59	4	2,185
Over 60	1	213
Totals	9	$ 4,368

*Does not include an additional $502,143 payable from account balances.

CITY OF NEWBERG
EMPLOYEES RETIREMENT PLAN

SUMMARY OF RETIRED MEMBERS
(As of July 1, 2003)

Age	Count	Total Monthly Benefit
Under 55	3	$ 4,484
55 – 59	3	5,397
60 – 64	6	7,802
65 – 69	10	11,018
70 – 74	5	2,581
75 – 79	3	1,855
80 – 84	3	1,973
Over 84	1	974
Totals	34	$ 36,084