

COUNCIL BILL NO. 140080

ORDINANCE NO. 3739

AN ORDINANCE

TO PROVIDE A CONTINUATION OF RETIREMENT BENEFITS FOR THE CITY OF MARIETTA; TO APPROVE THE ADOPTION OF A NEW RETIREMENT SYSTEM WITH AETNA LIFE AND CASUALTY COMPANY; TO AUTHORIZE THE MAYOR TO EXECUTE ANY AND ALL DOCUMENTS NECESSARY TO BIND THE CITY OF MARIETTA WITH AETNA LIFE AND CASUALTY COMPANY FOR RETIREMENT BENEFITS FOR THE EMPLOYEES OF THE CITY OF MARIETTA; TO DIRECT THE CITY CLERK TO ATTEST ALL DOCUMENTS AND OTHER INSTRUMENTS NECESSARY FOR THE PURPOSE OF THIS ORDINANCE; TO REPEAL CONFLICTING ORDINANCES; TO PROVIDE AN EFFECTIVE DATE; AND FOR OTHER PURPOSES.

BE IT ORDAINED by the Council of the City of Marietta, and it is hereby ordained by the authority of the same, as follows:

1. In order to secure a successor pension, retirement and disability plan for the employees of the City of Marietta, the Mayor is authorized and directed to execute a pension contract with Aetna Life and Casualty Company pursuant to a pension plan offer submitted by Aetna Life and Casualty Company to the City of Marietta dated July 19, 1980, which was approved at the December 10, 1980, regular Council meeting, Council Bill No. 138080, Resolution No. 15-353A, said pension plan being attached hereto and incorporated by reference herein as Exhibit "A".
2. Upon a recommendation of the Pension Board, the Mayor is authorized and directed to execute an agreement contracting with the Aetna Life and Casualty Company and providing a pension plan for all employees currently employed by the City of Marietta, Georgia.
3. The City Clerk is directed to attest any and all instruments under the seal of the City which the Mayor is authorized and directed to execute by this ordinance.
4. All ordinances and parts of ordinances in conflict with this ordinance are hereby repealed.
5. This ordinance shall be effective upon its passage by the Council of the City of Marietta.

ORDAINED this 30th day of December, 1980.

ATTEST: /s/ BARBARA M. GOSCHA, City Clerk
APPROVED AS TO FORM: /s/ ROY E. BARNES, City Attorney

/s/ J. DAMA EASTHAM, Mayor

COUNCIL BILL NO. 140080

E X H I B I T "A"

ORDINANCE NO. 3739

A GROUP RETIREMENT PLAN PROPOSAL FOR EMPLOYEES OF CITY OF MARIETTA

Submitted by

AETNA LIFE INSURANCE COMPANY

July, 1980

PENSION INVESTMENT CONTRACT FUNDING

NOTICE: This quotation is submitted on the condition that appropriate legal authority exists for the City of Marietta to enter into the proposed Group Annuity Contract, and on the condition that, if the proposed plan provides for employee contributions, such contributions may be legally withheld from the compensation of your employees, and applied toward plan benefits.

If our Company is selected as the successor funding agent for the City's pension plan, we will request a written opinion from your attorney which adequately assures us that you have the legal authority to enter in the proposed Group Annuity Contract, and that you have the legal authority to fund the contract with public monies. This opinion must cite the legal authority supporting the opinion, and a copy of the minutes authorizing the adoption of the contract must also be submitted.

Additionally, this quotation is submitted on the condition that the pension plan to which this quotation pertains is one that will satisfy the qualification requirements of the Internal Revenue Service under Section 401(a) of the Internal Revenue Code. If you have already received a favorable advance determination letter from the Internal Revenue Service for your plan, we would like to receive a copy of the letter. If your plan has not been submitted to the Internal Revenue Service for qualification, we will request a written statement from your attorney stating that in his opinion, your plan when submitted would meet the qualification requirements prescribed in Section 401 of the Internal Revenue Code.

MINUTES, COUNCIL PROCEEDINGS, CITY OF MARIETTA, GEORGIA

This proposal is based on current rates and underwriting rules for contracts effective 1980 and it will not be binding unless accepted in writing by the earlier of: (a) ninety days of its delivery, or (b) December 31, 1980. We have prepared this proposal at the request of the City of Marietta. This material should be carefully reviewed by all interested parties, including the City's counsel.

AETNA LIFE & CASUALTY

Aetna's investment management services for qualified pension and capital accumulation plans are backed by the financial strength and commitment to leadership in the employee benefit field of the Aetna organization. Facts about our company include:

With over \$30 billion in assets, Aetna Life & Casualty is the nation's largest diversified financial services institution. While Aetna's primary business is insurance, its operations also include real estate and land development, business financing, investment management, and a joint venture in satellite communications. Aetna's common stock is listed on both the New York and Pacific Exchanges, and has unlimited trading privileges on other regional exchanges. We have approximately 37,000 common shareholders and 80.8 million shares outstanding.

Founded in 1853, Aetna Life Insurance Company is the largest subsidiary of the holding company "Aetna Life & Casualty" and is the nation's largest stock life insurer. The Aetna Casualty & Surety Company is the nation's 3rd largest underwriter in the casualty property field. Diversified affiliates include Urban Investment and Development Co., and a joint partnership in Satellite Business Systems, Inc. (SBS).

Aetna has been in the employee benefit business for over 60 years and enjoys an approximate 10% share of this growing and competitive market. Total annual premium income from all group operations for 1979 from over 30,000 group clients was in excess of \$4.7 billion, an increase of 24% over 1978 results. Much of this increase came from strong gains in the pension and capital accumulation line, the fastest growing part of Aetna's group business. Premiums and deposits on pension lines rose 61% in 1979 to \$2.2 billion, more than six times the amount five years ago.

Assets under management for pension and capital accumulation plans total in excess of \$12.7 billion. Aetna's commitment to this market is evidenced by its over 10,600 full-time Group Division employees, including a sales field force of over 358 specialists located in 95 offices nationwide.

PART I RETIREMENT PLAN AND FUNDING PAYMENTS

PLAN OUTLINE

INTRODUCTION: An Aetna Group Pension Contract can accommodate a wide variety of plan provisions. Therefore, if desired, the plan outlined herein can be modified to meet your special requirements.

The City of Marietta first established a Pension Plan and Trust Agreement for its employees on November 1, 1973. This proposal contemplates that the Plan's funding medium will be converted to an unallocated funding Group Pension contract. It is further contemplated that at the time of conversion, the assets of the Trust will be transferred for investment under the Group Pension Contract.

DEFINITION: Present Participant: An employee who is actively participating in the Plan on July 1, 1980, and who does not retire or otherwise terminate his employment on July 1, 1980.

EFFECTIVE DATE: The effective date of the Plan is November 1, 1973. As of July 1, 1980, the Plan is being restructured. The provisions of the restructured Plan are outlined herein.

ELIGIBILITY: All present participants continue to participate in the Plan. An employee, other than a Present Participant, is eligible on the effective date if he is in service. An employee not eligible on the effective date will be eligible for the plan on his date of employment.

RETIREMENT: Normal Retirement - Age 65 for general employees; age 55 for police and firemen.

NORMAL PENSION BENEFIT: The yearly pension at retirement equals 1.1% of annual earnings up to the employee's covered compensation line at the time of retirement, plus 2% of annual earnings in excess of the line, multiplied by the employee's completed years of service.

"Annual earnings" means average annual total earnings during the 3 consecutive years immediately preceding retirement.

"Covered Compensation" is determined as the average of the maximum wages subject to Social Security taxed during an employee's working lifetime.

DISABILITY BENEFIT: An employee who is permanently and totally disabled is eligible for a disability benefit if he is eligible for Social Security disability benefits.

The amount of monthly disability benefit equals 50% of the employee's monthly earnings as of the date of disability, payable for life.

PRE-RETIREMENT LUMP-SUM DEATH BENEFIT: A lump sum death benefit equal to the actuarial equivalent of the participant's accrued benefit, plus - up by one-half the number of years of service remaining until Normal Retirement (but in no event will service be plus - up by more than ten years), will be paid to the participant's beneficiary.

NORMAL FORM OF PENSION: For married employees the pension benefit, as determined under the Normal Pension Benefit section of this proposal, is payable in an actuarially reduced amount for life. Upon the death of the employee, payments equal to 50% of the amount being paid to the employee will be continued to his spouse for the remainder of her life.

For unmarried employees the pension benefit, as determined under the Normal Pension Benefit section of this proposal, is payable in an unreduced amount for life.

Optional forms of pension such as the Life Annuity Option, Joint Annuity Option, Certain and Continuous Option, and Social Security Adjustment Option are available.

VESTING: An employee who terminates service after completing 10 years of service will retain a vested interest in 100% of the pension previously credited to him by employer contributions.

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LONG TERM COST AND ANNUAL PAYMENTS

Coincident with the installation of a pension plan, a funding program must be established conforming to Internal Revenue Service Regulations for a qualified plan, the Employee Retirement Income Security Act of 1974 (ERISA) and the advice of an actuary. ERISA stipulates Minimum Funding Requirements, and plan sponsors are subject to penalty taxes (which are not deductible) if the Minimum Funding Requirements for a plan year are not met during that plan year, or within the extensions permitted by the Internal Revenue Code, as amended from time to time.

The actuary for a pension plan will provide an estimate of the magnitude and frequency of payments necessary to adequately fund the plan. The determination of the level of such estimated payments, referred to as a "valuation", will be based on certain actuarial assumptions made by the actuary with regard to future plan experience, such as interest earnings, rates of death and termination, expenses, etc.

Payments made to fund a pension plan do not determine the ultimate cost of the plan. Such ultimate cost may be determined only when the last benefit has been paid. The long term cost of a plan may be expressed as: COST equals BENEFITS PAID plus EXPENSES minus INVESTMENT RETURN.

The actuary's estimate does not represent a guarantee as to future cost. As actual experience unfolds, the initial actuarial assumptions may have to be modified if it is found that these assumptions are not accurately depicting true experience. This, in turn, may indicate adjustments are necessary in the funding rate, or in the plan benefit level if the income to the plan is fixed by negotiation.

To determine a schedule of payments to fund the liabilities of the proposed pension plan an actuarial valuation was performed using set of actuarial assumptions we believe to be appropriate and reasonable, and in accord with the precepts of the Employee Retirement Income Security Act of 1974. If the Aetna is selected as underwriter and plan actuary, we recommend these funding assumptions. Should there be any appropriate factors bearing on the assumptions which have not been brought to our attention, we would be pleased to discuss the matter further.

ACTUARIAL COST METHOD AND ASSUMPTIONS

The following actuarial cost method and assumptions have been used in our valuation. The results produced by the valuation are shown on the next page.

Actuarial Cost Method: The ENTRY AGE NORMAL cost method is an annual payment arrangement which spreads out the cost of providing an employee's projected pension benefit over his entire working career. This annual payment is referred to as the Normal Cost payment and represents the amount of pension cost attributable to benefit liabilities for a given year. The sum of the Normal Costs for all employees is the Normal Cost for the employee group. ENTRY AGE NORMAL assumes that these payments began when an employee first started accruing years of service for the purposes of the plan, even though the plan might not have been in effect on that date. As of the plan effective date, the total theoretical accumulated value of those Normal Cost payments that would have been made had the plan been in effect when all present covered employees began accruing years of service is referred to as the Initial Accrued Liability. This liability is usually financed over a period of years, and the payments are in addition to the Normal Cost payments.

Actuarial Assumptions

Mortality: Group Annuity Mortality Table 1951, Projected to 1962 by Scale C.

Interest: 7% compounded annually

Retirement Age: Normal Retirement Age.

Estimate of Long Term Average Administrative Expenses: 4%, but in no event less than \$5.00 per yr.

Terminations (Other Than By Death and Disability):

General Employees: Discounted in advance in accordance with a scale based on age. For example - male rate of 9.6% at age 25, 2.8% at age 45, and .2% at age 60; female rate of 17.4% at age 25, 6.1% at age 45, and .2% at age 60.

Police and Firemen: Discounted in advance in accordance with a scale based on age. For example - male rate of 9.6% at age 25, 2.6% at age 45, and 0.0% at age 60; female rate of 17.4% at age 25, 6.0% at age 45, and 0.0% at age 60.

Disability: Incidence of Disability - 1969 Society of Actuaries Study of Long Term Disability Insurance Experience.

Salary Projection Scale: 6% per annum compounded annually, up to NRA.

Social Security: Social Security benefits are based on the law in effect on July 1, 1980.

Projected Social security benefits are based on percentages (often referred to as replacement ratios) of earnings projected at age 65. The percentages used to derive the Social Security primary insurance amounts recognize both a projection of the wage base beyond the \$29,700 level fixed by legislation for 1981 and an indexing of prior earnings.

Covered Compensation: The OASDI wage base is assumed to increase at the rate of 5% per annum, from \$29,700 in 1981. Sample Covered Compensation lines are shown below:

<u>Calendar Year of 65th Birthday</u>	<u>Covered Compensation</u>
1980	\$ 9,400
1985	13,500
1990	17,800
1995	22,900
2000	31,500
2005	42,400
2010	56,100
2015	72,900
2020	93,200
2025	118,900

ACTUARIAL VALUATION RESULTS

Summary of Employee Data:

Total Number of Employee Data	545
Exclusions - Incomplete Data	2
- Not Yet Eligible	70
- Part-time	19
Number Included in Valuation	454

Recommended Funding Payment For Year Beginning July 1, 1980:

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Recommended Funding Payment For Year Beginning July 1, 1980:

Normal Cost Payment		Recommended
Unfunded Accrued Liability Payment		\$ 345,200
Total Payment		178,500
Initial Accrued Liability		\$ 523,700
Less: Special Payment Toward Initial Accrued Liability		5,302,100
Unfunded Accrued Liability		3,087,900
Eligible Payroll		\$ 2,214,200
Total Employer Payment as Percentage of Total Eligible Payroll		5,828,252
		9.0%

NOTE: This basis assumes that annual Accrued Liability and Normal Cost payments will be made at the end of the plan year. Unfunded Accrued Liability payments reflect an amortization period of 30 years.

The preliminary funding estimates above have been determined utilizing the employee data submitted for this valuation, the actuarial assumptions enumerated on a previous page, and the plan provisions outlined in the first section of this proposal. Valuations using revised employee data, actuarial assumptions or plan provisions are likely to produce different results.

The existing funding program and prior actuarial methods have not been taken into consideration in developing these estimates. If Aetna is selected as plan actuary, previous valuation reports must be reviewed by Aetna and it may be necessary for Aetna to consult with the prior plan actuary to ensure an appropriate transition. Final contribution levels may change following this review and consultation.

As plan actuary, Aetna would provide the City of Marietta with a final valuation report as of July 1, 1980. Your actuary would be available to personally discuss the results of the valuation study with the City's management. The actuary would provide all of the professional services necessary to assure the monitoring of plan funding and appraisal of benefit adequacy.

/s/ GENE A GOLDMAN
Fellow of the Society of Actuaries

PART II
PENSION FUNDING AND OTHER AETNA SERVICES

AETNA'S PENSION INVESTMENT CONTRACT

Fund: Payments to an Aetna Pension Investment Contract are accumulated in the Fund established for that contract. There is flexibility with respect to both the amounts of annual payments and the types of investments of the Fund. Fixed-income investments are handled through Aetna's General Account and this part of the Fund is referred to as the "Regular Account portion". A contractholder may also direct a portion of his funding payments to common stock investments through the use of Aetna's Separate Account facilities, and this is referred to as the "Separate Account portion".

The Fund represents all assets held under the contract. The Fund is increased each year by contractholder payments and net investment return and it is decreased each year by benefit payments and expense charges.

The balance of the Regular Account portion of the Fund equals the amount of deposits, plus interest, minus deductions for expenses and benefits paid. The Regular Account portion, in excess of the minimum balance required to pay retirement benefits, may be withdrawn or transferred to the Separate Account portion of the Fund. Any such withdrawal or transfer is subject to a "market value" adjustment.

Aetna guarantees that the interest rate to be credited to the Regular Account in 1980 with respect to deposits received during 1980 will not be less than an annual rate of 10.50%.

In addition, during the five-year period ending December 31, 1984, the average annual interest rate to be credited to the 1980 investment year increment will at least equal 10.35%.

Direct Rating: The Fund held under the contract reflects experience with respect to the following:

1. Payments and withdrawals.
2. Investment return.
3. Expense charges.
4. Benefits paid.

Expenses: At the end of each calendar year an expense charge is assessed against the Regular Account portion of the Fund. Our expense formula for calendar year 1980 is outlined below:

1. Asset Charge
On assets held in the Fund, a charge based upon the total mean assets in both the Regular and Separate Account portions of the Fund. The charge will be the greater of (a) \$125 for each month during which funds are held under the contract or (b) the amount derived by applying the charges in the following table to the total mean assets of both the Regular and Separate Account portions of the Fund.

	<u>Mean Assets</u>	<u>Percentage Charge</u>
First	\$ 1,000,000	.45%
Next	4,000,000	.25%
Next	5,000,000	.15
Next	15,000,000	.08
Next	75,000,000	.07
Over	100,000,000	.05

Note: The asset charge is pro-rated if the contract is active for less than a full calendar year.

2. Separate Account Charges
If the Fund includes assets in a Separate Account at any time during the year, charges for each such Separate Account (other than short-term Separate Accounts Nos. 30, 77, 78, and 86) will be assessed in the amount of \$1,000 for each pooled Separate Account, or \$2,000 for each individual Separate Account.

Note: Separate Account management fees are assessed separately and the fee varies according to the Separate Account utilized.

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3. Disbursement Payment Charges

The charges for disbursement payment arrangements will be as follows:

- (a) For an Aetna administered arrangement, the charge will be \$2.15 for each monthly payment to each payee.
- (b) For an employer administered arrangement, the charge will be \$1.25 for each monthly payment to each payee.

4. Other Charges

- (a) Charges will be made equal to the amounts actually incurred for commissions, production of booklets, forms and other material requested by the contractholder. Charges for actuarial services and active life recordkeeping services will be based on time spent in providing these services.
- (b) Whenever any special services are required in connection with the contract, appropriate charges may be made against the Fund.

Contract Discontinuance

Recognizing that conditions change and that there could be reason for discontinuance in the future, the contract provides flexible arrangements.

Any assets held in the Separate Account portion of the Fund are cashed out at the current market value of the participation units held for the contract.

The contractholder may cash out the Regular Account portion in annual installments at book value, or in a lump sum at market value. The terms of each option are provided in writing to each contractholder.

This proposal is based on current rates and underwriting rules for contracts effective in 1980, and it will not be binding unless accepted in writing within 90 days of its delivery. We have prepared this proposal at the request of the employer. It should be carefully reviewed by the employer and his counsel to determine its applicability to the employer's own situation.

In connection with the contractual offering that is described in this proposal Aetna reserves the right at some future date to require advance notice (such as 30 days) of a contractholder deposit of 5 million dollars to the Regular Account portion of the Fund and to limit the amount of such deposit.

Aetna Life Insurance Company will provide upon request, financial information concerning the company including its balance sheets and statements of operations for the past two years. The company will provide you with any additional information (including information concerning interest credits, guarantees and withdrawal rights) which you may request concerning the group product described herein.

THE GENERAL ACCOUNT

General Description

Pension plan deposits designated for fixed income investment by the contractholder are merged with the general assets of Aetna Life Insurance Company. Over half of this pool of 14.6 billion dollars represents tax qualified pension plan assets. Investments include direct and private placements, commercial mortgages and real estate. The Account provides a high rate of return relative to other fixed income investment alternatives with attendant low risk.

Favorable investment results are possible because of several continuing advantages:

- (a) A predictable cash flow enables us to deal in large private placements, thereby increasing net yield without sacrificing quality or security.
- (b) Aetna can commit funds to loan well in advance because of this predictable cash flow. This permits us to adjust our advance commitments as changes in the money market are anticipated.
- (c) Aetna's nationwide facilities enable us to take advantage of the best investment opportunities as they occur anywhere in the United States. A major portion of our General Account is invested in large commercial mortgages offering a favorable combination of yield and security.

Money invested in the General Account is guaranteed against reduction in value as long as it remains in the Account.

Aetna's Investment Year Method

Pension clients are not credited with an average of yields on all investments in the General Account. A more equitable means of distribution - the Investment Year Method - is employed. This system is designed to recognize the returns generated by each client's deposits as they are received and invested. Accordingly, receipts are segregated by calendar year. Each investment year is assigned its appropriate initial earned interest rate (i.e., "new money" rate). As invested funds are gradually repaid to Aetna and reinvested, the original rates are adjusted (yearly) to reflect any difference. The latest fifteen investment years are maintained separately. An average rate is applied to all older investments for purposes of crediting interest.

Investment Results

To illustrate our Investment Year Method, net interest rates credited in recent years to regular account funds under our Pension Investment Contracts are shown below.

Year Interest Credited	Interest Rate Credited to Investment Year Increment				
	1979	1978	1977	1976	1975
1979	9.84%	9.24%	8.788%	9.200%	9.447%
1978		9.203	8.715	9.133	9.384
1977			8.650	9.122	9.388
1976				9.140	9.410
1975					9.417

The following is a comparison of Investment Year New Money Rates with an index of high-quality new bond issues:

Year of Investment	Aetna's New Money Rate	Average New AAA * Bond Rates	Margin
1979	9.85%	9.95%	(.10)%
1978	9.20	8.92	.28
1977	8.65	8.07	.58
1976	9.14	8.35	.79
1975	9.42	9.06	.36

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Our current estimate of the new money rate which will be applicable to 1980 fixed income investments is a range of 10.40% to 11.00%, with 10.70% as the most probable rate.

EQUITY INVESTMENTS

In addition to offering fixed income investment in the General Account; Aetna's pension contracts also provide separate account facilities for equity investment.

Although common stock investment involves a greater degree of risk (i.e., volatility in year to year return) than fixed income investment, many contractholders choose to include equities in their pension portfolios in order to:

- a) diversity among different classes of assets; and
- b) participate in the long term return advantage over fixed income investments which common stocks have historically provided.

Contractholders electing to direct a portion of plan deposits to Aetna for equity oriented investment may choose to participate in one or more of several pooled separate accounts. By providing a variety of equity investment facilities, each with different investment objectives and characteristics, Aetna affords each contractholder with a full opportunity to select the separate account facility that best matches with his particular equity investment objectives and interests.

Comprehensive descriptive material, explaining each of Aetna's separate accounts, is available upon request. Brief descriptions are attached of those separate accounts which we have found have the most general appeal.

The separate accounts described are pooled accounts which are divided into participation units. Each time a contractholder directs funds to a separate account the number of new units issued equals the amount of the deposit divided by the current value of the participation unit. The units issued to a contractholder are held in a portion of the contract separate from the regular account funds.

The value of a participation unit may vary either up or down with the market value of the investments of the separate account and is net after any investment expenses charged against the total assets of the separate account.

COMMON STOCK INVESTMENT - SEPARATE ACCOUNT 1

CHARACTERISTICS: This pooled equity account seeks to be fully invested in common stocks, but will hold short-term debt (subject to a 40% limitation) whenever the investment outlook is unfavorable or uncertain. Its investment style is conservative with the account holding at least 40 issues oriented toward ownership of large capitalization stocks with proven records for profitability, growth, and/or leadership in their specific fields.

SUITABILITY: The management style of this account is intended to appeal to pension funds seeking equity exposure based upon relatively broad diversification and investment in financially proven companies.

EXPENSES: The annual account management fee of .30% of mean account assets, as well as stock brokerage commissions and other transaction costs resulting from the sale or purchase of securities within the account, are reflected in the net asset value of the separate account; i.e., the participation unit value is net after these expenses.

The expense charges which would apply directly against the Pension Contract are described elsewhere in this proposal.

PERFORMANCE: The performance results illustrated below are expressed as the time-weighted rate of return for a single investment at the beginning of the periods indicated. The results for Separate Account 1 are net after transaction costs and management fees, while the results for the S&P 500 have been computed on a basis which assumes reinvestment of dividends, but have not been adjusted for expenses.

Account	1975	1976	1977	1978	1979	Average Annual Compound Return for Five Years
SA 1	27.44%	15.20%	-6.15%	8.33%	18.61%	12.10%
S&P 500	37.34	23.71	-7.32	6.53	18.59	14.75

COMMON STOCK INVESTMENT - SEPARATE ACCOUNT 2

CHARACTERISTICS: This pooled equity account invests in common stocks or short-term debt. It is an actively managed fund which seeks to outperform the S&P 500 over any three year period. The account holds a moderately diversified portfolio of stocks, all of which are screened by our research staff for quality. Although the majority of companies held in the account are large capitalization stocks with proven records of profit, and/or industry leadership, the account may also invest in a limited number of carefully selected smaller companies when this strategy is appropriate.

SUITABILITY: The management style of this account is intended to appeal to clients who seek a relatively higher expected return from equity exposure and are willing to assume a corresponding greater degree of risk.

EXPENSES: The annual account management fee of .30% of mean account assets, as well as stock brokerage commissions and other transaction costs resulting from the sale or purchase of securities within the account, are reflected in the net asset value of the separate account; i.e., the participation unit value is net after these expenses.

The expense charges which would apply directly against the Pension Contract are described elsewhere in this proposal.

PERFORMANCE: The performance results illustrated below are expressed as the time-weighted rate of return for a single investment at the beginning of the periods indicated. The results for Separate Account 2 are net after transaction costs and management fees, while the results for the S&P 500 have been computed on a basis which assumes reinvestment of dividends, but have not been adjusted for expenses.

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Account	1975	1976	1977	1978	1979	Average Annual Compound Return for Five Years
SA 2	39.02%	22.96%	2.10%	9.96%	18.54%	17.87%
S&P 500	37.34	23.71	-7.32	6.53	18.59	14.75

EQUITY ORIENTED INVESTMENT - SEPARATE ACCOUNT 88 (Discretionary Management Account)

CHARACTERISTICS: This pooled account invests in common stocks, bonds, or short-term debt, depending on Aetna's current investment outlook for these financial markets. The stock portion of the account, which is broadly diversified, is managed in general correlation with the industry and company weightings of the S&P 500. The debt portions of the account emphasize high levels of quality and liquidity.

The account seeks to achieve above market return over a full market cycle principally through investment timing which stresses relative preservation of capital in down markets. Its conservative nature is reflected by its expectation of outperforming a bear market while normally lagging strongly advanced markets.

SUITABILITY: The management style of this account is intended to appeal to pension funds which seek exposure to the stock market, but desire a funding vehicle which provides greater protection against market decline than that which is provided by a traditionally managed common stock portfolio.

EXPENSES: The annual account management fee of .35% of mean account assets, as well as stock brokerage commissions and other transaction costs resulting from the sale or purchase of securities within the account, are reflected in the net asset value of the separate account; i.e., the participation unit value is net after these expenses.

The expense charges which would apply directly against the Pension Contract are described elsewhere in this proposal.

PERFORMANCE: The performance results illustrated below are expressed as the time-weighted rate of return for a single investment at the beginning of the periods indicated. The results for Separate Account 88 are net after transaction costs and management fees, while the results for the S&P 500 have been computed on a basis which assumes reinvestment of dividends, but have not been adjusted for expenses.

Account	1975	1976	1977	1978	1979	Average Annual Compound Return for Five Years
SA 8	25.33%	13.69%	-3.27%	6.96%	11.73%	10.50%
S&P 500	37.34	23.71	-7.32	6.53	18.59	14.75

COMMON STOCK INVESTMENT - SEPARATE ACCOUNT 73 (Index Account)

CHARACTERISTICS: This pooled account seeks to closely match the performance of the S&P 500 stock index by buying and holding nearly all 500 companies. In order to minimize transaction costs, deposits and withdrawals are permitted once per month. Funds received more than one day prior to the monthly transaction date will be invested in short-term debt instruments. Short-term interest, reduced by a fee of 1/8% per annum, is credited to the deposits.

SUITABILITY: The Index Account offers predictable "at market" performance, low transaction costs, and reduced management fees. As such, it is designed to appeal to pension funds seeking to achieve a rate of return from equity investment which closely approximates the return provided by the S&P 500.

EXPENSES: The annual account management fee of .10% of mean account assets, as well as stock brokerage commissions and other transaction costs resulting from the sale or purchase of securities within the account, are reflected in the net asset value of the separate account; i.e., the participation unit value is net after these expenses.

The expense charges which would apply directly against the Pension Contract are described elsewhere in this proposal.

PERFORMANCE: The performance results illustrated below are expressed as the time-weighted rate of return for a single investment at the beginning of the periods indicated. The results for Separate Account 73 are net after transaction costs, but before management fees, while the results for the S&P 500 have been computed on a basis which assumes reinvestment of dividends, but have not been adjusted for expenses.

Annual Periods Ending:	Index Account	S&P 500	Spread
6-30-78	-0.02%	0.07%	-0.09%
12-31-78	6.36	6.53	-0.17%
6-30-79	13.49	13.57	-0.08%
12-31-79	18.34	18.59	-0.25%

AETNA SERVICES

Aetna offers all necessary services in connection with establishing and administering a pension plan and funding program. Services are divided into four broad categories:

First, contractual services required under the terms of the Group Pension Contract, including administration and investment of funds;

Second, benefit payment services for retired employees;

Third, plan valuation services, including development and maintenance of the advance funding program and providing advice and options on any matters affecting that program; and,

Fourth, recordkeeping services with respect to active employees.

Contractual Services: Contractual Services commence with the preparation of the contract which serves as the funding medium. The Pension Plan document is often prepared by the Aetna in conjunction with the contract, but may be prepared outside by an attorney or consultant selected by the contractholder.

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Aetna also expects to print copies of a booklet announcing and explaining the Plan to the employees.

All assets held in the contract are administered and invested by the Aetna and a regular accounting is furnished.

Benefit Payment Services: As part of our offer, and in order to assist our Pension Investment Contractholders in meeting their long term pension plan objectives, Aetna will agree to enter into a Disbursement Payment Agreement (DPA) with the Contractholder. This arrangement does not involve the purchase of an annuity, nor does it provide for the establishment of an annuity allocation to provide a life time guarantee.

Under the DPA, Aetna will act as an agent of the Contractholder in disbursing non-guaranteed payments to current and future retirees, in the amounts and at the time(s) specified by the Contractholder. If, at some point in the future, the Contractholder decides to provide benefits on a guaranteed basis, the customary insurance company services would then be available. It is important to note, however, that if the Contractholder instructs Aetna to pay an annuity to any plan participant Aetna will pay only annuities (no disbursement benefits) to participants becoming eligible for plan benefits on and after the date such instructions become effective.

The Contractholder, as part of his obligation under the DPA will agree to maintain an amount in the Regular Account portion of the Fund at all times at least equal to the estimated total disbursement payments to be made over the ensuing twelve months. Such funds would be transferred in accordance with the Pension Investment Contract cashout provision, were the entire Fund withdrawn.

The DPA may be administered by either Aetna or the Contractholder. For your information, we have enclosed specimens of an Aetna Administered Disbursement Payment Agreement, which describe the details of the arrangement. This Agreement, which may be terminated at any time upon 60 days notice, is executed apart from the contract and governs the basis of the Agreement.

Plan Valuation Services: Aetna's Group Pension Department makes available the plan valuation services required to establish and maintain a funded pension plan. Development of a sound advance funding program is a good business practice and is required by the Employee Retirement Income Security Act of 1974. This includes establishment of plan liabilities and a periodic check on the funding of the plan and any amendments to it.

Services also include assistance to the Contractholder in the preparation of the information needed to meet the requirements of the United States Department of Treasury and Labor.

If the various services are provided by another consulting actuary, Aetna will coordinate its service with the consultant to eliminate duplication.

Recordkeeping Services: The maintenance of active employee records may be a relatively simple task but for some plans may be quite complex. The complexity of records depends mainly on the benefit formula adopted. Whether the job is simple or complex Aetna offers the services needed.

Since the active employee records are an integral part of the plan valuations it often is most practical to have both services rendered by the same organization.

If an employer has facilities for maintaining records, and desires to do so, Aetna will render whatever assistance may be needed to set up the recordkeeping procedures.

Expenses for services rendered by Aetna are charged on the basis incurred through the expense formula.

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