



ANNUAL REPORT

City of Philadelphia BOARD OF PENSIONS AND RETIREMENT



FISCAL YEAR ENDING | JUNE 30, 2000

John F. Street
Mayor

Janice D. Davis
Chairperson

Joseph J. Herkness
Executive Director

**Cover photo provided by courtesy of Richard McMullin, Office of the
City Representative, City of Philadelphia**

CITY OF PHILADELPHIA

BOARD OF PENSIONS AND RETIREMENT

ANNUAL REPORT

FISCAL YEAR JULY 1, 1999 – JUNE 30, 2000

**PREPARED BY
JOSEPH J. HERKNESS, EXECUTIVE DIRECTOR
20TH FLOOR, TWO PENN CENTER PLAZA
PHILADELPHIA, PENNSYLVANIA 19102
(215-496-7413)**

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TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>PAGE</u>
Letter of Transmittal	1
The Board and its Consultants	2-5
Mission	6
Membership	6
Funding	7
Income	8
Investments	8-9
Expenses	9
Amendments to Public Employees Retirement Code	9
Professional Services	9
Audit	10
Acknowledgments	10
ACTUARIAL SECTION	
Executive Summary of Findings – July 1, 2000	
William M. Mercer, Incorporated	12-19
Cost Derivation	20-21
Schedule of Annual Payments to Fund the Anticipated	
July 1, 2000 Unfunded Actuarial Accrued Liability	22
Minimum Municipal Obligation	
For Fiscal Year Ending June 30, 2002	23-26
Governmental Accounting Standards Board (GASB)	27-29
FINANCIAL SECTION	
Independent Auditors' Report	
Zelenkofske Axelrod LLC	32-49
Additional Financial Information (Compiled by the Finance Department of the City of Philadelphia)	
Statement of Plan Net Assets – June 30, 2000	Exhibit A-1 52
Statement of Changes in Plan Net Assets	
Fiscal Years Ended June 30, 2000 and 1999	Exhibit A-2 53
Analysis of Members' Contributions	
Fiscal Year Ended June 30, 2000	Exhibit A-3 54-55
Analysis of Fund Balance	
Fiscal year Ended June 30, 2000	Exhibit A-4 56
Statement of Cash Receipts and Disbursements	
Fiscal year Ended June 30, 2000	Exhibit A-5 57
Summary Schedule of Investments – June 30, 2000	Schedule A-1A 58
Combining Statement of Plan Net Assets – June 30, 2000	Exhibit II-C-2 59
Statement of Changes in Plan Net Assets	Exhibit I-A-6
For the Fiscal Year Ended June 30, 2000	60

	<u>PAGE</u>
Pension Contributions by Division Fiscal Year Ending June 30, 2000	61
Receipts and Disbursements By Division	62
Municipal Pension Fund Fiscal 2000 Information	63
Contributions from Quasi-Agencies	64

**Statistical Information
(Compiled by Board of Pensions and Retirement)**

Comparison of Applications Processed During Period July 1998 Through June 1999 and July 1999 Through June 2000	66
Comparative Statement of Retirement Benefits in Force As of June 30, 1999 and June 30, 2000	67
Analysis of Membership	68

NOTES:

If you require more detailed information on the Board's Investment Portfolio, please write to:

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Executive Director
Two Penn Center Plaza – 20th Floor
Philadelphia, PA 19102
Or Call 215-496-7418

For additional copies of this report, write to: Linda Donovan
Pension Program Administrator
Or Call 215-496-7413

To the People of the City of Philadelphia:

On behalf of the Board of Pensions and Retirement, I hereby submit the Annual Report of the Retirement System for City of Philadelphia employees for the fiscal year ending June 30, 2000. The report consists of three sections: An introductory section which contains a brief summary of the Board's activities and identifies the administrators and professional consultants of the Retirement System, an actuarial section which details the methods of costing and funding current and future benefits to members and beneficiaries of the Retirement System, and a financial section which contains the System's financial statements, membership and pension data, and investment statistics.

CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Joseph J. Herkness

Executive Director

MEMBERS OF THE BOARD

Janice D. Davis

Chairperson, Director of Finance
Appointed May 15, 2000.

Joseph E. Certaine

Managing Director
Appointed March 21, 1994.

Kenneth Trujillo, Esquire

City Solicitor
Appointed February 28, 2000.

Linda Seyda

Personnel Director
Appointed August 1, 1994.

Jonathan Saidel, Esquire

City Controller
Elected by voters of Philadelphia.
Serving as Board Member since
January 2, 1990.

John A. Reilly

Local No. 22, Philadelphia
Firefighters Union. Serving as
Employee Elected Representative
since November 1976.

Charles Johnson

AFSCME District Council 33. Serving
as Employee Elected Representative
since November 1988.

Carol Stukes

AFSCME District Council 47. Serving
as Employee Elected Representative
since September 29, 1994.

Serena Tenant

Fraternal Order of Police. Serving as
Employee Elected Representative
since November 1996.

CONSULTANTS

ACTUARY

William M. Mercer, Incorporated
Washington, D. C.

AUDITOR

City Controller
And
Zelenkofske Axelrod LLC
Philadelphia, Pennsylvania

LEGAL COUNSEL

City Solicitor

GENERAL INVESTMENT CONSULTANT

Mercer Investment Consulting
Los Angeles, California

REAL ESTATE CONSULTANT

Pension Consulting Alliance
Portland, Oregon

ALTERNATIVE INVESTMENT CONSULTANT

Hamilton Lane Advisors
Philadelphia, Pennsylvania

INVESTMENT MANAGERS

U. S. Equities

Bankers Trust Company
New York, New York

Brown Capital Management, Inc.
Baltimore, Maryland

BlackRock, Inc.
Philadelphia, Pennsylvania

Delaware Investment Advisors
Philadelphia, Pennsylvania

Denver Investment Advisors
Denver, Colorado

Dreyfus Corporation
New York, New York

Rittenhouse Financial Services, Inc.
Radnor, Pennsylvania

J & W Seligman & Co.
New York, New York

Sturdivant & Co., Inc.
Voorhees, New Jersey

Turner Investment Partners
Berwyn, Pennsylvania

International Equities

Carlson Investment Management
Stockholm, Sweden

Delaware International Advisers
London, England

Putnam Company
Boston, Massachusetts

Glenmede Trust Company
Philadelphia, Pennsylvania

Emerging Market Equities

City of London Investment Management
Coatesville, Pennsylvania

Montgomery Asset Management
San Francisco, California

Global Fixed Income

Criterion Investment Management
Houston, Texas

Miller, Anderson & Sherrerd
West Conshohocken, Pennsylvania

RRZ Investment Management
Pittsburgh, Pennsylvania

Smith, Graham & Co.
Houston, Texas

Western Asset Management Co.
Pasadena, California

Deutsche Asset Management Inc.
London, England

Julius Baer Investment Management Inc.
New York, New York

Cash Management

State Street Bank
Quincy, Massachusetts

Tactical Asset Allocation

Mellon Capital Management Corp.
San Francisco, California

RTE Asset Management
Rydal, Pennsylvania

Real Estate Investments

LaSalle Advisors
Baltimore, Maryland

AEW/Copley
Boston, Massachusetts

Heitman Capital Management Corp.
Chicago, Illinois

CIGNA Investment Management
Hartford, Connecticut

MIG Realty Advisors, Inc.
West Palm Beach, Florida

Alternative Investments

Bachow Investment Partners III, L.P.
Bala Cynwyd, Pennsylvania

Fairview Capital Fund II, L.P.
Farmington, Connecticut

Levmark Capital , L.P..
Norcross, Georgia

Fenway Capital Partners Capital
Fund II, L.P.
New York, New York

SCP Private Equity Partners, L.P.
Wayne, Pennsylvania

TPG Partners II and III, L.P.
Fort Worth, Texas

TCW/Crescent Mezzanine Partners II, L.P.
Los Angeles, California

GS Capital Fund, LP
Wayne, Pennsylvania

Tom Weisel Capital Partners, LP
San Francisco, California

Columbia Capital Equity
Partners II and III (QP), L.P.
Alexandria, Virginia

Keystone Venture IV and V L.P.
Philadelphia, Pennsylvania

Meridian Venture Partners, L.P.
& MVP Distribution Partners, L.P.
Radnor, Pennsylvania

The Retail Initiative
New York, New York

Technology Leaders, L.P.
Tech Leaders II
Wayne, Pennsylvania

Thomas H. Lee Equity Fund IV, L.P.
Boston, Massachusetts

Morgan Stanley Dean Witter Ventures
Fund IV
New York, New York

OCM Opportunities Fund III
Los Angeles, California

LLR Equity Partners, LP
Philadelphia, Pennsylvania

MISSION

The Board of Pensions and Retirement was charged under the Philadelphia Home Rule Charter with the creation and maintenance of an actuarially sound Municipal Retirement System providing benefits for all City employees. The Ordinance (Bill No. 907) implementing the present Retirement System was formally approved by City Council on December 3, 1956, and the System became operational effective January 1, 1957. The enactment of Bill No. 907 superseded the Act of Assembly approved May 20, 1915, P.L. 566, under which the Pension Fund had previously been governed.

The Board, as defined in the Home Rule Charter, is composed of the Director of Finance, who serves as chairperson, the Managing Director, the City Solicitor, the Personnel Director, the City Controller and four members who are elected by the Civil Service employees of the City of Philadelphia. The elected members serve a four-year term of office.

The 9-member Board formally approves all benefit applications, but its major role is that of "trustee", to ensure that the Retirement System remains actuarially and financially sound for the benefit of current and future benefit recipients. The Board, with the assistance of its professional consultants, develops the policies and strategies which will enable the Board to successfully execute its fiduciary obligations.

The Executive Director, aided by a staff of 53 personnel, administers the day-to-day activities of the Retirement System, providing services to 31,466 active employees and 31,797 retirees.

MEMBERSHIP

The Retirement System provides benefits to police, fire and civilian workers of the City of Philadelphia through the administration of 20 separate plans adopted from 1915 to the present. In addition, the Board of Pensions administers (but does not fund) a pension plan for the employees of quasi-public agencies (the Philadelphia Parking Authority, the Hospitals and Higher Education Facilities Authority of Philadelphia, the Philadelphia Municipal Authority, the Philadelphia Housing Development Corporation, and the Philadelphia Regional Port Authority).

In fiscal year 2000, the Municipal Retirement System had 31,466 active members and 31,797 retired members, including 8,566 survivors and 4,873 people receiving disability benefits.

During fiscal year 2000, the Board approved 1,237 pension applications submitted by retiring employees, surviving spouses, beneficiaries and disabled members. The Board processed 1,236 refunds of pension contributions to former employees and beneficiaries of deceased members.

FUNDING

The Municipal Pension Plan Funding Standard and Recovery Act of December 1984 (Act 205) mandated funding methods for all municipal pension plans in the Commonwealth of Pennsylvania. Under the provisions of Act 205, the Municipal Retirement System is required to fund the actuarial liability accrued after July 1, 1985 on a level dollar payment method. In effect, the cost of current pension obligations must be satisfied annually.

The unfunded actuarial liability which had accrued prior to July 1, 1985 is being amortized over a 40-year period with payments increasing at the rate of 6% per year. This debt portion will be satisfied on June 30, 2019.

A class action suit, *Dombrowski v. City of Philadelphia*, was instituted against the City of Philadelphia asserting that the funding level was insufficient to maintain an actuarially sound system as required by the City Charter. The Philadelphia Court of Common Pleas ordered that the judgment in the *Dombrowski* case was to be amortized in level dollar payments over 40 years, ending June 30, 2009.

Act 205 requires that an actuarial valuation be performed annually and that an experience study, covering a 5-year period, be conducted every 4 years to insure that the pension costs derived by the actuary are accurate and based on valid historical experience.

In January 1999, the City issued \$1.29 billion of pension obligation bonds that reduced the City's unfunded pension obligation liability by \$1.25 billion and also reduced the annual General Fund payments to the Pension Fund. The bond issuance can have this positive impact in today's low interest market because the annual debt service payments that the City pays on the bonds, together with the payments toward the remaining unfunded liability are less, in the short term, than the annual payments that the City would otherwise pay to the Pension Fund if no bonds were issued. The bond proceeds were applied immediately to funding the \$2.6 billion unfunded pension liability, reducing it by close to 50 percent. The Pension Board, then, is expected to earn a high return on the investment of the bond proceeds than the City will pay in debt service on the bonds. Consequently, the City's annual General Fund payments towards the unfunded liability will be reduced by more than 40%, offset partially by the new debt service payments on the bonds. The City estimates that, with an overall rate of 6.61% on 30-year bonds issued in January 1999, the bond issuance will save the General Fund a total of \$20 million in Fiscal Year 2000 alone. The bond issuance is projected to save the General Fund a total of approximately \$704 million through Fiscal Year 2019, with average annual savings of \$35 million per year.

The normal cost to the Municipal Retirement System for fiscal year 2000 was \$68,744,205. The total unfunded accrued liability for fiscal year 2000 was \$114,822,780, including \$2,024,000 for the *Dombrowski* annual payment.

INCOME

The City of Philadelphia is the largest single contributor to the Retirement System. The City contributed \$179,478,697 or 26.4% of the total additions to the Retirement System's net assets in fiscal year 2000. Employees contribute a percentage of their pay, which varies with plan membership. Employee contributions totalled \$50,248,065 or 7.4% of additions. Contributions from the quasi-public agencies amounted to \$4,449,239 or .7% of additions.

A major source of income came from earnings of the System's investment portfolio. Accounting principles require the recognition of the fair value of investments and, along with normal investing activity, led to a net gain of \$333,549,903 or 49.1% of the additions to the net plan assets. Interest and dividends amounted to \$124,879,185 or 18.3% of income. Securities lending revenue increased plan net assets by \$28,491,789 or 4.2% of the total. Investment expenses totalled \$14,871,036 or a negative 2.2% of the additions, and securities lending expenses were \$26,992,901 or a negative 4.0% of the additions. Miscellaneous sources provided \$194,773 or the residue of 0.1%.

The 2000 additions to plan net assets of \$679,427,714 represented a 65% decrease from 1999.

INVESTMENTS

The 9-member Board of Pensions and Retirement plays an active role in the determination of investment policy and strategy. All major decisions with regard to the portfolio are approved by the Board based upon the recommendations of its investment consultant and managers and the Board's in-house investment staff. Mercer Investment Consulting, the Board's Investment Consultant, oversees the management of the portfolio by investment management firms (a listing of these firms is presented on Pages 3-5). Pension Consulting Alliance serves as the Board's consultant on the real estate segment of the portfolio.

The investment policy developed by the Board provides the framework for the investment of funds. However, the manner in which the Board invests its funds is constrained by legal statutes. Investments of the Municipal Retirement System must be made in compliance with Section 22-1001 of the Public Employees Retirement Code and the regulations for the investment of similar State funds as set forth in the Act of March 1, 1974 (P.L. 125, No. 31), as amended (71 Pa. C.S. Section 5931).

As part of its overall investment policy, the Board approved an asset allocation strategy which has as its goal the identification of the mix of broad asset classes that most efficiently balances the need for achieving a 9% rate of return with the desire to minimize the possibility of capital loss. This strategy is periodically reviewed by the Board for possible fine-tuning to ensure that it remains dynamic and reflective of market conditions.

The current portfolio structure is: 33.76% Domestic Equities; 19.14% International Equities; 29.37% Global Fixed Income; 2.105 Direct Fixed Income Investment; 10.25% Tactical Asset Allocation (TAA) Balanced Portfolio of Stocks and Bond (60/40); 1.76% Emerging Markets; 2.87% Alternative Investments; .35% Real Estate; and 0.39% Cash.

Earnings on the Municipal Retirement System's investment portfolio provided a significant source of income and reduced the City's funding liability. As of the fiscal year ending June 30, 2000, the total market value of Pension Fund investments was \$5,041,523,689 (a 2.2% increase over fiscal year 1999) vs. the value at cost of \$4,566,582,892 (a 1.1% decrease over fiscal year 1999). Accounting principles require the recognition of the assets at fair value and the resultant unrealized gain or loss shown as an addition or deduction to plan net assets.

EXPENSES

Pension benefit payments are the Board's greatest current normal expense. Of the total deductions from plan net assets of \$453,351,815 in fiscal 2000, \$444,272,795 or 98%, were pension payments. Other expenses included \$4,197,810 for the refund of pension contributions to employees who left City employment and \$4,881,210 for administrative expenses.

AMENDMENTS TO CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT CODE

Section 22-310 - Deferred Retirement Option Plan (DROP) - Bill No. 990555 (Approved by the Mayor on December 9, 1999)

Section 22-310(2) was amended to correct an error in the Section as added by Bill No. 990288-A by specifying that the maximum time an employee may remain in the DROP before being required to separate from City service and retire is four year, not three years.

Section 22-1303 - Exemption From Attachment - Bill No. 000122 (Approved by the Mayor on April 11, 2000)

Section 12-1303(2) was amended to add the German American Police Association to the list of designated payees to whom a retired member may direct deductions from benefit payments.

PROFESSIONAL SERVICES

Professional consultants are retained by the Board of Pensions and Retirement to provide expertise and support necessary for the administration of the Municipal Retirement System. A list of those firms rendering professional services to the Board is presented on Pages 3-5.

AUDIT

The City Controller's Office, which is independent of the City of Philadelphia Administration, audits all operational transactions of the Board of Pensions and Retirement. For the Fiscal year ending June 30, 2000, the Board elected to have the annual financial audit of the Municipal Pension Fund performed by the accounting firm of Zelenkofske Axelrod LLC. The findings of that audit are listed on Pages 32-49.

ACKNOWLEDGMENTS

This report is intended to provide the information necessary for making management decisions, determining compliance with legal provisions and assuring the public that the Board administers the Municipal Retirement System responsibly. It was compiled with the cooperation of our administrative staff, fund managers and actuary. On behalf of the members of the Board, I would like to express my gratitude to these people and the counselors and personnel, and in particular to Linda Donovan, Pension Program Administrator, all of whom work diligently to ensure the successful operation of the Municipal Retirement System.

Joseph J. Herkness
Executive Director
Board of Pensions and Retirement

ACTUARIAL SECTION

EXECUTIVE SUMMARY

This report presents the actuarial valuation of the costs and liabilities for the City of Philadelphia Municipal Retirement System as of July 1, 2000 and City contributions for the fiscal year ending June 30, 2002. This section summarizes the valuation results and discusses changes in the System's costs and liability arising from experience for the year ending June 30, 2000.

Findings summary

Table 1 shows actuarial valuation results for all divisions as of July 1, 2000.

1. July 1, 2000 actuarial valuation (dollars in thousands)

Participants	
Active	28,796
Retired	18,201
Beneficiaries	8,569
Disabled	4,850
Terminated vested	755
DROP ^c	<u>1,825</u>
Total	62,996
Total annual salaries	\$ 1,142,773
Net actuarial accrued liability	\$ 6,193,407
Unfunded actuarial accrued liability	\$ 1,428,416
Assets for valuation purposes	\$ 4,764,990
Funding percent	76.9%
City normal cost as percent of payroll (beginning-of-year payment)	5.339%
Fiscal 2002 funding requirements (beginning-of-year payments)	
City's funding policy	\$ 173,569 ^{a, b}
Minimum municipal obligation	\$ 135,911 ^d

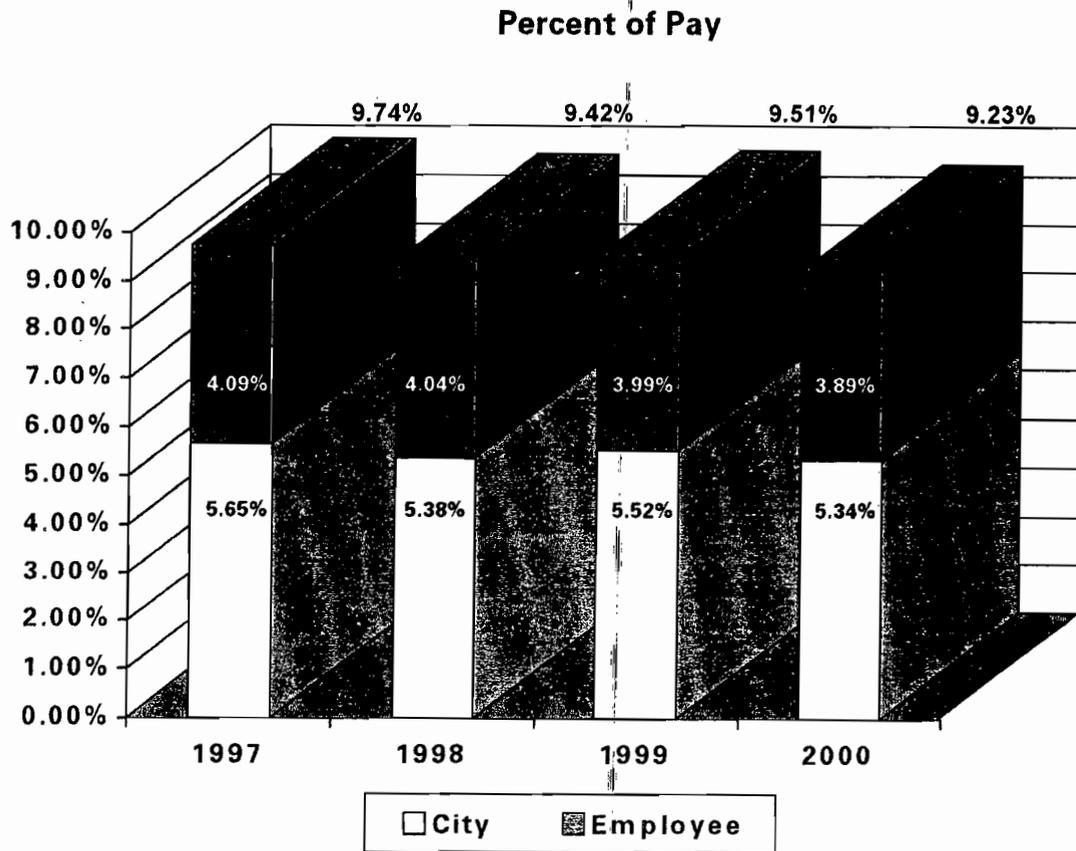
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2001, these totaled \$36,301 (thousands)
- b. Based on July 1, 2000 payroll. Final contribution will be based on actual fiscal 2002 payroll.
- c. While still active employees, the Deferred Retirement Option Plan (DRO) participants are treated as retired for valuation purposes since they no longer accrue benefits.

EXECUTIVE SUMMARY

Normal cost

The total normal cost is the cost of one year's accrual of projected benefits. The City's normal cost equals the total normal cost *less* expected employee contributions. The changing demographics in the System have resulted in a slight decrease in the normal cost rate. The following graph is a four-year history of the total normal cost with employee and City components as a percent of pay.

2. Total normal cost - percent of pay



Unfunded actuarial accrued liability

From July 1, 1999 through June 30, 2000, the unfunded actuarial accrued liability increased \$63,101,000 from \$1,365,315,000 to \$1,428,416,000 because:

- Salary increases were more than anticipated, resulting in a loss.

EXECUTIVE SUMMARY

- The June 30, 1985 unfunded liability, which is amortized with payments increasing 5.0% per year, continues to increase the unfunded liability each year through fiscal year 2003; after then it will decrease.
- Other non-economic plan experience resulted in a net loss. This includes retirees living longer than expected causing a mortality loss. Also, the number of new retirees increased with the implementation of the DROP. Actual retirement benefits can often be higher than the projected benefit as an active employee. This would also cause a loss.

Offsetting the above causes for the unfunded increase is:

- Investment return on an adjusted market value basis was 11.1% (after the reduction for the Pension Adjustment Fund contributions). Because this is more than the assumed 9% rate, the gain reduced the unfunded actuarial accrued liability.

These factors are illustrated in Table 3.

3. Unfunded liability (millions)

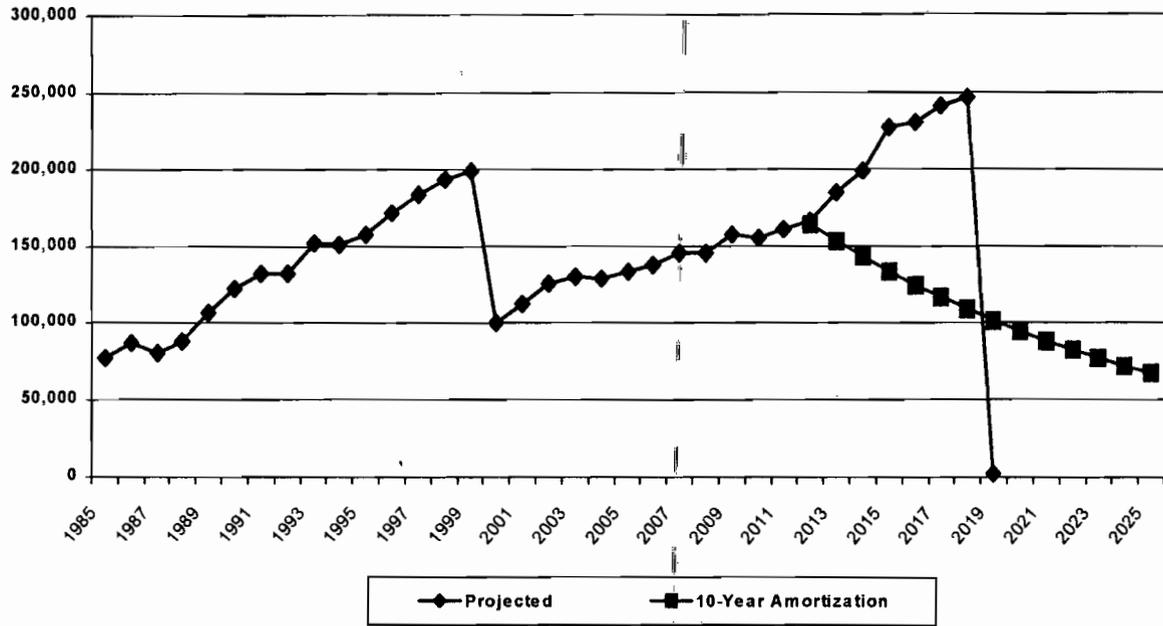
1999 Unfunded liability		\$ 1,365.3
Change due to:		
Plan changes	0.0	
Payment schedule	8.1	
Salary increases	19.7	
Investment return	(84.4)	
Other actuarial experience	119.7	
Total of all changes		\$ 63.1
2000 unfunded liability		\$ 1,428.4

Because the July 30, 1985 unfunded liability is being amortized with payments increasing 5.0% per year, the amortization payment is scheduled to increase until 2019 and then drop to zero. The total unfunded liability is scheduled to increase each year until fiscal year 2003, and then decrease to zero by 2019. With the 1997 change in Act 205, once the funding ratio reaches 70% the City may shift to a 10 year rolling level amortization schedule. The plan is currently 76.9% funded; however, the alternative amortization schedule will not result in lower cost to the City until fiscal year 2013 assuming no future gains or losses.

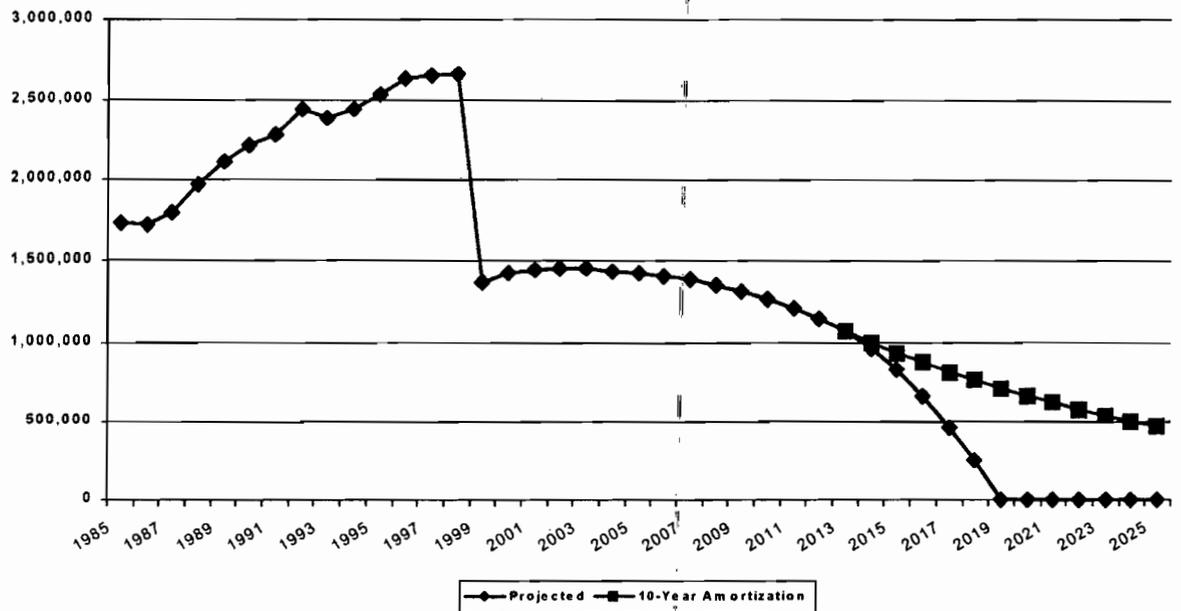
Graph 3(A) illustrates changes in the amortization payment through 2019. Graph 3(B) tracks the unfunded liability through 2019. The red lines indicate actual changes in the amortization payment or unfunded liability and includes scheduled increases and changes because of previous plan amendments, assumption changes, gains and losses and the impact of the Pension Obligation Bond (POB) of 1999. The blue lines reflect projected changes under the 10 year amortization schedule. In both cases, we assume no future gains or losses.

EXECUTIVE SUMMARY

3(A). Amortization schedule



3(B). Unfunded actuarial accrued liability



EXECUTIVE SUMMARY

City funding policy

The report shows the recommended City contributions, assuming they're paid at the beginning of the fiscal year (July 1, 2001). If paid after July 1 the City's funding policy has been to pay interest at 9% from July 1, 2001 to the date paid.

The resulting estimated City contributions for fiscal years 2001 and 2002 are shown in Table 4(A).

4(A). Estimated City contributions (thousands) — beginning-of-year payment

	Fiscal 2001	Fiscal 2002
Normal cost	\$ 65,055	\$ 61,015 ^a
Amortization payment	<u>100,629</u>	<u>112,554</u>
Total City cost	\$ 165,684	\$ 173,569 ^b

- Based on July 1, 2000 payroll. Actual normal cost will be based on actual fiscal 2002 payroll. This payroll does not include DROP participants.
- The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal year 2001, they totaled \$36,301 (thousands).

Table 4(B) shows July 1, 2001 employee contribution rates.

4(B). Employee contribution rates effective July 1, 2000

	Municipal	Elected	Police	Fire
1967 Plan	3.75% ^a	N/A	6.00%	6.00%
Plan 87	2.17%	7.89%	5.00%	5.00%

- 6.00% on wages over the Social Security maximum taxable wage base — \$80,400 in 2001.

Quasi agency funding

Table 4(C) shows the quasi agencies funding rate for fiscal years 2001 and 2002 and the Parking Authority's additional contribution for their early retirement window. This special amortization charge must be made through fiscal 2004.

EXECUTIVE SUMMARY

4(C). Quasi agency funding rate

	Fiscal 2001	Fiscal 2002
Valuation date	July 1, 1999	July 1, 2000
Normal cost	5.443% ^a	5.029% ^a
Amortization rate	<u>11.939%</u>	<u>13.664%</u> ^b
Total, year-end rate	17.382%	18.693%
Total, adjusted for quarterly payments	16.995%	18.234% ^c
Parking authority special amortization payment		
Annual year-end payment	\$ 78,000	\$ 78,000
Quarterly payment	\$ 19,021 ^d	\$ 19,021 ^d

- a. Normal cost rate, page 11, Municipal 1967 Plan.
b. $(\$66,392 - \$78) \div \$485,323$, see pages 15 and 11.
c. $.97546$ (quarterly adjustment factor) \times 18.693%.
d. $\$78,000 \div 4 \times .97546$.

Minimum municipal obligation

The minimum municipal obligation (MMO) is the minimum required City contribution under state law (Acts 205 and 189).

The City's funding policy differs from the MMO. The most significant differences are:

- The City uses a 34-year increasing amortization of its July 1, 1985 unfunded actuarial accrued liability, while Act 205 allows a 40-year increasing amortization schedule.
- The City applies the normal cost rates to the fiscal year's actual payroll. The MMO is based on the prior year's estimated payroll.
- No interest accumulates on the MMO if the payment is made by year-end.
- The City's funding policy uses a one-year delay in applying actuarial valuation results to fiscal years. The MMO also reflects a one-year delay, however, no interest is applied to the MMO for the one-year delay. As a result, this July 1, 2000 valuation report determines the City's fiscal 2002 MMO and funding contribution.
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.

Table 46 of this report summarizes the City's unfunded liability payment for its fiscal 2002 MMO. These payments reflect the 40-year funding from July 1, 1985 with increasing payments at 5.0%.

The resulting fiscal 2002 MMO is summarized in Table 4(D).

EXECUTIVE SUMMARY

4(D). Fiscal 2002 minimum municipal obligation (thousands)

Valuation report	July 1, 2000
Normal cost	\$ 107,807
Amortization payment	71,092
Expected administrative expense	<u>5,000</u>
Subtotal	\$ 183,899
Expected member contributions	<u>(47,988)</u>
Minimum municipal obligation	\$ 135,911
Interest	<u>0^a</u>
Total	<u>\$ 135,911^b</u>

a. Assumes the MMO will be paid before December 31, 2001.

b. The City may use general state aid and state COLA reimbursement, estimated at \$36 million, to meet this commitment.

Funding status

The plan's funding status is measured by the ratio of actuarial value of assets to the actuarial accrued liability. A comparison of this ratio as of July 1, 1999 and July 1, 2000 is shown in Table 4(E).

4(E). Funding status comparison (dollars in thousands)

	1999	2000
Actuarial value of assets	\$ 4,496,768	\$ 4,764,990
Actuarial accrued liability	\$ 5,862,083	\$ 6,193,407
Funding ratio	76.7%	76.9%

EXECUTIVE SUMMARY

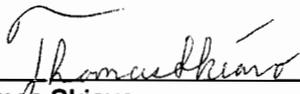
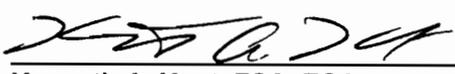
Certification

William M. Mercer, Incorporated has prepared the actuarial valuation of the City of Philadelphia Municipal Retirement System as of July 1, 2000 for fiscal year contributions ending June 30, 2002. The valuation is based on employee and financial data which were provided by the City and trustee, respectively, and which are summarized in this report.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current state statutes and regulations issued thereunder. In our opinion, the actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the Plan. This report fully and fairly discloses the actuarial present position of the Plan on an ongoing basis.

There have been no changes in valuation procedures, actuarial assumptions or actuarial cost methods since the last valuation of the Plan as of July 1, 1999.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

 _____ Thomas Skiavo	<u>3/29/2001</u> _____ Date
<p>As a Fellow of the Conference of Consulting Actuaries and the Society of Actuaries, I meet the Qualification Standards to provide the statements of actuarial opinion contained in this report.</p>	
 _____ Kenneth A. Kent, FSA, FCA	<u>3/29/2001</u> _____ Date
<p>William M. Mercer, Incorporated 1255 23rd Street, NW, Suite 500 Washington, DC 20037 202 331 5200</p>	

COST DERIVATION

This section explains the Retirement System's costs. Costs are determined using the entry age actuarial cost method. The cost estimates derived in this actuarial valuation will be the basis for determining pension costs for the fiscal year ending June 30, 2002. Pension costs consist of the normal cost and the unfunded liability amortization payment.

Derivation of normal cost

The normal cost is the total of the individual normal costs for all members assuming the plan always existed and the underlying actuarial assumptions are exactly realized. Benefits payable under every circumstance (retirement, death, disability, and termination) are included in the calculations. Employee contributions expected to be made during the year are subtracted from the total normal cost to determine the City's normal cost. The City's normal cost is divided by total payroll to determine the normal cost as a percent of pay for each division and the entire Retirement System.

Derivation of the unfunded actuarial accrued liability

The actuarial accrued liability is the total of the actuarial present value of all accumulated past normal costs assuming the normal cost had always been contributed and actuarial assumptions had been exactly realized.

The valuation assets are determined as of July 1, 2000, using an actuarial asset method that spreads investment experience over a five-year period to minimize the impact of investment volatility on the Retirement System's costs. The method measures gains or losses against the assumed 9% investment yield, recognizing one-fifth of the gain or loss over the current and each of the next four years. This result is then further offset by the funds transferred to the Pension Adjustment Fund (PAF).

The unfunded actuarial accrued liability is the accrued liability less the fund's assets on the valuation date.

Experience gains and losses are the difference between the expected and actual unfunded actuarial accrued liability (see the preceding paragraphs) on the valuation date.

The portion of the unfunded actuarial accrued liability attributable to the Dombrowski class action suit is amortized in level dollar payments over 40 years ending June 30, 2009. The remaining July 1, 1985 unfunded actuarial accrued liability is amortized over 34 years ending June 30, 2019 in annual payments increasing 5.0% per year. Changes in the actuarial accrued liability realized after July 1, 1985 are amortized in level dollar payments over the following years according to Act 205:

- Changes in actuarial assumptions — 20 years

COST DERIVATION

- Experience gains and losses — 15 years
- Active members' benefit modifications — 20 years
- Nonactive members' benefit modifications — 10 years.

For a detailed analysis of the derivation of plan costs, see Tables 5 through 15.

The resulting contribution reflects the City's funding policy which calls for a larger contribution than the MMO determined under Act 205.

Table 45 shows the annual unfunded liability payments needed to satisfy the City's MMO for fiscal year ending June 30, 2002.

Table 16 shows the annual payments needed to fund plan liabilities through fiscal year ending June 30, 2019.

Note: Reference to Tables 5 through 15 contained in Valuation is omitted for brevity of Annual Report.

COST DERIVATION

16. Schedule of annual payments to fund the anticipated July 1, 2000 unfunded actuarial accrued liability (dollars in thousands)

Plan Year Beginning July 1	Annual Beginning-of-Year Payment							Progress of Unfunded Actuarial Accrued Liability	Estimated Annual Payroll	Annual Payment as a Percent of Payroll	
	Municipal	1967 Plan Police	Fire	Municipal	Plan 87 Elected	Police	Fire				Total
2000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,428,416	1,142,773	N/A
2001	60,910	60,679	10,974	(8,549)	(135)	(8,827)	(2,498)	112,554	1,447,290	1,199,912	9.4%
2002	68,097	64,448	12,733	(8,549)	(135)	(8,827)	(2,498)	125,269	1,454,862	1,259,907	9.9%
2003	71,033	65,289	13,273	(8,549)	(135)	(8,831)	(2,507)	129,574	1,449,256	1,322,903	9.8%
2004	70,867	64,347	13,713	(8,501)	(207)	(8,799)	(2,495)	128,925	1,438,454	1,389,048	9.3%
2005	74,457	64,667	13,966	(8,467)	(202)	(8,775)	(2,480)	133,166	1,427,386	1,458,500	9.1%
2006	80,962	62,409	13,962	(8,374)	(201)	(8,525)	(2,445)	137,788	1,410,700	1,531,425	9.0%
2007	83,753	65,472	15,128	(8,313)	(248)	(8,455)	(2,434)	144,903	1,387,475	1,607,996	9.0%
2008	80,927	67,902	16,088	(8,413)	(303)	(8,410)	(2,404)	145,387	1,354,404	1,688,396	8.6%
2009	87,031	71,915	17,705	(8,342)	(293)	(8,337)	(2,357)	157,282	1,317,828	1,772,816	8.9%
2010	84,441	71,322	18,135	(8,132)	(372)	(8,469)	(2,355)	154,568	1,264,995	1,861,457	8.3%
2011	86,508	73,437	19,305	(8,198)	(356)	(8,440)	(2,326)	159,930	1,210,365	1,954,530	8.2%
2012	89,077	75,277	20,372	(8,150)	(314)	(8,337)	(2,264)	165,662	1,144,974	2,052,256	8.1%
2013	99,414	80,108	23,050	(7,873)	(314)	(7,972)	(2,203)	184,211	1,067,450	2,154,869	8.5%
2014	106,402	83,901	25,524	(7,672)	(279)	(7,729)	(2,097)	198,050	962,731	2,262,612	8.8%
2015	118,372	77,965	30,312	200	11	20	(101)	226,780	833,503	2,375,743	9.5%
2016	123,845	75,686	30,262	394	7	258	43	230,495	661,329	2,494,530	9.2%
2017	129,706	79,450	31,764	394	7	258	43	241,622	469,609	2,619,257	9.2%
2018	130,853	83,002	33,106	29	—	—	—	246,990	248,506	2,750,219	9.0%
2019	1,618	—	—	—	—	—	—	1,618	1,652	2,887,730	0.1%
2020	—	—	—	—	—	—	—	—	—	3,032,117	0.0%
2021	—	—	—	—	—	—	—	—	—	3,183,723	0.0%
2022	—	—	—	—	—	—	—	—	—	3,342,909	0.0%
2023	—	—	—	—	—	—	—	—	—	3,510,054	0.0%
2024	—	—	—	—	—	—	—	—	—	3,685,557	0.0%
2025	—	—	—	—	—	—	—	—	—	3,869,835	0.0%
2026	—	—	—	—	—	—	—	—	—	4,063,327	0.0%
2027	—	—	—	—	—	—	—	—	—	4,266,493	0.0%
2028	—	—	—	—	—	—	—	—	—	4,479,818	0.0%

Note: Numbers may not add because of rounding.

MINIMUM MUNICIPAL OBLIGATION

The minimum municipal obligation (MMO) is the minimum required City contribution under state law (Acts 205 and 189). The City's MMO for the year ending June 30, 2002 is \$135,911,000. This amount is summarized by division in Table 45 and is based on the July 1, 2000 actuarial valuation report.

The City receives general pension state aid and cost-of-living adjustment reimbursement from the state. The MMO includes these amounts. For fiscal 2001, the total state payments are \$36,301,000. Amounts received during fiscal 2002 may be used to meet the \$135,911,000 obligation. Supplemental State Assistance (SSA), if any, may not be used to offset this commitment.

The City's funding policy differs from the MMO. The most significant differences are:

- The City uses a 34-year increasing amortization of its July 1, 1985 unfunded actuarial accrued liability, while Act 205 allows a 40-year increasing amortization schedule. The City chose to amortize the July 1, 1985 unfunded actuarial accrued liability over the 34 years remaining in their then-existing schedule, rather than adopting the 40-year phased-in schedule permitted under Act 205. The City's more aggressive funding policy has resulted in larger contributions than Act 205 requires.
- The City applies the normal cost rates to the fiscal year's actual payroll. The MMO uses the prior year's estimated payroll.
- The City's actual contribution includes interest at 9% from July 1 to the payment date. However, no interest accumulates on the MMO if the payment is made by year-end (December 31).
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.

MINIMUM MUNICIPAL OBLIGATION

The City's unfunded liability payments towards the MMO are summarized in Table 46. These payments reflect the 40-year funding of the July 1, 1985 unfunded actuarial accrued liability with increasing payments at 5.0% — pre-1999 balances were adjusted to reflect the Pension Obligation Bond.

45. MMO calculation for fiscal 2002 (July 1, 2000 valuation report)

	Fiscal 2002 (dollars in thousands)			
	Non-Uniformed	Police	Fire	Total
Estimated FY 2001 payroll	\$ 810,139	\$ 299,680	\$ 104,077	\$1,213,896
Normal cost percent	7.529%	11.360%	11.930%	8.796%
Normal cost	\$ 61,106	\$ 34,234	\$ 12,467	\$ 107,807
Amortization payment ^a	29,260	39,180	2,652	71,092
Administrative expense	<u>3,261</u>	<u>1,296</u>	<u>443</u>	<u>5,000</u>
Subtotal	\$ 93,627	\$ 74,711	\$ 15,561	\$ 183,899
Expected member contributions	<u>(25,832)</u>	<u>(16,314)</u>	<u>(5,842)</u>	<u>(47,988)</u>
MMO ^b	\$ 67,795	\$ 58,397	\$ 9,719	\$ 135,911

- a. The portion of the unfunded actuarial accrued liability attributable to the Dombrowski class action suit is included in the initial unfunded liability that was established July 1, 1985. For MMO calculations, it is amortized over 40 years ending June 30, 2025 in annual payments increasing 5.0% per year. The City's funding policy, however, amortizes the original Dombrowski liability in level dollar payments over 40 years ending June 30, 2009.
- b. Includes general pension state aid and state cost-of-living adjustment reimbursement. For fiscal 2001, the total is \$36,301 (thousands). Also includes quasi agencies.

MINIMUM MUNICIPAL OBLIGATION

46. Unfunded liability payments toward MMO for fiscal 2002 (thousands) — July 1, 2000 valuation report

	Municipal			Police			Fire		
	July 1, 2000 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2000 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2000 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 852,572	25	\$ 51,519 ^a	\$ 547,303	25	\$ 33,072 ^a	\$ 218,254	25	\$ 13,189 ^a
July 1, 1986 additional amounts									
Active	\$ 1,293	7	\$ 236	\$ 112	7	\$ 20	\$ 56	7	\$ 10
(Gain)/loss	<u>(9,441)</u>	2	<u>(4,924)</u>	<u>(4,424)</u>	2	<u>(2,308)</u>	<u>(2,253)</u>	2	<u>(1,175)</u>
Subtotal ^b	\$ (8,148)		\$ (4,688)	\$ (4,312)		\$ (2,287)	\$ (2,197)		\$ (1,165)
July 1, 1987 additional amounts									
(Gain)/loss	\$ (1,125)	3	\$ (408)	\$ 2,192	3	\$ 794	\$ 338	3	\$ 121
July 1, 1998 additional amounts									
(Gain)/loss	\$ 9,542	4	\$ 2,702	\$ 9,002	4	\$ 2,549	\$ 710	4	\$ 201
July 1, 1989 additional amounts									
Active	\$ 12,431	10	\$ 2,816	\$ 3,476	10	\$ 787	\$ 1,616	10	\$ 366
(Gain)/loss	<u>(1,648)</u>	5	<u>(993)</u>	<u>2,242</u>	5	<u>1,351</u>	<u>680</u>	5	<u>410</u>
Assumption change	<u>(13,568)</u>	10	<u>(3,073)</u>	<u>(3,946)</u>	10	<u>(894)</u>	<u>(1,582)</u>	10	<u>(358)</u>
Subtotal ^b	\$ (2,785)		\$ (1,251)	\$ 1,771		\$ 1,244	\$ 714		\$ 417
July 1, 1990 additional amount									
(Gain)/loss	\$ (10,227)	6	\$ (4,055)	\$ 10,754	6	\$ 4,264	\$ 2,167	6	\$ 859
July 1, 1991 additional amount									
(Gain)/loss	\$ (2,654)	7	\$ (801)	\$ (2,601)	7	\$ (785)	\$ (1,179)	7	\$ (356)
July 1, 1992 additional amounts									
Active	\$ 388	13	\$ 63	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	<u>23,060</u>	8	<u>5,707</u>	<u>(2,721)</u>	8	<u>(674)</u>	<u>(1,125)</u>	8	<u>(278)</u>
Subtotal ^b	\$ 23,449		\$ 5,770	\$ (2,721)		\$ (674)	\$ (1,125)		\$ (278)

MINIMUM MUNICIPAL OBLIGATION

	Municipal			Police			Fire		
	July 1, 2000 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2000 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2000 Remaining Balance	Years Remaining	Amortization Payment
July 1, 1993 additional amounts									
Nonactive	\$ 65	4	\$ 38	\$ 0		\$ 0	\$ 0		\$ 0
Active	(1,086)	14	(163)	(722)	14	(108)	0		0
(Gain)/loss	(15,916)	9	(3,381)	(12,543)	9	(2,665)	(5,056)	9	(1,074)
Assumption change	(10,690)	14	(1,605)	86	14	13	(1,992)	14	(299)
Subtotal ^b	\$ (27,628)		\$ (5,112)	\$ (13,180)		\$ (2,760)	\$ (7,047)		\$ (1,373)
July 1, 1994 additional amounts									
(Gain)/loss	\$ (7,824)	10	\$ (1,471)	\$ (1,197)	10	\$ (225)	\$ (4,639)	10	\$ (872)
July 1, 1995 additional amounts									
Active	\$ 418	15	\$ 48	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	6,530	10	934	439	10	63	(2,834)	10	(405)
Subtotal ^b	\$ 6,949		\$ 981	\$ 439		\$ 63	\$ (2,834)		\$ (405)
July 1, 1996 additional amount									
(Gain)/loss	\$ 4,800	11	\$ 647	\$ 2,356	11	\$ 318	\$ (2,048)	11	\$ (276)
July 1, 1997 additional amount									
Assumption change	\$ 45,966	17	\$ 4,936	\$ 5,625	17	\$ 604	\$ 2,369	17	\$ 254
(Gain)/loss	(52,528)	12	(6,730)	(20,160)	12	(2,583)	(13,477)	12	(1,727)
Subtotal ^b	\$ (6,561)		\$ (1,794)	\$ (14,535)		\$ (1,979)	\$ (11,108)		\$ (1,472)
July 1, 1998 additional amounts									
(Gain)/loss	\$ (15,553)	13	\$ (1,906)	\$ (12,696)	13	\$ (1,556)	\$ (11,412)	13	\$ (1,398)
July 1, 1999 additional amounts									
(Gain)/loss	\$ (132,293)	14	\$ (15,588)	\$ 973	14	\$ 115	\$ (48,023)	14	\$ (5,658)
Active	14,741	19	1,511	0		0	0		0
Nonactive	40,863	9	6,253	18,188	9	2,783	6,751	9	1,033
Subtotal ^b	\$ (76,688)		\$ (7,824)	\$ 19,161		\$ 2,898	\$ 41,271		\$ (4,625)
July 1, 2000 additional amounts									
(Gain)/loss	\$ (26,811)	15	\$ (3,052)	\$ 37,291	15	\$ 4,244	\$ 764	15	\$ 87
Total unfunded actuarial accrued liability^b	\$ 711,306	—	\$ 29,260	\$ 579,025	—	\$ 39,180	\$ 138,085	—	\$ 2,652

a. Level dollar amortization payment (25 years remaining):

- Municipal — \$43,851
- Police — \$28,150
- Fire — \$11,226.

b. Numbers may not add because of rounding.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

Statement Number 25 of the Governmental Accounting Standards Board (GASB 25) is effective for plan years beginning after June 15, 1996 and supersedes Statement Number 5 (GASB 5).

The objective of GASB 25 is to provide a standard for disclosing pension information for the financial reports of governmental pension plans. The financial report should include two financial statements and two required schedules of historical information. The financial statements and required schedules are:

- A *statement of plan net assets* including information about plan assets and liabilities at the reporting date. This information is shown in the Financial Experience of the Fund section of the report.
- A *statement of changes in plan net assets* including receipts and disbursements. This information is also contained in the Financial Experience of the Fund section of the report.
- A *schedule of funding progress* including historical information about the actuarially determined funded status of the plan and the progress made in accumulating sufficient assets. This information should be provided for each of the past six plan years. For the transition year and the following five years the schedules should show information for the current year and as many prior years as available. This schedule is shown in Table 51 below.
- A *schedule of employer contributions* including historical trend information about the Annual Required Contributions (ARC) and the contributions made by the employer in relation to the ARC. This information is shown in Table 52.

51. Schedule of funding progress (dollars in millions)

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/92	\$1,981.8	\$4,425.5	\$2,443.7	44.78%	\$ 993.3	246.02%
7/1/93	2,113.9	4,502.1	2,388.2	46.95%	975.0	244.94%
7/1/94	2,225.2	4,662.6	2,437.4	47.72%	974.3	250.17%
7/1/95	2,312.1	4,850.8	2,538.7	47.66%	1,006.4	252.26%
7/1/96	2,457.2	5,098.1	2,640.9	48.20%	1,068.3	247.21%
7/1/97	2,660.9	5,318.1	2,657.2	50.03%	1,067.7	248.87%
7/1/98	2,921.3	5,586.1	2,664.8	52.30%	1,128.2	236.19%
7/1/99	4,496.8	5,862.1	1,365.3	76.71%	1,178.6	115.84%
7/1/00	4,765.0	6,193.4	1,428.4	76.94%	1,142.8	124.99%

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

52. Schedule of contributions from the employer and other contributing entities

Fiscal Year	Annual Required Contributions^a	Percentage Contributed
1993	\$ 209,352	100.0%
1994	\$ 223,750	104.5%
1995	\$ 212,838	100.0%
1996	\$ 222,482	100.0%
1997	\$ 237,016	100.0%
1998	\$ 252,080	100.0%
1999	\$ 256,704	586.9% ^b
2000	\$ 168,928	108.9%

- a. Dollars in thousands. For each year, the actuarial valuation provides the City of Philadelphia with the unfunded actuarial accrued liability amortization payment as a dollar amount and the normal cost as a percentage of payroll. The City of Philadelphia then multiplies their actual fiscal year payroll with that percentage to get the normal cost payment. We determined the annual required contribution as the greater of (i) the resulting amount or (ii) the normal cost plus a 40-year amortization of the unfunded actuarial accrued liability with amortization payments increasing 5% per year.
- b. On February 2, 1999, the City deposited a Pension Obligation Bond worth \$1,250,000,000.

Statement No. 27 disclosure

Under Government Accounting Standards Board (GASB) Statement No. 27 for the period beginning after June 15, 1997 financial statements must include new standard reporting for pension expenditures/expenses. This section summarizes our valuation as we understand Statement No. 27. Because these are financial statement disclosures, our interpretation of the statements are subject to your auditor's review.

The reporting elements are:

- **Annual required contributions or ARC** — this is the anticipated required contribution based on statement specific valuation methods, valuation assumptions and unfunded liability amortization over a period, not to exceed forty years as a level payment or level percent of pay, and amortization of contribution deficiencies or excesses.

Your valuation method conforms to the entry age cost method as defined in Section B of Statement 27. Unfunded actuarial accrued liabilities are funded on average over 18 years from July 1, 2000. Assets are valued as a five-year smoothing of gains and losses on the market value. All assumptions used in the calculation of the valuation reflect our long term expectations.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

- **Net Pension Obligation or NPO** — is made up of a transition liability or asset equal to the accumulated value of contribution deficiencies or excesses over required contributions from July 1, 1987 to Statement effective date (July 1, 1997) between the annual pension cost (discussed below) and the employer's contribution.

During the 1994 fiscal year, the City contributed \$10,000,000 more than the ARC. Therefore, the initial NPO value at the effective date is \$(9,012,000) as shown in Table 54 below.

- **Annual pension cost** — is equal to the ARC plus one year's interest on NPO and ARC adjustment to avoid double counting of NPO and interest on NPO.

The following table summarizes the GASB Statement disclosure for fiscal years 1994 through 2000.

53. Calculation of annual pension cost (dollars in thousands)

	1994	1995	1996	1997	1998	1999	2000
ARC	\$ 223,750	\$ 212,838	\$ 222,482	\$ 237,016	\$ 252,080	\$ 256,704	\$ 168,928
Interest on NPO	—	(900)	(869)	(840)	(811)	(783)	(113,257)
Adjustment to ARC	—	1,241	1,198	1,158	1,118	1,080	156,130
Annual pension cost	\$ 223,750	\$ 213,179	\$ 222,811	\$ 237,334	\$ 252,387	\$ 257,001	\$ 211,801
Contributions made	233,750	212,838	222,482	237,016	252,080	1,506,704	183,928
Increase in NPO	(10,000)	341	329	318	307	(1,249,703)	27,873
NPO at beginning of year	—	(10,000)	(9,659)	(9,330)	(9,012)	(8,705)	(1,258,408)
NPO at end of year	(10,000)	(9,659)	(9,330)	(9,012)	(8,705)	(1,258,408)	(1,230,535)
Interest rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
15-year amortization factor (EOY)	8.06	8.06	8.06	8.06	8.06	8.06	8.06

- a. \$(9,012,000) is the NPO at transition date.

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FINANCIAL SECTION

Zelenkofske Axelrod LLC

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund
Philadelphia, Pennsylvania

We have audited the accompanying statement of plan net assets of the CITY OF PHILADELPHIA MUNICIPAL PENSION FUND (the "Fund") as of June 30, 2000, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the plan net assets of the Fund as of June 30, 2000, and the changes in plan net assets for the year then ended, in conformity with generally accepted accounting principles.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of funding progress and employer contributions, and notes to supplemental information are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The information in the supplemental schedule of funding progress with the actuarial valuation date of July 1, 1999, the information in the supplemental schedule of employer contributions for the year ended June 30, 2000, and the notes to supplemental information have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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500 York Road, Suite 250
Jenkintown, PA 19046
215.572.7410 Fax 215.572.5052

Harrisburg
940 East Park Drive, Suite 200
Harrisburg, PA 17111
717.561.9200 Fax 717.561.9202

Zelenkofske Axelrod LLC

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2000, on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


ZELENKOFKSKE AXELROD LLC

Jenkintown, Pennsylvania
December 12, 2000

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2000
(IN THOUSANDS)

Assets:	
Cash Deposits	<u>\$ 18,236</u>
Receivables:	
Due From Other Governmental Units	704
Due From City of Philadelphia - Contributions	15,339
Installment Payments Receivable	6,366
Plan Members	1,311
Interest and Dividend Receivable	23,932
Due From Brokers for Securities Sold	<u>46,008</u>
Total Receivables	<u>93,660</u>
Investments, At Fair Value:	
Investments	5,041,524
Securities Lending Collective Investment Pool	<u>586,937</u>
Total Investments	<u>5,628,461</u>
Total Assets	<u>5,740,357</u>
Liabilities:	
Due to Brokers for Securities Purchased	166,069
Due on Return of Securities Loaned	586,937
Accounts Payable and Accrued Expenses	4,572
Deferred Revenue	<u>6,366</u>
Total Liabilities	<u>763,944</u>
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress Is Presented on Page 14) **	<u>\$4,976,413</u>

**See Annual Report Page 45

The accompanying notes are an integral part of the financial statements.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2000
(IN THOUSANDS)

Additions:	
Contributions:	
Employer	\$ 183,928
Plan Member	<u>50,248</u>
Total Contributions	<u>234,176</u>
Investment Income (Expenses):	
Interest and Dividend Income	124,879
Net Appreciation in Fair Value of Investments	333,550
Securities Lending Revenue	28,492
Securities Lending Expenses	(26,993)
Investment Expenses	<u>(14,871)</u>
Net Investment Income	<u>445,057</u>
Other Income	<u>195</u>
Total Additions	<u>679,428</u>
Deductions:	
Benefit Payments	444,273
Refunds of Contributions	4,198
Other Administrative Expenses	<u>4,881</u>
Total Deductions	<u>453,352</u>
Net Increase	226,076
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	<u>4,750,337</u>
End of Year	<u>\$4,976,413</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: PENSION SYSTEM DESCRIPTION

General Description

The City of Philadelphia (the "City") maintains two single employer defined benefit plans for its employees and employees of its component units. The two plans maintained by the City are the Municipal Pension Plan (the "Plan") and the Gas Works Plan.

The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system ("PERS"). The Plan covers all officers and employees of the City, and the officers and employees of certain other governmental and quasi-governmental organizations.

As of the latest available actuarial valuation (July 1, 1999), the Plan's membership consisted of:

Retirees and Beneficiaries Receiving Benefits	31,891
Terminated Plan Members Entitled to Benefits But Not Yet Receiving Them	814
Active Plan Members	<u>30,985</u>
Total	<u>63,690</u>

Effective January 1, 1987, the City adopted a new Plan ("Plan 87"), which is part of the City of Philadelphia Municipal Pension Plan. The City intended to cover employees hired on or after January 8, 1967, as well as members in the current plan who elected to transfer to Plan 87. Except for elected officials, Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provided for enhanced benefits, with participating elected officials required to pay for the additional normal cost. District Council 33 challenged Plan 87 in court and, as a result, none of their members were covered by Plan 87 until October 1, 1992. In addition, due to contract provisions, police and fire personnel were not included in Plan 87 until July 1, 1988. Employees represented by Local 2187 of District Council 47, by order of an arbitration award dated August 11, 1992, were transferred to the City's primary plan effective from their dates of hire. As of July 1, 1999, there were 13,105 participants in Plan 87.

Contributions

Court decisions have interpreted the Home Rule Charter requirement to mean that the City must make contributions to the pension system sufficient to fund:

- a. Accrued normal costs which are actuarially computed amounts necessary to be contributed to the pension fund to provide, in the future, the pension and survivor benefits earned by the work force during the year.
- b. Amortization in level installments (which include interest) over a period of 40 years, of certain unfunded prior service costs as ordered by the Court of Common Pleas of Philadelphia County in a class action suit brought by pension fund beneficiaries.
- c. Interest on the remaining unfunded accrued liability of the pension plan.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2000

NOTE 1: PENSION SYSTEM DESCRIPTION (CONTINUED)

Contributions (Continued)

In fiscal year 2000, the City contributed: (1) the amounts described in (a), (b), and (c) above; plus (2) the scheduled amounts sufficient to amortize the remaining unfunded actuarial accrued liability as of July 1, 1985, over 34 years, determined on the basis of a formula which produces amounts expected to be level as a percentage of each year's aggregate payroll; plus (3) amounts necessary to amortize any subsequent actuarial gains and losses over 15 years in level dollar payments; plus (4) amounts necessary to amortize any increase in actuarial accrued liability due to benefit increases to nonactive employees made after July 1, 1985, over 10 years in level dollar payments; plus (5) amounts necessary to amortize any increase in actuarial liability due to benefit increases to active employees made after July 1, 1985, over 20 years in level dollar payments; plus (6) amounts necessary to amortize any changes in actuarial assumptions over 20 years in level dollar payments. Under this method, the unfunded accrued liability of \$1.4 billion at July 1, 1999, will increase until the year 2003 as unpaid interest on that liability compounds. Scheduled payments through the year 2019 will reduce the liability to zero.

Employee contributions are required by City Ordinance, and the City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance, and State Statute. For Plan members, employee contribution rates are fixed on a per-employee basis by City Ordinance. Covered Plan employees who participate in the Social Security System contribute 3.75% of their total compensation up to the taxable wage base and 6% of total compensation above the taxable wage base to the Plan. Each employee who does not participate in the Social Security System contributes 6% of their total compensation to the Plan. Plan 87 member contribution rates are defined for the membership as a whole by City Ordinance and individual contribution rates are determined annually by the actuary. For members of the Plan 87 municipal division, the total employee contribution is fixed by City Ordinance at 30% of gross normal cost for all members. For members of Plan 87 uniformed division, the total employee contribution rate is set at 5% of total compensation, but with a floor and ceiling of 30% and 50%, respectively, of the total gross normal cost for all members.

Benefits

The Plan, as established by the Home Rule Charter and City Ordinance, provide retirement benefits as well as death and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire are entitled to an annual retirement benefit payable monthly for life.

- a. Uniformed personnel (police and fire) who retire at or after age 45 are eligible to receive a service pension equal to 2.5% of the employee's average final compensation multiplied by his or her years of credited service, subject to a maximum of 100% of average final compensation. Those uniformed personnel who are covered under Plan 87 and who retire at or after age 50 with 10 or more years of credited service are eligible to receive a service pension equal to 2.2% of the employee's average final compensation multiplied by years of service to a maximum of 20 years, plus 2% of the employee's average final compensation multiplied by years of service in excess of 20.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2000

NOTE 1: PENSION SYSTEM DESCRIPTION (CONTINUED)

Benefits (Continued)

- b. Municipal employees who retire at or after age 55 are eligible to receive a service pension equal to the sum of: 2.5% of the employee's average final compensation multiplied by his or her years of credited service to a maximum of 20 years; plus 2% of the employee's average final compensation multiplied by his or her years of credited service in excess of 20; limited to 80% of the employee's average final compensation. Municipal employees who are covered under Plan 87 and who retire at or after age 60 with 10 or more years of credited service are eligible to receive a service pension equal to the employee's service, plus average final compensation multiplied by 2% for the years of service in excess of 10.

Each Plan member who, on or before July 1, 1999, was 60 years of age or older and each beneficiary or survivor of a Plan member who was 60 years of age or older, who is receiving or entitled to receive a retirement benefit under the Plan and who, on or before July 1, 1999, received or was entitled to receive benefits for at least 10 years, shall receive two lump sum bonuses in the amount of \$1,000 plus an additional \$100 for each full year over 10 years that the Plan member, beneficiary, or survivor has received or been entitled to receive benefits. The first bonus payment was made on April 30, 1999, in the amount of \$36,325,957. The second bonus payment will be made on July 15, 2000.

Effective July 1, 1999, a Pension Adjustment Fund ("PAF") was established. The PAF is funded with fifty percent of the excess earnings that are between one percent and six percent above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year by majority vote of its members, the Board of Pensions and Retirement (the "Board") shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost-of-living adjustments, continuous cost-of-living adjustments, or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries, and their survivors.

Effective July 1, 1999, the Fund was amended to include a Deferred Retirement Option Plan ("DROP" Plan).

The DROP Plan allows a participant to declare that they will retire within four years. During the four-year period, the City will make no further contributions for the participant. The participant would continue to receive their salary, however, any increases would not be counted towards their pension benefit. During the four-year period that the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the four-year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment.

The DROP Plan will be tested for a four-year period. If it is determined, after actuarial evaluation, that the DROP Plan was not costing the Fund a material amount, the DROP Plan will be continued. If it is determined that the DROP Plan is costing the Fund a material amount, it will be terminated. Any participants enrolled in the DROP Plan at the time of termination will be eligible to continue in the DROP Plan.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND ASSET MATTERS

Basis of Accounting

Financial statements of the Plan are prepared using the accrual basis of accounting. The Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the trade date.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

Installment Payments Receivable and Deferred Revenues

Installment payments receivable and deferred revenue represent balances due from active participants who are in the process of purchasing retirement benefits from past city or military employment. Any Plan members who are eligible to repurchase credit for prior service is entitled to pay the required amount through uniform deductions by pay period, over a period not exceeding five years. These installment payments include interest on the unpaid balance at the annual rate of 6%.

Income Taxes

Income retained by the Plan is not subject to federal income tax.

Related Parties

The Board of Pensions and Retirement is the custodian of the investments of the Plan. The Department of Finance provides cash receipt and cash disbursement services to the Plan. The City's solicitor's office provides legal services to the Plan. Other administrative services are also provided by the City.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND ASSET MATTERS
(CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

Plan contributions are prepared based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 3: CASH DEPOSITS, INVESTMENTS, AND SECURITIES LENDING

The Plan is authorized to invest in "prudent investments" including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, etc. The City Ordinance contains provisions which preclude the Plan from investing in organizations that conduct business in a certain country and also impose limitations on the amounts invested in certain types of securities.

The Plan's investments are categorized below to give an indication of the level of risk assumed by the Plan at year-end. Category One includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category Two includes uninsured and unregistered investments for which the securities are held at the broker's or dealer's trust department or agent in the Plan's name. Category Three includes uninsured and unregistered investments, for which the securities are held by the broker or dealers, or by its trust department or agent in street name, rather than in that of the Plan. There are no Category Two or Category Three investments at June 30, 2000. The Plan also holds investments which are not in any of the three defined categories because the securities are not used as evidence of the investment. Such investments are separately identified. In addition, the Plan held cash deposits at June 30, 2000, with a carrying amount of \$18.2 million and a bank balance of \$18.8 million. Such cash deposits were collateralized with such collateral held by the pledging financial institution's trust department or agent in the City's name.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2000

NOTE 3: CASH DEPOSITS, INVESTMENTS, AND SECURITIES LENDING (CONTINUED)

Investments held by the Plan at June 30, 2000 are summarized as follows (in thousands):

	<u>Fair Value</u>
Investments - Category 1	
U.S. Government Securities	\$ 643,267
Corporate Bonds	546,712
Corporate Equities:	
Not on Securities Loan	2,917,803
On Securities Loan for Securities Collateral	1,660
Mortgages	53,057
Other Investments	48,659
Short-term Investment Pools	105,814
Real Estate	25,362
Partnerships	<u>125,143</u>
Subtotal	4,467,477
Investments - Not Categorized:	
Investments Held by Broker-Dealers Under	
Securities Loans With Cash Collateral:	
U.S. Government Securities	393,524
Corporate Bonds	5,517
Corporate Equities	175,006
Securities Lending Collective Investment Pool	<u>586,937</u>
Total	<u>\$5,628,461</u>

State statutes do not prohibit the Plan from participating in securities lending transactions, and the Plan has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company ("State Street") to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, at the direction of the Plan, the Plan's securities and received cash (United States currency) and securities issued or guaranteed by the United States government as collateral. State Street did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in the United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign government, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2000

NOTE 3: CASH DEPOSITS, INVESTMENTS, AND SECURITIES LENDING (CONTINUED)

The Plan did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf and State Street indemnified the Plan by agreeing to purchase replacement securities or return cash collateral in the event the borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the Plan and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral or other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2000, such investment pool had an average duration of 74 days and an average weighted maturity of 485 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2000, the Plan had no credit risk exposure to borrowers. The collateral held and the fair value of securities on loan for the Plan as of June 30, 2000 (in thousands), were \$588,608 and \$575,708, respectively.

Cash collateral received in respect of such loans was invested at the direction of the Plan in the Quality Funds for Short-term Investment, a pooled external investment vehicle (the "Fund"). Following are required disclosures under Governmental Accounting Standards Board Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*:

- a. Method for Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- b. Policy for Utilizing Amortized Cost Method. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investments at fair value for reporting purposes.
- c. Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street and, consequently, the investment vehicles it sponsors (including the Fund) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Client's position in the Fund is not the same as the value of the Fund shares.
- d. Involuntary Participation. There was no involuntary participation in an external investment pool by the Plan for the fiscal year.
- e. Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule; securities lent for securities collateral are classified according to the category for the collateral.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2000

NOTE 4: INVESTMENT ADVISORS

The Fund utilizes investment advisors to manage long-term debt, real estate and equity portfolios. Real estate advisors must obtain prior approval before each purchase or sale of a particular security. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

NOTE 5: OTHER

Benefits under the Plan are guaranteed by statute. In the event that employee contributions do not equal required benefits, the City's General Fund must provide any shortfall.

NOTE 6: PARTICIPATION IN PENSION PLAN

The employees of the Board of Pensions and Retirement (the "Board"), the PERS for the Plan, are also members of the Plan and, as such, are subject to the provisions of the Plan as described in the notes to these financial statements.

During the years ended June 30, 2000, 1999, and 1998, the Board was required to contribute \$267,372, \$404,869, and \$371,273, respectively. The Board contributed 100% of the required contribution for all three years.

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CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2000

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/92	\$1,981.8	\$4,425.5	\$2,443.7	44.78%	\$ 993.3	246.02%
7/1/93	2,113.9	4,502.1	2,388.2	46.95%	975.0	244.94%
7/1/94	2,225.2	4,662.6	2,437.4	47.72%	974.3	250.17%
7/1/95	2,312.1	4,850.8	2,538.7	47.66%	1,006.4	252.26%
7/1/96	2,457.2	5,098.1	2,640.9	48.20%	1,068.3	247.21%
7/1/97	2,660.9	5,318.1	2,657.2	50.03%	1,067.7	248.87%
7/1/98	2,921.3	5,586.1	2,664.8	52.30%	1,128.2	236.19%
7/1/99	4,496.8	5,862.1	1,365.3	76.70%	1,178.6	115.84%

See accompanying notes to supplemental information.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2000

(In Thousands)

<u>Years Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1993	\$209,352	100.0%
1994	223,750	104.5
1995	212,838	100.0
1996	222,482	100.0
1997	237,016	100.0
1998	252,080	100.0
1999	256,704	586.9

See accompanying notes to supplemental information.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO SUPPLEMENTAL INFORMATION
JUNE 30, 2000

NOTE 1: ACTUARIAL VALUATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 1999
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage Closed
Equivalent Single Amortization Period	19 Years
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	9.0%
Projected Salary Increases	5.0%
Includes Inflation at	3.5%
Cost-of-Living Adjustments	None

NOTE 2: EMPLOYER CONTRIBUTIONS

In fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.29 billion in pension funding bonds. On February 2, 1999, the City of Philadelphia used \$1.25 billion of the proceeds to make an employer contribution to the Plan.

Zelenkofske Axelrod LLC

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund
Philadelphia, Pennsylvania

We have audited the financial statements of the CITY OF PHILADELPHIA MUNICIPAL PENSION FUND as of and for the year ended June 30, 2000, and have issued our report thereon dated December 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the CITY OF PHILADELPHIA MUNICIPAL PENSION FUND's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CITY OF PHILADELPHIA MUNICIPAL PENSION FUND's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Zelenkofske Axelrod LLC

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund
Page 2

This report is intended solely for the information and use of the Board members and Fund management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


ZELENKOFKSKE AXELROD LLC

Jenkintown, Pennsylvania
December 12, 2000

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ADDITIONAL FINANCIAL INFORMATION
(Compiled by the Finance Department
of the City of Philadelphia)

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2000

ASSETS

Cash on Deposit and on Hand	\$ 33,574,354
Investments at Fair Value	5,041,523,689
Securities Lending	586,937,447
Accounts Receivable	7,665,387
Due from Brokers	46,008,035
Interest and Dividends Receivable	23,932,205
Due from Other Funds	-
Due from Other Governmental Units	704,390
Other Assets	<u>11,220</u>
<u>Total Assets</u>	<u>\$ 5,740,356,727</u>

LIABILITIES

Vouchers Payable	\$ 210,965
Accounts Payable	2,982,707
Salaries and Wages Payable	45,126
Due on Securities Lending	586,937,447
Due to Brokers	166,068,381
Accrued Expenses	696,516
Funds Held in Escrow and Advance Deposits	-
Deferred Revenue	6,366,078
Other Liabilities	<u>636,666</u>
<u>Total Liabilities</u>	<u>763,943,886</u>

Net Assets Held in Trust for Pension Benefits	<u>\$ 4,976,412,841</u>
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CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2000 AND 1999

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Additions:		
Contributions:		
Employer's Contributions	\$ 183,927,936	\$ 1,511,634,837
Employees' Contributions	50,248,065	49,221,539
Other Contributions	—	—
Total Contributions	<u>234,176,001</u>	<u>1,560,856,376</u>
Investment Income:		
Interest and Dividends	124,879,185	119,281,571
Gain (Loss) from Sale of Investments	333,549,903	273,853,357
(Less) Investment Expenses	(14,871,036)	(11,545,671)
Securities Lending Revenue	28,491,789	21,062,121
(Less) Securities Lending Expenses	(26,992,901)	(19,583,180)
Net Investment Income	<u>445,056,940</u>	<u>383,068,198</u>
Miscellaneous Operating Revenues	194,773	239,426
<u>Total Additions</u>	<u>679,427,714</u>	<u>1,944,164,000</u>
Deductions:		
Personal Services	2,329,523	2,250,256
Purchase of Services	1,125,046	979,991
Materials and Supplies	59,758	134,751
Employee Benefits	940,187	931,449
Pension Benefits	444,272,795	434,035,548
Refunds of Members' Contributions	4,197,810	4,204,945
Securities Lending Expenses	—	—
Other Operating Expenses	426,696	139,220
<u>Total Deductions</u>	<u>453,351,815</u>	<u>442,676,160</u>
<u>Net Increase</u>	<u>226,075,899</u>	<u>1,501,487,840</u>
Net Assets Held in Trust for		
Pension Benefits – July 1, 1999	4,750,336,942	3,248,849,102
Prior Period Adjustment	—	—
Revised Net Assets Held in Trust for		
Pension Benefits – July 1, 1999	<u>4,750,336,942</u>	<u>3,248,849,102</u>
Net Assets Held in Trust for		
Pension Benefits – June 30, 2000	<u>\$ 4,976,412,841</u>	<u>\$ 4,750,336,942</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
ANALYSIS OF MEMBERS' CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Municipal Division – <u>Old</u>	Municipal Division – <u>New</u>	Fire Division – <u>New</u>	Police Division – <u>New</u>
Balance, July 1, 1999	\$ <u>203,351</u>	\$ <u>368,341</u>	\$ <u>63,564,313</u>	\$ <u>119,403,897</u>
Additions:				
Regular Payroll Deductions	–	893	3,658,420	7,603,751
Installment Repurchase Deductions	–	–	61,532	97,042
Payments Through City Treasurer	–	–	392,406	361,523
Retirees' Pension Payments	–	–	17,443	10,272
Adjustments to Members' Contribution Accounts	–	–	–	–
Unclaimed Withdrawal Checks Deposited	–	–	–	–
Total Additions	<u>–</u>	<u>893</u>	<u>4,129,801</u>	<u>8,072,588</u>
Deductions:				
Withdrawals	–	–	83,592	406,822
Retirements	–	–	2,162,019	5,249,856
Net Change in Liability for Deceased Pensioners	–	–	85,206	96,941
Net Change In Liability for Pensioners' Unexpended Contributions	–	–	256,134	2,374,998
Adjustments to Members' Contribution Accounts	–	–	–	–
Total Deductions	<u>–</u>	<u>–</u>	<u>2,586,951</u>	<u>8,128,617</u>
Net Change in Year	<u>–</u>	<u>893</u>	<u>1,542,850</u>	<u>(56,029)</u>
Balance, June 30, 2000	\$ <u>203,351</u>	\$ <u>369,234</u>	\$ <u>65,107,163</u>	\$ <u>119,347,868</u>

<u>Elected Officials</u>	<u>Municipal Revised Plan 60</u>	<u>Municipal Revised Plan 87</u>	<u>Municipal Revised Plan 93</u>	<u>Fire Division Old</u>	<u>Police Division - Old</u>	<u>Total</u>
\$ <u>1,365,433</u>	\$ <u>268,788,873</u>	\$ <u>7,154,538</u>	\$ <u>15,604,937</u>	\$ <u>8,290,627</u>	\$ <u>34,766,734</u>	\$ <u>519,511,044</u>
156,986	18,467,375	17,189	6,314,579	1,787,241	8,007,256	46,013,690
31,431	284,104	117	481,020	78,050	118,418	1,151,714
20,627	1,521,361	12,463	549,275	87,505	45,413	2,990,573
-	62,083	-	-	-	-	89,798
-	-	-	-	-	-	-
-	51	57	2,182	-	-	2,290
<u>209,044</u>	<u>20,334,974</u>	<u>29,826</u>	<u>7,347,056</u>	<u>1,952,796</u>	<u>8,171,087</u>	<u>50,248,065</u>
34,789	1,692,007	29,972	1,276,407	176,972	497,249	4,197,810
90,949	12,180,841	-	213,303	46,700	50,171	19,993,839
-	78,811	-	(154)	-	15,172	275,976
38,124	281,580	32,039	(25,475)	9,416	(9,973)	2,956,843
-	-	-	-	-	-	-
<u>163,862</u>	<u>14,233,239</u>	<u>62,011</u>	<u>1,464,081</u>	<u>233,088</u>	<u>552,619</u>	<u>27,424,468</u>
45,182	6,101,735	(32,185)	5,882,975	1,719,708	7,618,468	22,823,597
\$ <u>1,410,615</u>	\$ <u>274,890,608</u>	\$ <u>7,122,353</u>	\$ <u>21,487,912</u>	\$ <u>10,010,335</u>	\$ <u>42,385,202</u>	\$ <u>542,334,641</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
ANALYSIS OF FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Reserve for Members' Contributions	Reserve for Payment of Pensions and All Other Purposes	Total Reserves
Balance, July 1, 1999	\$ 519,511,044	\$ 4,230,825,898	\$ 4,750,336,942
Additions:			
Contributions:			
Employees	\$ 50,245,775	\$ -	
Quasi-Public Agencies	-	4,449,239	
City Appropriations	-	179,478,697	
Commonwealth of Pennsylvania	-	-	
Total Contributions	<u>50,245,775</u>	<u>183,927,936</u>	
Interest:			
Members' Reinstatements	-	2,372,748	
Interest on Long-Term Investments	-	120,248,021	
Interest on Short-Term Investments	-	2,258,416	
Accrued Interest as of June 30, 1999	-	-	
Total Interest	<u>-</u>	<u>124,879,185</u>	
Members' Contributions Transferred to Reserve for Retirements	-	19,993,839	
Adjustments for Liability to Deceased Pensioners	-	-	
Adjustments to Members' Unexpended Contributions	-	2,956,843	
Adjustments for Accrued Death Benefits	-	(227,358)	
Net Income (Loss) from Investment Managers	-	175,024,949	
Net Appreciation(Depreciation)/Fair Value of Investments	-	158,524,954	
Other Additions:			
Unclaimed Withdrawal Checks Deposited	2,290	-	
Refunds and Cancelled Checks - Prior Years' Pensions	-	165,389	
Miscellaneous Receipts	-	1,528,272	
Miscellaneous Fund Balance Adjustment	-	-	
Adjustments to Members' Contributions	-	-	
Total Other Additions	<u>2,290</u>	<u>1,693,661</u>	
Total Additions	<u>50,248,065</u>	<u>666,774,009</u>	<u>717,022,074</u>
Deductions:			
Withdrawals	4,197,810	-	
Retirements	19,993,839	-	
Adjustments to Members' Contributions	-	-	
Administrative Expenses	-	4,605,234	
Payments to Pensions and Benefits	-	444,272,795	
Investment Manager Expenses	-	14,643,678	
Adjustments for Liability to Deceased Pensioners	275,976	-	
Adjustments to Members' Unexpended Contributions	2,956,843	-	
Miscellaneous Fund Balance Adjustment	-	-	
Total Deductions	<u>27,424,468</u>	<u>463,521,707</u>	<u>490,946,175</u>
Balance, June 30, 2000	\$ 542,334,641	\$ 4,434,078,200	\$ 4,976,412,841

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

EXHIBIT A-5

<u>Balance, July 1, 1999</u>	\$ <u>17,891,219</u>
Receipts:	
From Members:	
Contributions	48,952,710
Interest	2,307,813
Repayment Fees	51,715
Payroll Deductions Accrued at June 30, 1999	<u>2,195,348</u>
Total Receipts – Members	53,507,586
From Operating Funds Appropriations – Current Year’s Requirements	179,478,697
From Pension Bond Proceeds	—
Prior Year’s Appropriations	—
PA Act 205 Grant	—
Revenue from Police and Firemen’s Pension Funds	5,692
Interest on Long – Term Debt Securities	131,462
Interest on Short – Term Debt Securities	2,126,953
Accrued Interest Receivable at June 30, 1999	—
Sale or Maturity of Long – Term Debt Securities	14,916,354
Sale or Maturity of Equity/Debt Securities	354,567,145
Refunds and Cancelled Checks Deposited	627,000
Reimbursement for Normal City Costs, Quasi – Public Agencies	3,744,849
Accrual Due from Quasi – Public Agencies at June 30, 1999	1,775,619
Other Receipts	<u>1,522,580</u>
<u>Total Receipts</u>	<u>612,403,937</u>
<u>Total Available for Disbursement</u>	<u>630,295,156</u>
Disbursements:	
Pensions and Benefits	444,752,086
Withdrawals	4,200,810
Administrative Expenses	16,077,071
Equity/Debt Securities Purchased	92,000,000
Long – Term Investments Purchased	<u>39,690,835</u>
<u>Total Disbursements</u>	<u>596,720,802</u>
<u>Balance, June 30, 2000</u>	\$ <u>33,574,354</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
SUMMARY SCHEDULE OF INVESTMENTS
JUNE 30, 2000

	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>
Repurchase Agreements	\$ —	\$ —	\$ —
U.S. Government Securities	491,658,116	536,164,748	533,275,644
U.S. Government Agency Securities	549,511,834	507,486,830	503,515,786
Corporate Bonds	550,369,514	559,126,413	552,228,959
Corporate Equity	—	2,599,299,840	3,094,468,942
Mutual Funds	—	—	—
Collateralized Mtg Obligations	70,066,647	54,136,744	53,056,803
Other Bonds and Investments	44,712,544	48,936,449	48,658,650
Short Term Investment Pools	105,813,739	105,813,739	105,813,739
Non-Categorized Mutual Funds	—	—	—
Real Estate	47,154,761	47,154,761	25,361,685
Financial Agreements	108,540,748	108,463,368	125,143,481
<u>Total Municipal Pension Fund</u>	<u>\$ 1,967,827,903</u>	<u>\$ 4,566,582,892</u>	<u>\$ 5,041,523,689</u>

CITY OF PHILADELPHIA
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
JUNE 30, 2000

EXHIBIT II-C-2

<u>Assets</u>	
Equity in Treasurer's Account	5,075,098,043
Securities Lending Collective Investment Pool	586,937,447
Accounts Receivable	7,665,387
Due from Brokers for Securities Sold	46,008,035
Interest and Dividends Receivable	23,932,205
Due From Other Governmental Units	704,390
Other Assets	11,220
<u>Total Assets</u>	<u><u>5,740,356,727</u></u>
<u>Liabilities</u>	
Vouchers Payable	210,965
Accounts Payable	2,982,707
Salaries & Wages Payable	45,126
Due on Return of Securities Loaned	586,937,447
Due to Brokers for Securities Purchased	166,068,381
Accrued Expenses	696,516
Funds Held in Escrow and Advance Deposits	0
Deferred Revenue	6,366,078
Other Liabilities	636,666
<u>Total Liabilities</u>	<u><u>763,943,886</u></u>
Net Assets Held in Trust for Pension Benefits	<u><u>4,976,412,841</u></u>

The Accounts Receivable of the Municipal Pension Fund consists of Employee Contributions Receivable in the amount of \$1,299,309 and Installment Repurchase Agreements Receivable in the amount of \$6,366,078.

CITY OF PHILADELPHIA
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

EXHIBIT I-A-6

Additions:

Contributions:

Employer's Contributions	183,927,936
Employee's Contributions	50,248,065
Other Contributions	-
Total Contributions	<u>234,176,001</u>

Investment Income:

Interest & Dividends	124,879,185
Net Appreciation in Fair Value of Investments	333,549,903
(Less) Investment Expenses	(14,871,036)
Securities Lending Revenue	28,491,789
(Less)Securities Lending Expenses	(26,992,901)
Net Investment Income	<u>445,056,940</u>

Miscellaneous Operating Revenue	194,773
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<u>Total Additions</u>	<u>679,427,714</u>
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Deductions:

Personal Services	2,329,523
Purchase of Services	1,125,046
Material & Supplies	59,758
Employee Benefits	940,187
Pension Benefits	444,272,795
Refund of Member's Contributions	4,197,810
Securities Lending Expenses	-
Other Operating Expenses	426,696

<u>Total Deductions</u>	<u>453,351,815</u>
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<u>Net Increase</u>	<u>226,075,899</u>
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Net Assets Held in Trust for Pension Benefits - July 1, 1999	4,750,336,942
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Prior Period Adjustment	<u>-</u>
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Revised Net Assets Held in Trust for Pension Benefits - July 1, 1999	<u>4,750,336,942</u>
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Net Assets Held in Trust for Pension Benefits - June 30, 2000	<u><u>4,976,412,841</u></u>
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City of Philadelphia
 Year-End Pension Contribution
 Pension Contributions By Division
 Fiscal Year Ending June 30, 2000

Rangename to print: COSTS BY DIV

	<u>Payroll Used To Determine Normal Cost</u>	<u>Normal Costs</u>	<u>Unfunded Liability</u>	<u>Less Quasi Contributions</u>	<u>Plus Total Interest Charges</u>	<u>Total Pension Contribution</u>
Police - 1967 Plan	128,664,705.46	10,246,857.14	45,340,730.00		(4,543,097.67)	51,044,489.47
Police - 1987 Plan	159,955,466.17	9,752,484.77	(915,600.00)		(722,226.54)	8,114,658.23
Fire - 1967 Plan	62,206,014.86	4,833,407.35	12,505,570.00		(1,417,090.97)	15,921,886.39
Fire - 1987 Plan	38,029,948.34	2,494,764.61	(390,220.00)		(172,001.56)	1,932,543.05
Municipal - 1967 Plan	484,331,496.06	24,744,496.13	58,619,110.00	(3,356,954.88)	(6,538,834.47)	73,467,816.78
Municipal - 1987 Plan Y	279,924,612.32	15,437,842.37	296,480.00		(1,285,944.70)	14,448,377.67
Municipal - 1987 Plan M	573,455.11	31,339.32	(797,880.00)		62,648.32	(703,892.35)
Municipal Elected - 1987 Plan	1,859,122.78	110,729.35	164,590.00		(22,501.48)	252,817.88
Quasi-Governmental Agencies	21,379,597.35	1,092,283.63		(1,092,283.63)		0.00
	<u>1,176,924,418.44</u>	<u>68,744,204.69</u>	<u>114,822,780.00</u>	<u>(4,449,238.51)</u>	<u>(14,639,049.06)</u>	<u>164,478,697.11</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
FISCAL 2000 INFORMATION

RECEIPTS AND DISBURSEMENTS BY DIVISION

	<u>Employee Contributions</u>	<u>Pension Benefits</u>	<u>Withdrawals</u>	<u>Miscellaneous Revenue & Expenses</u>	<u>Other Operating Expenses</u>
Police – Old	\$ 8,072,588	\$ 156,999,269	\$ 406,822	\$ 23,020	\$ 96,941
Police – 1987 Plan	8,171,087	1,052,300	497,249	–	15,173
Fire – Old	4,129,801	51,710,860	83,592	47,659	85,206
Fire – 1987 Plan	1,952,796	182,072	176,972	–	–
Civilian – Old	27,682,924	233,840,705	2,968,414	100,402	78,656
Civilian – 1987 Plan	29,826	240,776	29,972	–	–
Civilian Elected – 1987 Plan	209,043	246,813	34,789	–	–
Operating Fund	–	–	–	23,692	150,720
<u>TOTAL</u>	<u>\$ 50,248,065</u>	<u>\$ 444,272,795</u>	<u>\$ 4,197,810</u>	<u>\$ 194,773</u>	<u>\$ 426,696</u>

MUNICIPAL PENSION FUND
FISCAL 2000 INFORMATION

Cash and Accrued Contributions from the City – Fiscal 2000 *

<u>Category</u>	<u>Amount</u>	
Cash received	\$ 179,478,697.11	
Accrued 6/30/00	0.00	\$ 179,478,697.11

Cash and Accrued Contributions from Quasi–Agencies – Fiscal 2000

Cash received	3,744,848.40	
Accrued 6/30/2000	704,390.11	4,449,238.51
Total City & Quasi Agencies		\$ 183,927,935.62
Contribution from the Commonwealth		0.00
Total Contribution requirement		\$ 183,927,935.62

* Analysis of Contributions from the City – Fiscal 2000

<u>Date</u>	<u>Amount</u>
07/01/99	\$ 164,140,000.00
06/30/00	338,697.11
06/30/00	15,000,000.00
	\$ 179,478,697.11

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
FISCAL 2000 INFORMATION

Dates and Amounts of Contributions from the Quasi–Agencies for Fiscal 2000:

<u>Date</u>	<u>Amount</u>
07/12/99	\$ 71,560
08/31/99	2,580
09/13/99	4,137
10/18/99	22,933
10/28/99	8,734
11/02/99	37,873
11/19/99	873,723
11/19/99	8,737
12/07/99	1,117
12/07/99	369,901
01/18/00	3,628
01/24/00	26,791
02/02/00	12,512
02/09/00	7,412
02/14/00	24,992
02/28/00	805,152
03/01/00	345,307
03/13/00	4,405
03/20/00	451
05/08/00	48,288
05/17/00	1,054,076
05/18/00	<u>10,540</u>
Cash Received as of June 30, 2000	3,744,849
Accrued Contribution	<u>704,390</u>
Total Quasi Contribution	\$ <u><u>4,449,239</u></u>

STATISTICAL INFORMATION
(Compiled by the Board of Pensions and Retirement)

CITY OF PHILADELPHIA
MUNICIPAL RETIREMENT SYSTEM

APPLICATIONS PROCESSED DURING JULY 1998 THROUGH JUNE 1999

DIVISION	WITHDRAWAL APPLICATIONS			PENSION APPLICATIONS					GRAND TOTAL APPLICATIONS
	Members	Deaths	Total	Regular	Disabled	Survivors of Employees	Pensioners	Total	
MUNICIPAL	1,109	28	1,137	524	81	65	233	903	2,040
FIRE	26	-	26	56	8	13	39	116	142
POLICE	133	1	134	226	25	5	107	363	497
<u>GRAND TOTAL</u>	<u>1,268</u>	<u>29</u>	<u>1,297</u>	<u>806</u>	<u>114</u>	<u>83</u>	<u>379</u>	<u>1,382</u>	<u>2,679</u>

APPLICATIONS PROCESSED DURING JULY 1999 THROUGH JUNE 2000

DIVISION	WITHDRAWAL APPLICATIONS			PENSION APPLICATIONS					GRAND TOTAL APPLICATIONS
	Members	Deaths	Total	Regular	Disabled	Survivors of Employees	Pensioners	Total	
MUNICIPAL	1,092	27	1,119	489	75	57	241	862	1,981
FIRE	19	-	19	50	2	5	49	106	125
POLICE	96	2	98	126	15	10	118	269	367
<u>GRAND TOTAL</u>	<u>1,207</u>	<u>29</u>	<u>1,236</u>	<u>665</u>	<u>92</u>	<u>72</u>	<u>408</u>	<u>1,237</u>	<u>2,473</u>

CITY OF PHILADELPHIA
MUNICIPAL RETIREMENT SYSTEM
COMPARATIVE STATEMENT OF RETIREMENT BENEFITS IN FORCE
AS OF JUNE 30, 1999 AND JUNE 30, 2000

	NUMBER RECEIVING BENEFITS				MONTHLY RATE OF PENSION BENEFITS IN FORCE			
	Regular	Disabled	Survivors	TOTAL	Regular	Disabled	Survivors	TOTAL
JUNE 30, 1999								
<u>MUNICIPAL DIVISION</u>	11,551	2,142	5,347	19,040	\$13,075,377	\$2,194,472	\$2,171,727	\$17,441,576
<u>FIRE DIVISION</u>	1,652	552	1,021	3,225	2,672,033	752,552	476,578	3,901,163
<u>POLICE DIVISION</u>	5,169	2,256	2,131	9,556	8,280,654	2,807,460	1,082,488	12,170,602
<u>GRAND TOTAL</u>	<u>18,372</u>	<u>4,950</u>	<u>8,499</u>	<u>31,821</u>	<u>\$24,028,064</u>	<u>\$5,754,484</u>	<u>\$3,730,793</u>	<u>\$33,513,341</u>
JUNE 30, 2000								
<u>MUNICIPAL DIVISION</u>	11,543	2,121	5,376	19,040	\$13,497,589	\$2,234,937	\$2,290,858	\$18,023,384
<u>FIRE DIVISION</u>	1,642	537	1,020	3,199	2,707,467	745,293	493,657	3,946,417
<u>POLICE DIVISION</u>	5,173	2,215	2,170	9,558	8,398,249	2,782,576	1,132,065	12,312,890
<u>GRAND TOTAL</u>	<u>18,358</u>	<u>4,873</u>	<u>8,566</u>	<u>31,797</u>	<u>\$24,603,305</u>	<u>\$5,762,806</u>	<u>\$3,916,580</u>	<u>\$34,282,691</u>

**CITY OF PHILADELPHIA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
ANALYSIS OF MEMBERSHIP**

ACTIVE MEMBERS

<u>DIVISION</u>	<u>6/30/98</u>	<u>6/30/99</u>	<u>6/30/00</u>
MUNICIPAL	21,429	21,590	21,941
FIRE	2,419	2,438	2,432
POLICE	6,956	6,955	7,093
<u>TOTAL</u>	<u>30,804</u>	<u>30,983</u>	<u>31,466</u>