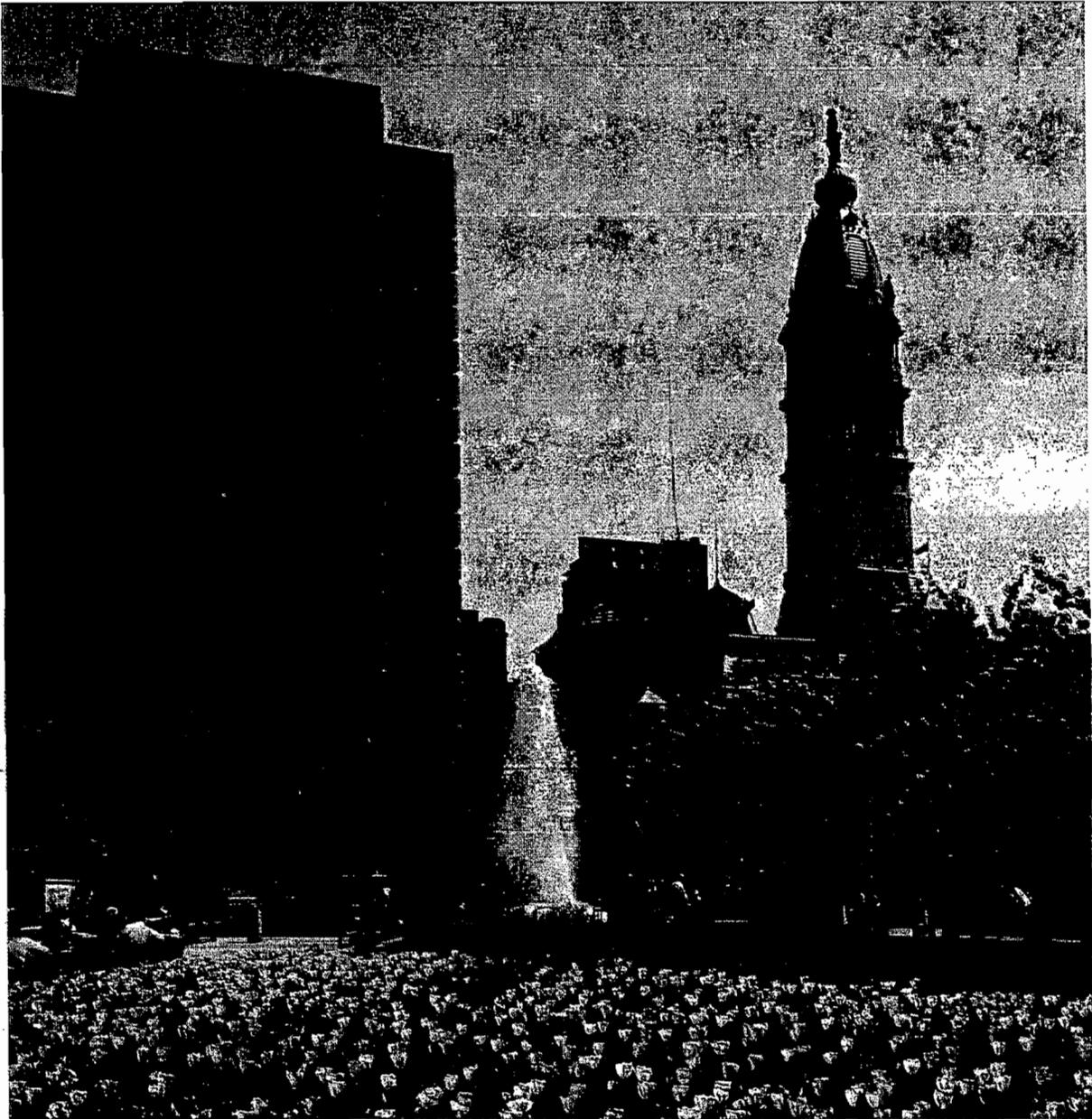




ANNUAL REPORT

City of Philadelphia BOARD OF PENSIONS AND RETIREMENT



FISCAL YEAR ENDING JUNE 30, 2003

John F. Street
Mayor

Janice D. Davis
Chairperson

Gwendolyn Bell
Executive Director

CITY OF PHILADELPHIA

BOARD OF PENSIONS AND RETIREMENT

ANNUAL REPORT

FISCAL YEAR JULY 1, 2002 – JUNE 30, 2003

**16TH FLOOR, TWO PENN CENTER PLAZA
PHILADELPHIA, PENNSYLVANIA 19102
(215-496-7418)**

To the People of the City of Philadelphia:

The Board of Pensions and Retirement hereby submits the Annual Report of the Retirement System for City of Philadelphia employees for the fiscal year ending June 30, 2003. 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.



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If you require more detailed information on the Board's Investment Portfolio, please write to Gwendolyn Bell, Executive Director, Two Penn Center Plaza – 16th Floor, Philadelphia, PA 19102 or call 215-496-7418 or 1-800-544-1173.

For additional copies of this report, write to: Linda Donovan, Pension Program Administrator or call 215-496-7413 or 1-800-544-1173.



INTRODUCTORY SECTION

CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Gwendolyn Bell

Executive Director

MEMBERS OF THE BOARD

Janice D. Davis

Chairperson, Director of Finance
Appointed May 15, 2000.

Philip R. Goldsmith

Managing Director
Appointed February 3, 2003.

Nelson A. Diaz, Esquire

City Solicitor
Appointed December 3, 2001.

Linda Orfanelli

Personnel Director
Appointed January 14, 2002.

Jonathan A. 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

Mercer Human Resource Consulting
Washington, D. C.

AUDITOR

City Controller
And
Mitchell & Titus, LLP
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
Bala Cynwyd, Pennsylvania

CUSTODIAN BANK

State Street Bank
Quincy, Massachusetts

INVESTMENT MANAGERS

U. S. Equities

Ariel Capital Management, Inc.
Chicago, Illinois

Aronson + Johnson + Ortiz, LLC
Philadelphia, Pennsylvania

Cooke & Bieler
Philadelphia, Pennsylvania

Lord, Abbett & Company
Jersey City, New Jersey

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

Turner Investment Partners
Berwyn, Pennsylvania

Wells Capital Management
Minneapolis, Minnesota

Ark Asset Management
New York, New York

Chicago Equity Partners
Chicago, Illinois

Dreyfus Corporation
New York, New York

Navellier & Associates
Yardley, Pennsylvania

Seneca Capital Management
San Francisco, California

Wellington Management
Company, LLP
Boston, Massachusetts

International Equities

Delaware International Advisers
London, England

The Putnam Companies
Boston, Massachusetts

Philadelphia International Advisers
Philadelphia, Pennsylvania

Global Fixed Income

Deutsche Asset Management
Investment Services Limited
Philadelphia, Pennsylvania

Smith, Graham & Co.
Houston, Texas

Morgan Stanley, Dean Witter
Conshohocken, Pennsylvania

Western Asset Management Co.
Pasadena, California

Tactical Asset Allocation

Mellon Capital Management Corp.
San Francisco, California

Cash Management

State Street Bank
Quincy, Massachusetts

Opportunity Fund

FIS Funds Management, Inc.
Philadelphia, Pennsylvania

PFM Advisors
Fort Washington, Pennsylvania

Alternative Investments

Ascend Ventures, L.P.
New York, New York

Asian Financial Corporation
Philadelphia, Pennsylvania

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

Behrman Capital III L.P.
New York, New York

Blackstone Capital Partners, IV, L.P.
New York, New York

Columbia Capital Equity Partners
II & III QP, L.P.
Alexandria, Virginia

European Strategic Partners -
I & II, L.P. – Standard Life
Of Scotland
Edinburgh, Scotland

Fairview Capital II & III, L.P.
Farmington, Connecticut

Falcon Mezzanine Partners, L.P.
Needham, Maryland

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

Green Equity Investors IV, L.P.
Los Angeles, California

GS Capital, L.P.
Wayne, Pennsylvania

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

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

Lindsay, Goldberg & Bessemer, L.P.
New York, New York

LLR Equity Partners, L.P.
Philadelphia, Pennsylvania

MGIC Mortgage Marketing Corp.
Milwaukee, Wisconsin

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

Morgan Stanley
Venture Partners IV, L.P.
New York, New York

Morgan Stanley Venture
Partners 2002 Fund, L.P.
New York, New York

OCM Opportunities Fund III & IV, L.P.
Los Angeles, California

PA Early Stage Partners, III, L.P.
Wayne, Pennsylvania

Quaker BioVentures, L.P.
Philadelphia, Pennsylvania

The Retail Initiative
New York, New York

SCP Private Equity Partners, I & II, L.P.
Wayne, Pennsylvania

Technology Leaders I, II & V L.P.
Wayne, Pennsylvania

United Bank
Philadelphia, Pennsylvania

Real Estate Investments

AEW Capital Management
Boston, Massachusetts

LaSalle Advisors
Baltimore, Maryland

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

TGP Partners II & III, L.P.
Fort Worth, Texas

Thomas Weisel Capital
Partners, LP
San Francisco, California

Heitman Capital Management
Corp.
Chicago, Illinois

Times Square Real Estate Investors
Hartford, Connecticut

MISSION

The Board of Pensions and Retirement was charged under the Philadelphia Home Rule Charter with the creation and maintenance of an actuarially sound 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 66 personnel, administers the day-to-day activities of the Retirement System, providing services to 31,641 active employees and 31,454 retirees.

MEMBERSHIP

The Public Employees Retirement System provides benefits to police, fire and civilian workers of the City of Philadelphia through the administration of 18 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 2003, the Public Employees Retirement System had 31,641 active members and 31,454 retired members, including 8,616 survivors and 4,673 people receiving disability benefits.

During fiscal year 2003, the Board approved 1,297 pension applications submitted by retiring employees, surviving spouses, beneficiaries and disabled members. The Board processed 1,142 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 30-year pension obligation bonds having an overall rate of 6.61% with a goal of reducing the City's unfunded pension obligation liability.

The normal cost to the Public Employees Retirement System for fiscal year 2003 was \$71,279,499. The total unfounded accrued liability for fiscal year 2003 was \$139,449,150, including \$2,024,000 for the *Dombrowski* annual payment.

INCOME

The City of Philadelphia is the largest single contributor to the Public Employees Retirement System. The City contributed \$174,550,000 or 54.3% of the total additions to the Retirement System's net assets in fiscal year 2003. Employees contribute a percentage of their pay, and the percentage varies with plan membership. Employee contributions totalled \$52,545,414 or 16.3% of additions. Contributions from the quasi-public agencies amounted to \$5,206,512 or 1.6% of additions.

A major source of income is the earnings of the System's investment portfolio. Interest and dividends amounted to \$74,402,243 or 23.2% of total additions, while securities lending revenue increased plan net assets by \$4,954,813 or 1.5% of additions. Normal investing activity contributed \$7,338,709 in capital gains or 2.3% of the additions. Miscellaneous sources provided \$2,381,918 or .7% towards the additions. Together the contributions and earnings added \$321,379,609 to the plan net assets.

Investment expenses of \$11,293,483 and securities lending expenses of \$3,921,326 resulted in a decrease to the plan net assets of \$15,204,809. After investment expenses, the plan net assets increased by \$306,164,800 in fiscal year 2003.

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 2-5). 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 Public Employees 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: 40.65% Domestic Equities; 15.39 % International Equities; 26.17% Global Fixed Income; 3.04% Direct Fixed Income Investment; 6.13% Tactical Asset Allocation (TAA) Balanced Portfolio of Stocks and Bond (60/40); 3.37% Opportunity Fund; .05% Emerging Markets; 4.62% Alternative Investments; 0.10% Real Estate; and 0.47% Cash.

As of the fiscal year ending June 30, 2003, the total market value of Pension Fund investments was \$3,929,575,268 (a 1.6% decrease over fiscal year 2002) vs. the value at cost of \$3,929,455,375 (a 6.5% decrease over fiscal year 2002). 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 \$473,873,755 in fiscal 2003, \$462,327,355 or 97.6%, were pension payments. Other expenses included \$4,880,715 for the refund of pension contributions to employees who left City employment and \$6,665,685 for administrative expenses.

PROFESSIONAL SERVICES

Professional consultants are retained by the Board of Pensions and Retirement to provide expertise and support necessary for the administration of the Public Employees Retirement System. A list of those firms rendering professional services to the Board is presented on Pages 2-5.

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, 2003, the Board elected to have the annual financial audit of the Municipal Pension Fund performed by the accounting firm of Mitchell & Titus, LLP.

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, 2003 and City contributions for the fiscal year ending June 30, 2005. This section summarizes the valuation results and discusses changes in the System's costs and liability arising from plan amendments and demographic and economic experience for the year ending June 30, 2003.

Findings summary

Table 1 shows actuarial valuation results for all divisions as of July 1, 2003.

1. July 1, 2003 actuarial valuation (dollars in thousands)

| | |
|--------------------------------------------------------------------|----------------------------|
| Participants | |
| Active | 28,885 |
| Retired | 18,072 |
| Beneficiaries | 8,621 |
| Disabled | 4,623 |
| Terminated vested | 755 |
| DROP | <u>3,524^c</u> |
| Total | 64,480 |
| | |
| Total annual salaries | \$ 1,269,322 |
| | |
| Actuarial accrued liability | \$ 7,188,283 |
| Unfunded actuarial accrued liability | \$ 2,640,138 |
| Assets for valuation purposes | \$ 4,548,145 |
| Funding percent | 63.3% |
| | |
| City normal cost as percent of payroll (beginning-of-year payment) | 5.473% |
| | |
| Fiscal 2005 funding requirements (beginning-of-year payments) | |
| City's funding policy | \$ 349,151 ^{a, b} |
| Minimum municipal obligation | \$ 294,314 ^a |

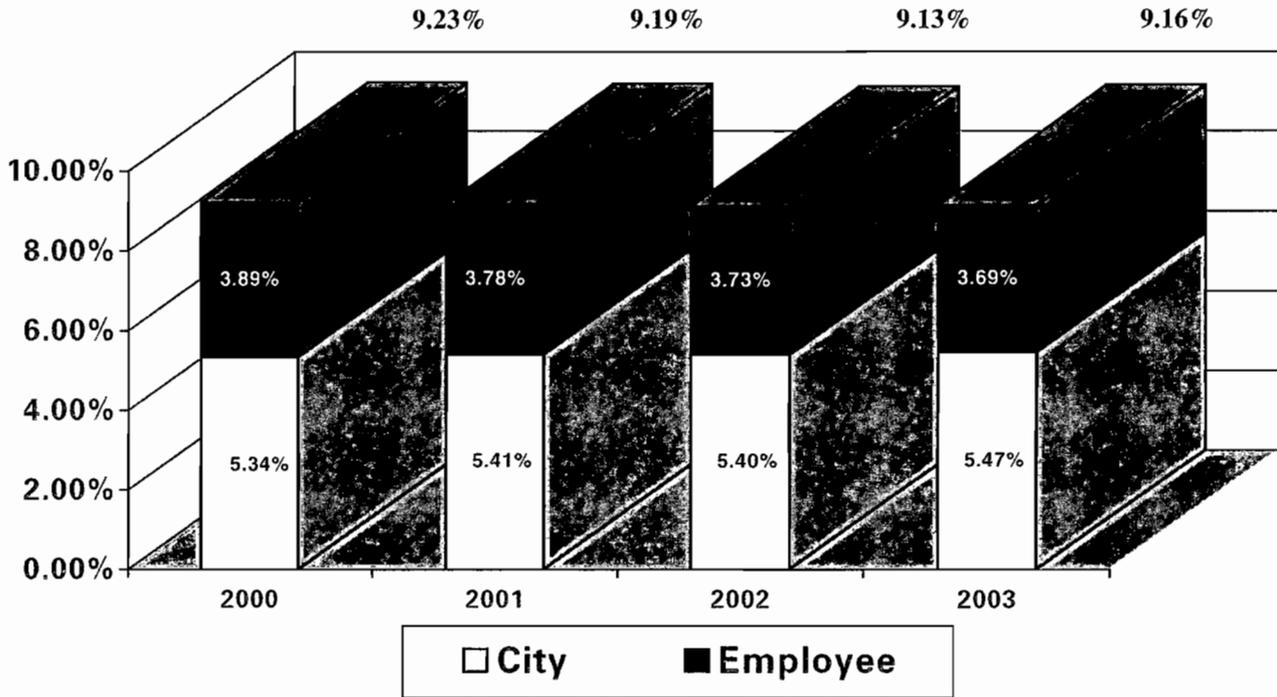
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2003, these totaled \$42,844,213.
- b. Determined using estimated July 1, 2004 annual payroll. Final contribution will be based on actual fiscal 2005 payroll.
- c. While still active employees, the Deferred Retirement Option Plan (DROP) 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 plus administrative expenses. The City's normal cost equals the total normal cost *less* expected employee contributions. The total normal cost percentage increased slightly due in large part to an increase in administrative expenses. 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, 2002 through June 30, 2003, the unfunded actuarial accrued liability increased \$804,263,000 from \$1,835,875,000 to \$2,640,138,000 because:

- The valuation assets had a return of -2.2% during the year. We assume the valuation assets will have a 9% return. This was the primary cause for the increase in unfunded liability.
- Salary increases were greater than our 5% assumption, resulting in an additional loss.
- There was a plan amendment to include stress pay (4% of base pay for police) and premium pay (minimum of 4% of base pay for firefighters).

EXECUTIVE SUMMARY

- An ad-hoc COLA was implemented for uniform retirees per Act 64 (House Bill No. 1360).
- Other non-economic experience, such as mortality and retirement experience, resulted in a loss.

The impact of these factors is illustrated in Table 3.

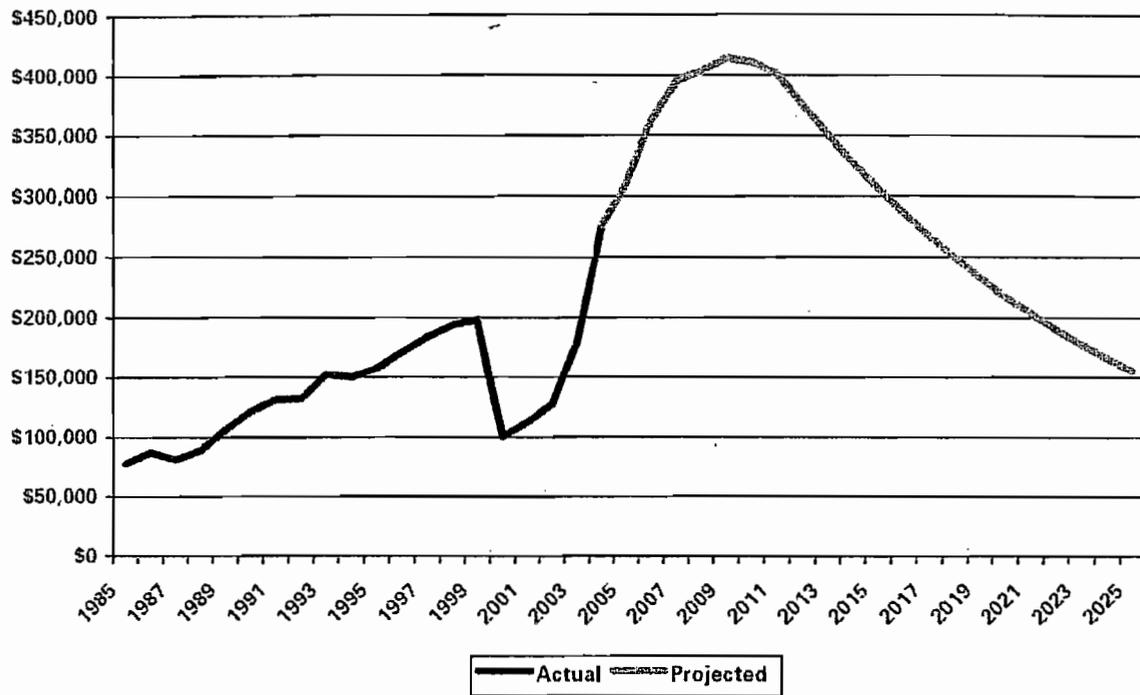
| 3. Unfunded liability (millions) | |
|-----------------------------------------|------------|
| 2002 Unfunded liability | \$ 1,836 |
| Change due to: | |
| Plan changes | \$78 |
| Payment schedule | 26 |
| Salary increases | 25 |
| Investment return | 542 |
| Assumption changes | 0 |
| Smaller contribution than scheduled | 15 |
| Nonactive mortality | 35 |
| Other actuarial experience | 83 |
| Total of all changes | <u>804</u> |
| 2003 Unfunded liability | \$ 2,640 |

Because the July 30, 1985 unfunded liability is being amortized with payments increasing 4.5% per year and due to the recognition of asset losses, the amortization payment is scheduled to increase each year, reaching a maximum in 2010, and then decrease. The total unfunded liability is scheduled to increase each year until fiscal year 2007, and then gradually decrease. 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 63.3% funded; however, the alternative amortization schedule is not expected to result in lower cost to the City until fiscal year 2012.

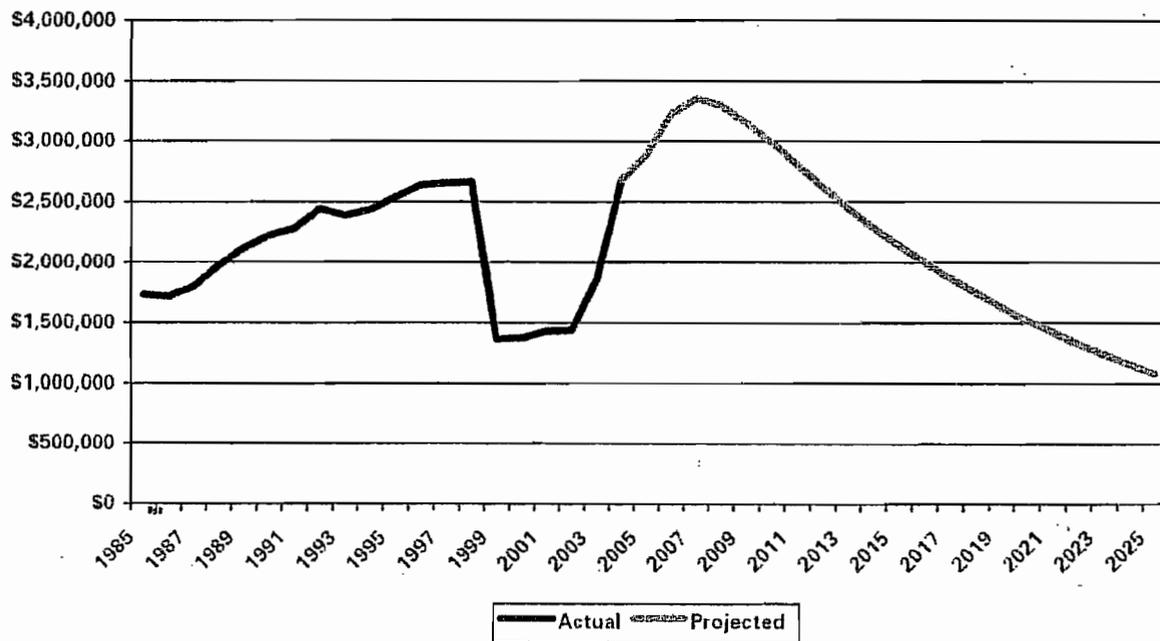
Graph 3(A) illustrates changes in the amortization payment through 2025. Graph 3(B) tracks the unfunded liability through 2025. The red lines indicate actual past changes in the amortization payment or unfunded liability and include scheduled increases and changes because of previous plan amendments, assumption changes, gains and losses and the impact of the Pension Obligation Bond (POB) of 1999. The yellow lines reflect projected changes, including the future schedule of the initial July 30, 1985 unfunded liability and known asset losses for the next four years due to the adjusted asset smoothing method. Also included in the projected changes detailed by the yellow lines, is the switch to the 10 year rolling amortization schedule, anticipated to be beneficial in 2012.

EXECUTIVE SUMMARY

3(A). Amortization schedule of payments (\$'s in thousands)



3(B). Unfunded actuarial accrued liability (\$'s in thousands)



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, 2004). If paid after July 1, the City's funding policy has been to pay interest at 9% from July 1, 2004 to the date paid.

The resulting estimated City contributions for fiscal years 2004 and 2005 are shown in Table 4(A).

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

| | Fiscal 2004 | Fiscal 2005 |
|----------------------|----------------|-------------------------|
| Normal cost | \$ 68,125 | \$ 72,596 ^a |
| Amortization payment | <u>180,093</u> | <u>276,555</u> |
| Total City cost | \$ 248,218 | \$ 349,151 ^b |

- Based on estimated July 1, 2004 annual payroll. Actual normal cost will be based on actual fiscal 2005 payroll. This payroll does not include DROP participants.
- The City may use general state aid and state COLA reimbursements to meet this commitment. For fiscal year 2003, they totaled \$42.8 million.

Table 4(B) shows July 1, 2004 employee contribution rates.

4(B). Employee contribution rates effective July 1, 2004 (based on July 1, 2003 results)

| | Municipal | Elected | Police | Fire |
|-----------|--------------------|---------|--------|-------|
| 1967 Plan | 3.75% ^a | N/A | 6.00% | 6.00% |
| Plan 87 | 2.01% | 7.54% | 5.00% | 5.00% |

- 6.00% on wages over the Social Security maximum taxable wage base — \$87,900 in 2004.

Quasi agency funding

Table 4(C) shows the quasi agencies funding rate as a percent of payroll for fiscal years 2004 and 2005 and the Parking Authority's additional contribution for their early retirement window. This special amortization charge ends in fiscal 2004.

EXECUTIVE SUMMARY

4(C). Quasi agency funding rate as a percent of payroll

| | Fiscal 2004 | Fiscal 2005 |
|------------------------------------------------|------------------------|----------------------|
| Valuation date | July 1, 2002 | July 1, 2003 |
| Normal cost | 5.140% | 5.249% ^a |
| Amortization rate | 24.500% | 38.445% ^b |
| Total, year-end rate | 29.640% | 43.694% |
| Total, adjusted for quarterly payments | 28.913% | 42.622% ^c |
| Parking authority special amortization payment | | |
| Annual year-end payment | \$ 78,000 | N/A |
| Quarterly payment | \$ 19,021 ^d | N/A |

a. End of year normal cost rate, page 11, Municipal 1967 Plan.

b. $\$155,794 \div \$405,236$, see pages 15 and 11.

c. $.97546$ (quarterly adjustment factor) $\times 43.694\%$.

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 calendar year-end.
- The City's funding policy and the MMO use a one-year delay in applying actuarial valuation results to fiscal years. This July 1, 2003 valuation report determines the City's fiscal 2005 MMO and funding contribution. For the MMO, however, no interest is added for the one-year delay.
- 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 2005 MMO. These payments reflect the 40-year funding from July 1, 1985 with increasing payments at 4.5%.

The resulting fiscal 2005 MMO is summarized in Table 4(D).

EXECUTIVE SUMMARY

4(D). Fiscal 2005 minimum municipal obligation (thousands)

| | |
|---------------------------------|-------------------------------|
| Valuation report | July 1, 2003 |
| Normal cost | \$ 114,002 |
| Amortization payment | 221,718 |
| Expected administrative expense | <u>7,200</u> |
| Subtotal | \$ 342,920 |
| Expected member contributions | <u>(48,930)</u> |
| Minimum municipal obligation | \$ 293,990 |
| Interest | <u>0^a</u> |
| Total | <u>\$ 293,990^b</u> |

a. Assumes the MMO will be paid before December 31, 2004.

b. The City may use general state aid and state COLA reimbursement, estimated at \$42.8 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, 2002 and July 1, 2003 is shown in Table 4(E).

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

| | 2002 | 2003 |
|-----------------------------|--------------|--------------|
| Actuarial value of assets | \$ 4,891,340 | \$ 4,548,145 |
| Actuarial accrued liability | \$ 6,727,215 | \$ 7,188,283 |
| Funding ratio | 72.7% | 63.3% |

EXECUTIVE SUMMARY

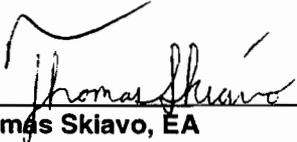
Certification

Mercer Human Resource Consulting has prepared the actuarial valuation of the City of Philadelphia Municipal Retirement System as of July 1, 2003 for fiscal year contributions ending June 30, 2005. The valuation is based on employee and financial data which were provided by the City of Philadelphia Board of Pensions and Retirement, and 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 or actuarial cost methods since the last valuation of the Plan as of July 1, 2002.

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, EA

3/29/2004

Date

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.



Kenneth A. Kent, FSA, FCA

3/29/2004

Date

Mercer Human Resource Consulting
1255 23rd Street, NW, Suite 500
Washington, DC 20037
202 331 5200

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, 2005. 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, 2003, 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 the market value of assets' 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. The Pension Adjustment Fund (PAF), if any, is subtracted from the market value to determine the assets to use for the valuation. The valuation assets are limited to be no more than 120% and no less than 80% of the market assets.

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 4.5% 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:

COST DERIVATION

- Changes in actuarial assumptions — 20 years
- 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 46 shows the annual unfunded liability payments needed to satisfy the City's MMO for fiscal year ending June 30, 2005.

Table 16 shows the annual payments needed to fund plan liabilities through fiscal year ending June 30, 2024 if the City does not move to the 10-year rolling amortization of the unfunded.

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, 2003 unfunded actuarial accrued liability (dollars in thousands)

| Plan Year Beginning July 1 | Annual Beginning-of-Year Payment | | | | | | | | | | Estimated Annual Payroll | Annual Payments as a Percent of Payoff |
|----------------------------|----------------------------------|-----------|----------|-----------|---------|--------|----------|-----------|-----------|------------------------------------------|--------------------------|----------------------------------------|
| | 1967 Plan | | Plan 87 | | | | | | Total | Progress of Unfunded Actuarial Liability | | |
| | Municipal | Police | Fire | Municipal | Elected | Police | Fire | | | | | |
| 2003 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | \$1,269,322 | N/A |
| 2004 | \$142,930 | \$102,618 | \$32,656 | \$(1,205) | \$ 37 | \$ 89 | \$ (571) | \$276,555 | 2,681,449 | 1,326,441 | 20.8% | |
| 2005 | 161,476 | 110,070 | 36,308 | 731 | 112 | 1,885 | (123) | 310,458 | 2,886,204 | 1,386,131 | 22.4% | |
| 2006 | 191,922 | 119,248 | 41,750 | 3,853 | 224 | 4,957 | 602 | 362,555 | 3,229,393 | 1,448,507 | 25.0% | |
| 2007 | 207,607 | 128,444 | 45,844 | 5,565 | 238 | 6,567 | 989 | 395,253 | 3,354,844 | 1,513,690 | 26.1% | |
| 2008 | 208,505 | 132,604 | 47,643 | 5,974 | 202 | 7,085 | 1,134 | 403,148 | 3,296,804 | 1,581,806 | 25.5% | |
| 2009 | 214,230 | 136,375 | 49,163 | 6,045 | 212 | 7,158 | 1,141 | 414,324 | 3,154,085 | 1,652,987 | 25.1% | |
| 2010 | 211,225 | 135,514 | 49,487 | 6,254 | 133 | 7,026 | 1,184 | 410,821 | 2,986,340 | 1,727,372 | 23.8% | |
| 2011 | 212,837 | 137,337 | 50,540 | 6,189 | 149 | 7,055 | 1,213 | 415,319 | 2,807,315 | 1,805,104 | 23.0% | |
| 2012 | 214,908 | 138,858 | 51,480 | 6,237 | 191 | 7,158 | 1,274 | 420,107 | 2,607,275 | 1,886,333 | 22.3% | |
| 2013 | 224,703 | 143,340 | 54,019 | 6,513 | 191 | 7,525 | 1,335 | 437,625 | 2,384,013 | 1,971,218 | 22.2% | |
| 2014 | 231,099 | 141,292 | 54,708 | 6,715 | 226 | 7,765 | 1,441 | 443,246 | 2,121,563 | 2,059,923 | 21.5% | |
| 2015 | 242,426 | 134,943 | 59,332 | 14,587 | 516 | 15,514 | 3,437 | 470,755 | 1,829,365 | 2,152,620 | 21.9% | |
| 2016 | 247,200 | 132,215 | 59,103 | 14,781 | 512 | 15,752 | 3,581 | 473,144 | 1,480,885 | 2,249,487 | 21.0% | |
| 2017 | 251,499 | 137,836 | 58,510 | 15,246 | 518 | 15,596 | 3,515 | 482,720 | 1,098,437 | 2,350,714 | 20.5% | |
| 2018 | 229,906 | 128,080 | 55,360 | 12,646 | 464 | 12,473 | 3,137 | 442,067 | 671,132 | 2,456,497 | 18.0% | |
| 2019 | 59,725 | 28,569 | 13,817 | 6,982 | 281 | 8,711 | 2,067 | 120,153 | 249,681 | 2,567,039 | 4.7% | |
| 2020 | 42,897 | 21,275 | 10,352 | 5,051 | 211 | 6,939 | 1,634 | 88,359 | 141,187 | 2,682,556 | 3.3% | |
| 2021 | 18,673 | 9,657 | 4,834 | 2,022 | 100 | 4,117 | 945 | 40,348 | 57,583 | 2,803,271 | 1.4% | |
| 2022 | 5,814 | 4,686 | 2,632 | 495 | 18 | 1,473 | 348 | 15,466 | 18,786 | 2,929,418 | 0.5% | |
| 2023 | - | 1,588 | 801 | - | - | 998 | 233 | 3,620 | 3,616 | 3,061,242 | 0.1% | |
| 2024 | - | - | - | - | - | - | - | - | - | 3,198,998 | 0.0% | |

Note: Numbers may not add because of rounding. Includes anticipated losses on the valuation assets over the next four years.

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, 2005 is \$293,989,659. This amount is summarized by division in Table 45 and is based on the July 1, 2003 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 2004, the total state payments are \$42,844,213. Amounts received during fiscal 2005 may be used to meet the \$293,989,659 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 4.5% — pre-1999 balances were adjusted to reflect the Pension Obligation Bond.

45. MMO calculation for fiscal 2005 (July 1, 2003 valuation report)

| | Fiscal 2005 (dollars in thousands) | | | |
|-----------------------------------|------------------------------------|-----------------|----------------|-----------------|
| | Non-Uniformed | Police | Fire | Total |
| Estimated FY 2004 payroll | \$ 881,047 | \$ 340,211 | \$ 105,183 | \$1,326,442 |
| Normal cost percent | 7.041% | 11.535% | 12.100% | 8.595% |
| Normal cost | \$ 62,033 | \$ 39,242 | \$ 12,727 | \$ 114,002 |
| Amortization payment ^a | 116,841 | 82,066 | 22,811 | 221,718 |
| Administrative expense | <u>4,723</u> | <u>1,857</u> | <u>620</u> | <u>7,200</u> |
| Subtotal | \$ 183,597 | \$ 123,165 | \$ 36,158 | \$ 342,920 |
| Expected member contributions | <u>(25,173)</u> | <u>(18,037)</u> | <u>(5,720)</u> | <u>(48,930)</u> |
| MMO ^b | \$ 158,424 | \$ 105,128 | \$ 30,439 | \$ 293,990 |

- 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 4.5% 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 2004, the total is \$42,844 (thousands). Also includes quasi agencies.

MINIMUM MUNICIPAL OBLIGATION

46. Unfunded liability payments toward MMO for fiscal 2005 (thousands) — July 1, 2003 valuation report

| | Municipal | | | Police | | | Fire | | |
|-----------------------------------------------------------------------|--------------------------------------|--------------------|-------------------------|--------------------------------------|--------------------|-------------------------|--------------------------------------|--------------------|-------------------------|
| | July 1, 2003 Remaining Balance | Years Remaining | Amortization Payment | July 1, 2003 Remaining Balance | Years Remaining | Amortization Payment | July 1, 2003 Remaining Balance | Years Remaining | Amortization Payment |
| Original July 1, 1985 unfunded actuarial accrued liability | \$ 905,583 | 22 | \$ 61,850 ^a | \$ 581,333 | 22 | \$ 39,704 ^a | \$ 231,824 | 22 | \$ 15,833 ^a |
| July 1, 1986 additional amounts | | | | | | | | | |
| Active plan change | \$ 832 | 4 | \$ 236 | \$ 72 | 4 | \$ 20 | \$ 36 | 4 | \$ 10 |
| July 1, 1987 additional amounts (Gain)/loss | \$ 0 | | \$ 0 | \$ 0 | | \$ 0 | \$ 6 | 1 | \$ 6 |
| July 1, 1988 additional amounts | \$ 2,702 | 1 | \$ 2,702 | \$ 2,549 | 1 | \$ 2,549 | \$ 201 | 1 | \$ 201 |
| July 1, 1989 additional amounts | | | | | | | | | |
| Active plan change | \$ 6,037 | 3 | \$ 2,816 | \$ 1,688 | 3 | \$ 787 | \$ 784 | 3 | \$ 366 |
| Assumption change | (6,590) | 3 | (3,073) | (1,917) | 3 | (894) | (768) | 3 | (358) |
| Subtotal ^b | \$ (552) | | \$ (258) | \$ (228) | | \$ (107) | \$ 16 | | \$ 8 |
| July 1, 1991 additional amount (Gain)/loss | \$ (576) | 1 | \$ (576) | \$ (564) | 1 | \$ (564) | \$ (256) | 1 | \$ (256) |
| July 1, 1992 additional amounts | | | | | | | | | |
| Active plan change | \$ 278 | 5 | \$ 63 | \$ 0 | | \$ 0 | \$ 0 | | \$ 0 |
| (Gain)/loss | 9,470 | 2 | 5,707 | (1,118) | 2 | (674) | (462) | 2 | (278) |
| Subtotal ^b | \$ 9,748 | | \$ 5,770 | \$ (1,118) | | \$ (674) | \$ (462) | | \$ (278) |
| July 1, 1993 additional amounts | | | | | | | | | |
| Active plan change | \$ (824) | 7 | \$ (163) | \$ (548) | 7 | \$ (108) | \$ 0 | | \$ 0 |
| (Gain)/loss | (8,529) | 3 | (3,381) | (6,722) | 3 | (2,665) | (2,709) | 3 | (1,074) |
| Assumption change | (8,108) | 7 | (1,605) | 65 | 7 | 13 | (1,511) | 7 | (299) |
| Subtotal ^b | \$ (17,461) | | \$ (5,150) | \$ (7,204) | | \$ (2,760) | \$ (4,220) | | \$ (1,373) |
| July 1, 1994 additional amounts (Gain)/loss | \$ (4,875) | 4 | \$ (1,471) | \$ (746) | 4 | \$ (225) | \$ (2,891) | 4 | \$ (872) |
| July 1, 1995 additional amounts | | | | | | | | | |
| Active plan change | \$ 372 | 12 | \$ 48 | \$ 0 | | \$ 0 | \$ 0 | | \$ 0 |
| (Gain)/loss | 5,121 | 7 | 934 | 344 | 7 | 63 | (2,223) | 7 | (405) |
| Subtotal ^b | \$ 5,493 | | \$ 981 | \$ 344 | | \$ 63 | \$ (2,223) | | \$ (405) |

MINIMUM MUNICIPAL OBLIGATION

| | Municipal | | | Police | | | Fire | | |
|-------------------------------------------------------------------|--------------------------------------|--------------------|-------------------------|--------------------------------------|--------------------|-------------------------|--------------------------------------|--------------------|-------------------------|
| | July 1, 2003 Remaining Balance | Years Remaining | Amortization Payment | July 1, 2003 Remaining Balance | Years Remaining | Amortization Payment | July 1, 2003 Remaining Balance | Years Remaining | Amortization Payment |
| July 1, 1996 additional amount | | | | | | | | | |
| (Gain)/loss | \$ 3,904 | 8 | \$ 647 | \$ 1,916 | 8 | \$ 318 | \$ (1,666) | 8 | \$ (276) |
| July 1, 1997 additional amount | | | | | | | | | |
| Assumption change | \$ 41,891 | 14 | \$ 4,936 | \$ 5,126 | 14 | \$ 604 | \$ 2,159 | 14 | \$ 254 |
| (Gain)/loss | (43,978) | 9 | (6,730) | (16,879) | 9 | (2,583) | (11,283) | 9 | (1,727) |
| Subtotal ^b | \$ (2,087) | | \$ (1,794) | \$ (11,753) | | \$ (1,979) | \$ (9,124) | | \$ (1,472) |
| July 1, 1998 additional amounts | | | | | | | | | |
| (Gain)/loss | \$ (13,332) | 10 | \$ (1,906) | \$ (10,883) | 10 | \$ (1,556) | \$ (9,782) | 10 | \$ (1,398) |
| July 1, 1999 additional amounts | | | | | | | | | |
| (Gain)/loss | \$ (115,626) | 11 | \$ (15,588) | \$ 850 | 11 | \$ 115 | \$ (41,973) | 11 | \$ (5,658) |
| Active plan change | 13,691 | 16 | 1,511 | 0 | 6 | 0 | 0 | 6 | 0 |
| Nonactive plan change | 30,576 | 6 | 6,253 | 13,609 | 6 | 2,783 | 5,052 | 6 | 1,033 |
| Subtotal ^b | \$ (71,359) | | \$ (7,824) | \$ 14,459 | | \$ 2,898 | \$ (36,921) | | \$ (4,625) |
| July 1, 2000 additional amounts | | | | | | | | | |
| (Gain)/loss | \$ (23,818) | 12 | \$ (3,052) | \$ 33,128 | 12 | \$ 4,244 | \$ 678 | 12 | \$ 87 |
| July 1, 2001 additional amounts | | | | | | | | | |
| Assumption change | \$ (3,954) | 18 | \$ (414) | \$ (2,255) | 18 | \$ (236) | \$ (5,129) | 18 | \$ (537) |
| (Gain)/loss | (18,176) | 13 | (2,227) | (21,765) | 13 | (2,667) | 10,875 | 13 | 1,333 |
| Subtotal | \$ (22,130) | | \$ (2,642) | \$ (24,020) | | \$ (2,903) | \$ 5,746 | | \$ 795 |
| July 1, 2002 additional amounts | | | | | | | | | |
| Assumption change | \$ 15,493 | 19 | \$ 1,588 | \$ 10,273 | 19 | \$ 1,053 | \$ 8,087 | 19 | \$ 829 |
| (Gain)/loss | 167,142 | 14 | 19,694 | 108,476 | 14 | 12,782 | 31,902 | 14 | 3,759 |
| Subtotal | \$ 182,635 | | \$ 21,282 | \$ 118,749 | | \$ 13,835 | \$ 39,989 | | \$ 4,588 |
| July 1, 2003 additional amounts | | | | | | | | | |
| (Gain)/loss | \$ 422,121 | 15 | \$ 48,044 | \$ 191,708 | 15 | \$ 21,819 | \$ 86,036 | 15 | \$ 9,792 |
| Active plan change | 0 | 20 | 0 | 23,606 | 20 | 2,372 | 9,441 | 20 | 949 |
| Nonactive plan change | 0 | 10 | 0 | 35,052 | 10 | 5,011 | 10,480 | 10 | 1,498 |
| Subtotal | \$ 422,121 | | \$ 48,044 | \$ 250,366 | | \$ 29,203 | \$ 105,957 | | \$ 12,239 |
| Total unfunded actuarial accrued liability^a | \$ 1,376,829 | | \$ 116,841 | \$ 946,400 | | \$ 82,066 | \$ 316,910 | | \$ 22,811 |

a. Level dollar amortization payment (22 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 53 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 54.

53. 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% |
| 7/1/01 | 4,943.4 | 6,379.8 | 1,436.4 | 77.49% | 1,180.4 | 121.69% |
| 7/1/02 | 4,891.3 | 6,727.2 | 1,835.9 | 72.71% | 1,207.3 | 152.06% |
| 7/1/03 | 4,548.1 | 7,188.3 | 2,640.2 | 63.27% | 1,269.3 | 208.00% |

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

54. 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% |
| 2001 | \$ 167,616 | 100.0% |
| 2002 | \$ 178,239 | 100.0% |
| 2003 | \$ 195,514 | 91.9% |

- 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 4.5% per year.
- b. On February 2, 1999, the City deposited the proceeds of 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. Historically, the ARC has been shown as the contribution derived from the City's funding policy.

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 19 years from July 1, 2003. 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 55 below.

After 1999, the "increase in the NPO" is from the recognition of:

- *The 15-year amortization of the POB in 1999*
 - *Differences in the City's funding policy contribution and the actual contribution.*
- **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 2003.

FINANCIAL SECTION

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2003

ASSETS

| | |
|-----------------------------------|-------------------------|
| Cash on Deposit and on Hand | \$ 16,927,127 |
| Investments at Fair Value | 3,929,575,267 |
| Securities Lending | 283,016,829 |
| Accounts Receivable | 5,959,349 |
| Due from Brokers | 56,140,934 |
| Interest and Dividends Receivable | 10,996,416 |
| Due from Other Funds | - |
| Due from Other Governmental Units | 1,922,797 |
| Other Assets | <u>11,220</u> |
| <u>Total Assets</u> | <u>\$ 4,304,549,939</u> |

LIABILITIES

| | |
|-------------------------------------------|--------------------|
| Vouchers Payable | \$ 4,441 |
| Accounts Payable | 2,413,748 |
| Salaries and Wages Payable | 68,821 |
| Due on Securities Lending | 283,016,829 |
| Due to Brokers | 222,482,494 |
| Accrued Expenses | 786,718 |
| Funds Held in Escrow and Advance Deposits | - |
| Deferred Revenue | 4,480,890 |
| Other Liabilities | <u>495,078</u> |
| <u>Total Liabilities</u> | <u>513,749,019</u> |

| | |
|-----------------------------------------------|-------------------------|
| Net Assets Held in Trust for Pension Benefits | <u>\$ 3,790,800,920</u> |
|-----------------------------------------------|-------------------------|

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2002

| | <u>June 30, 2003</u> | <u>June 30, 2002</u> |
|-------------------------------------------------------------------------|-------------------------|-------------------------|
| Additions: | | |
| Contributions: | | |
| Employer's Contributions | \$ 179,756,512 | \$ 178,239,428 |
| Employees' Contributions | 52,545,414 | 50,079,266 |
| Other Contributions | - | - |
| | <hr/> | <hr/> |
| Total Contributions | 232,301,926 | 228,318,694 |
| Investment Income: | | |
| Interest and Dividends | 74,402,243 | 109,267,233 |
| Gain (Loss) from Sale of Investments | 7,338,709 | (347,606,746) |
| (Less) Investment Expenses | (11,293,483) | (11,948,329) |
| Securities Lending Revenue | 4,954,813 | 10,808,232 |
| (Less) Securities Lending Expenses | (3,921,326) | (8,657,111) |
| Net Investment Income | <hr/> 71,480,956 | <hr/> (248,136,721) |
| Miscellaneous Operating Revenues | 2,381,918 | 699,396 |
| | <hr/> | <hr/> |
| <u>Total Additions</u> | <u>306,164,800</u> | <u>(19,118,631)</u> |
| Deductions: | | |
| Personal Services | 3,030,023 | 2,724,796 |
| Purchase of Services | 1,968,759 | 1,022,417 |
| Materials and Supplies | 109,945 | 85,404 |
| Employee Benefits | 1,194,503 | 1,054,798 |
| Pension Benefits | 462,327,355 | 450,221,681 |
| Refunds of Members' Contributions | 4,880,715 | 7,145,459 |
| Securities Lending Expenses | - | - |
| Other Operating Expenses | 362,455 | 229,971 |
| | <hr/> | <hr/> |
| <u>Total Deductions</u> | <u>473,873,755</u> | <u>462,484,526</u> |
| | <hr/> | <hr/> |
| <u>Net Increase</u> | <u>(167,708,955)</u> | <u>(481,603,157)</u> |
| Net Assets Held in Trust for Pension Benefits - July 1, 2002 | 3,958,509,875 | 4,440,113,032 |
| Prior Period Adjustment | <hr/> - | <hr/> - |
| Revised Net Assets Held in Trust for Pension Benefits - July 1, 2002 | <hr/> 3,958,509,875 | <hr/> 4,440,113,032 |
| Net Assets Held in Trust for Pension Benefits - June 30, 2003 | <u>\$ 3,790,800,920</u> | <u>\$ 3,958,509,875</u> |

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
ANALYSIS OF MEMBERS' CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

| | Municipal Division - <u>Old</u> | Municipal Division - <u>New</u> | Fire Division - <u>New</u> | Police Division - <u>New</u> |
|------------------------------------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|------------------------------------|
| Balance, July 1, 2002 | \$ <u>203,351</u> | \$ <u>347,992</u> | \$ <u>68,083,928</u> | \$ <u>121,434,492</u> |
| Additions: | | | | |
| Regular Payroll Deductions | - | 528 | 2,633,736 | 5,746,826 |
| Installment Repurchase Deductions | - | - | 61,796 | 87,043 |
| Payments Through City Treasurer | - | - | 2,484,236 | 1,038,409 |
| Retirees' Pension Payments | - | - | - | 5,104 |
| Adjustments to Members' Contribution Accounts | - | - | - | - |
| Unclaimed Withdrawal Checks Deposited | - | - | (636) | 285 |
| Total Additions | <u>-</u> | <u>528</u> | <u>5,179,132</u> | <u>6,877,667</u> |
| Deductions: | | | | |
| Withdrawals | - | - | 25,729 | 533,390 |
| Retirements | - | 18,967 | 2,338,592 | 6,120,732 |
| Net Change in Liability for Deceased Pensioners | - | - | - | (40,534) |
| Net Change In Liability for Pensioners' Unexpended Contributions | - | (11,737) | (194,211) | (700,733) |
| Adjustments to Members' Contribution Accounts | - | - | - | - |
| Total Deductions | <u>-</u> | <u>7,230</u> | <u>2,170,110</u> | <u>5,912,855</u> |
| Net Change in Year | <u>-</u> | <u>(6,702)</u> | <u>3,009,022</u> | <u>964,812</u> |
| Balance, June 30, 2003 | \$ <u><u>203,351</u></u> | \$ <u><u>341,290</u></u> | \$ <u><u>71,092,950</u></u> | \$ <u><u>122,399,304</u></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>\$ 1,756,609</u> | <u>\$ 284,888,092</u> | <u>\$ 7,157,841</u> | <u>\$ 35,715,730</u> | <u>\$ 14,353,308</u> | <u>\$ 59,478,898</u> | <u>\$ 593,420,241</u> |
| 162,239 | 15,185,609 | 21,066 | 8,278,367 | 2,397,205 | 10,096,557 | 44,522,133 |
| 6,153 | 209,134 | - | 430,141 | 133,091 | 143,940 | 1,071,298 |
| 41,149 | 2,369,984 | 57,860 | 577,716 | 205,968 | 95,557 | 6,870,879 |
| - | 20,522 | - | - | - | - | 25,626 |
| - | - | - | - | - | - | - |
| - | 47,743 | - | 7,269 | 17 | 800 | 55,478 |
| <u>209,541</u> | <u>17,832,992</u> | <u>78,926</u> | <u>9,293,493</u> | <u>2,736,281</u> | <u>10,336,854</u> | <u>52,545,414</u> |
| - | 1,871,380 | 7,166 | 1,332,437 | 225,826 | 884,787 | 4,880,715 |
| - | 14,487,376 | - | 507,754 | 50,158 | 220,546 | 23,744,125 |
| - | 39,131 | - | 29,084 | - | (3,229) | 24,452 |
| 82,623 | (308,585) | - | (6,998) | 3,090 | (29,605) | (1,166,156) |
| - | - | - | - | - | - | - |
| <u>82,623</u> | <u>16,089,302</u> | <u>7,166</u> | <u>1,862,277</u> | <u>279,074</u> | <u>1,072,499</u> | <u>27,483,136</u> |
| <u>126,918</u> | <u>1,743,690</u> | <u>71,760</u> | <u>7,431,216</u> | <u>2,457,207</u> | <u>9,264,355</u> | <u>25,062,278</u> |
| <u>\$ 1,883,527</u> | <u>\$ 286,631,782</u> | <u>\$ 7,229,601</u> | <u>\$ 43,146,946</u> | <u>\$ 16,810,515</u> | <u>\$ 68,743,253</u> | <u>\$ 618,482,519</u> |

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
ANALYSIS OF FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

| | Reserve for Members' Contributions | Reserve for Payment of Pensions and All Other Purposes | Total Reserves |
|---------------------------------------------------------------|---------------------------------------|-----------------------------------------------------------|-------------------------|
| Balance, July 1, 2002 | \$ 593,420,241 | \$ 3,365,089,634 | \$ 3,958,509,875 |
| Additions: | | | |
| Contributions: | | | |
| Employees | \$ 52,489,936 | \$ - | |
| Quasi-Public Agencies | - | 5,206,512 | |
| City Appropriations | - | 174,550,000 | |
| Commonwealth of Pennsylvania | - | - | |
| Total Contributions | <u>52,489,936</u> | <u>179,756,512</u> | |
| Interest: | | | |
| Members' Reinstatements | - | 333,285 | |
| Interest on Long-Term Investments | - | 73,328,480 | |
| Interest on Short-Term Investments | - | 740,478 | |
| Accrued Interest as of June 30, 2002 | - | - | |
| Total Interest | <u>-</u> | <u>74,402,243</u> | |
| Members' Contributions Transferred to Reserve for Retirements | - | 23,744,125 | |
| Adjustments for Liability to Deceased Pensioners | - | - | |
| Adjustments to Members' Unexpended Contributions | - | - | |
| Adjustments for Accrued Death Benefits | - | - | |
| Net Income (Loss) from Investment Managers | - | (204,577,490) | |
| Net Appreciation(Depreciation)/Fair Value of Investments | - | 211,916,199 | |
| Other Additions: | | | |
| Unclaimed Withdrawal Checks Deposited | 55,478 | - | |
| Refunds and Cancelled Checks - Prior Years' Pensions | - | 2,066,247 | |
| Miscellaneous Receipts | - | 1,456,233 | |
| Miscellaneous Fund Balance Adjustment | - | - | |
| Adjustments to Members' Contributions | - | - | |
| Total Other Additions | <u>55,478</u> | <u>3,522,480</u> | |
| Total Additions | <u>52,545,414</u> | <u>288,764,069</u> | <u>341,309,483</u> |
| Deductions: | | | |
| Withdrawals | 4,880,715 | - | |
| Retirements | 23,744,125 | - | |
| Adjustments to Members' Contributions | - | - | |
| Administrative Expenses | - | 6,652,538 | |
| Payments to Pensions and Benefits | - | 462,327,355 | |
| Investment Manager Expenses | - | 11,218,595 | |
| Net Appreciation(Depreciation)/Fair Value of Investments | - | - | |
| Adjustments for Liability to Deceased Pensioners | 107,075 | - | |
| Adjustments for Accrued Death Benefits | - | 74,887 | |
| Adjustments to Members' Unexpended Contributions | (1,248,779) | 1,248,779 | |
| Adjustments for Employees Unexpended Vacation Time | - | 13,148 | |
| Miscellaneous Fund Balance Adjustment | - | - | |
| Total Deductions | <u>27,483,136</u> | <u>481,535,302</u> | <u>509,018,438</u> |
| Balance, June 30, 2003 | <u>\$ 618,482,519</u> | <u>\$ 3,172,318,401</u> | <u>\$ 3,790,800,920</u> |

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, 2003

EXHIBIT A-5

| | |
|-----------------------------------------------------------------|----------------------|
| <u>Balance, July 1, 2002</u> | \$ <u>22,423,257</u> |
| Receipts: | |
| From Members: | |
| Contributions | 51,011,086 |
| Interest | 311,899 |
| Repayment Fees | 16,359 |
| Payroll Deductions Accrued at June 30, 2002 | <u>1,075,226</u> |
| Total Receipts - Members | 52,414,570 |
| From Operating Funds Appropriations-Current Year's Requirements | 174,550,000 |
| From Pension Bond Proceeds | - |
| Prior Year's Appropriations | - |
| PA Act 205 Grant | - |
| Revenue from Police and Firemen's Pension Funds | - |
| Interest on Long-Term Debt Securities | - |
| Interest on Short-Term Debt Securities | 740,478 |
| Accrued Interest Receivable at June 30, 2002 | - |
| Sale or Maturity of Long-Term Debt Securities | 7,496,535 |
| Sale or Maturity of Equity/Debt Securities | 327,680,344 |
| Gain(Loss) on Sale of Investments | - |
| Refunds and Cancelled Checks Deposited | 2,436,287 |
| Reimbursement for Normal City Costs, Quasi-Public Agencies | 3,283,715 |
| Accrual Due from Quasi-Public Agencies at June 30, 2002 | 1,354,482 |
| Other Receipts | <u>1,456,232</u> |
| <u>Total Receipts</u> | <u>571,412,643</u> |
| <u>Total Available for Disbursement</u> | <u>593,835,900</u> |
| Disbursements: | |
| Pensions and Benefits | 462,879,239 |
| Withdrawals | 4,880,715 |
| Administrative Expenses | 15,664,350 |
| Equity/Debt Securities Purchased | 61,077,410 |
| Long-Term Investments Purchased | <u>32,407,059</u> |
| <u>Total Disbursements</u> | <u>576,908,773</u> |
| <u>Balance, June 30, 2003</u> | \$ <u>16,927,127</u> |

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
SUMMARY SCHEDULE OF INVESTMENTS
JUNE 30, 2003

| | <u>Par Value</u> | <u>Cost</u> | <u>Market Value</u> |
|-------------------------------------|-------------------------|-------------------------|-------------------------|
| Repurchase Agreements | \$ - | \$ - | \$ - |
| U.S. Government Securities | 91,999,381 | 94,864,831 | 101,851,616 |
| U.S. Government Agency Securities | 436,992,280 | 420,229,452 | 426,655,985 |
| Corporate Bonds | 378,123,271 | 395,563,929 | 438,167,591 |
| Corporate Equity | - | 2,598,068,415 | 2,615,378,924 |
| Mutual Funds | - | - | - |
| Collateralized Mtg Obligations | 28,292,343 | 28,792,421 | 30,164,352 |
| Other Bonds and Investments | 35,810,970 | 50,718,621 | 53,618,518 |
| Short Term Investment Pools | 112,556,235 | 112,507,115 | 112,554,476 |
| Non-Categorized Mutual Funds | - | - | - |
| Real Estate | 48,310,938 | 48,310,938 | 30,683,021 |
| Financial Agreements | 180,475,089 | 180,399,653 | 120,500,785 |
| <u>Total Municipal Pension Fund</u> | <u>\$ 1,312,560,507</u> | <u>\$ 3,929,455,375</u> | <u>\$ 3,929,575,268</u> |

City of Philadelphia
 Year-End Pension Contribution
 Pension Contributions By Division
 Fiscal Year Ending June 30, 2003

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 | 97,466,722.92 | 8,392,859.51 | 67,627,960.00 | | (5,627,761.09) | 70,393,058.42 |
| Police - 1987 Plan | 201,406,011.10 | 13,466,005.90 | (8,245,850.00) | | (386,444.01) | 4,833,711.89 |
| Fire - 1967 Plan | 44,444,238.36 | 3,733,760.46 | 15,637,140.00 | | (1,434,012.43) | 17,936,888.04 |
| Fire - 1987 Plan | 47,958,928.66 | 3,450,644.92 | (2,409,990.00) | | (77,038.86) | 963,616.06 |
| Municipal - 1967 Plan | 399,945,962.68 | 20,637,211.67 | 76,932,200.00 | (3,841,515.80) | (6,938,601.93) | 86,789,293.94 |
| Municipal - 1987 Plan Y | 394,985,092.73 | 20,100,791.37 | (9,960,420.00) | | (750,683.67) | 9,389,687.70 |
| Municipal - 1987 Plan M | 455,281.92 | 23,169.30 | 0.00 | | (1,715.20) | 21,454.09 |
| Municipal Elected - 1987 Plan | 2,138,313.75 | 110,059.01 | (131,890.00) | | 1,616.13 | (20,214.86) |
| Quasi-Governmental Agencies | 26,453,422.30 | 1,364,996.59 | | (1,364,996.59) | | 0.00 |
| | <u>1,215,253,974.42</u> | <u>71,279,498.73</u> | <u>139,449,150.00</u> | <u>(5,206,512.39)</u> | <u>(15,214,641.06)</u> | <u>190,307,495.29</u> |

CITY OF PHILADELPHIA
MUNICIPAL RETIREMENT SYSTEM

APPLICATIONS PROCESSED DURING JULY 2001 THROUGH JUNE 2002

| <u>DIVISION</u> | <u>WITHDRAWAL APPLICATIONS</u> | | | <u>PENSION APPLICATIONS</u> | | | | <u>GRAND TOTAL APPLICATIONS</u> |
|--------------------|--------------------------------|---------------|--------------|-----------------------------|-----------------|-------------------------------|-------------------|---------------------------------|
| | <u>Members</u> | <u>Deaths</u> | <u>Total</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors of Employees</u> | <u>Pensioners</u> | |
| MUNICIPAL | 1,074 | 42 | 1,116 | 533 | 65 | 75 | 243 | 916 |
| FIRE | 16 | - | 16 | 49 | 4 | 2 | 35 | 90 |
| POLICE | 107 | 2 | 109 | 122 | 25 | 16 | 92 | 255 |
| <u>GRAND TOTAL</u> | <u>1,197</u> | <u>44</u> | <u>1,241</u> | <u>704</u> | <u>94</u> | <u>93</u> | <u>370</u> | <u>1,261</u> |

APPLICATIONS PROCESSED DURING JULY 2002 THROUGH JUNE 2003

| <u>DIVISION</u> | <u>WITHDRAWAL APPLICATIONS</u> | | | <u>PENSION APPLICATIONS</u> | | | | <u>GRAND TOTAL APPLICATIONS</u> |
|--------------------|--------------------------------|---------------|--------------|-----------------------------|-----------------|-------------------------------|-------------------|---------------------------------|
| | <u>Members</u> | <u>Deaths</u> | <u>Total</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors of Employees</u> | <u>Pensioners</u> | |
| MUNICIPAL | 975 | 42 | 1,017 | 573 | 98 | 46 | 219 | 936 |
| FIRE | 22 | - | 22 | 49 | 3 | 4 | 47 | 103 |
| POLICE | 103 | | 103 | 133 | 20 | 16 | 89 | 258 |
| <u>GRAND TOTAL</u> | <u>1,100</u> | <u>42</u> | <u>1,142</u> | <u>755</u> | <u>121</u> | <u>66</u> | <u>355</u> | <u>1,297</u> |

CITY OF PHILADELPHIA

MUNICIPAL RETIREMENT SYSTEM

COMPARATIVE STATEMENT OF RETIREMENT BENEFITS IN FORCE

AS OF JUNE 30, 2002 AND JUNE 30, 2003

NUMBER RECEIVING BENEFITS MONTHLY RATE OF PENSION BENEFITS IN FORCE

| | <u>NUMBER RECEIVING BENEFITS</u> | | | <u>MONTHLY RATE OF PENSION BENEFITS IN FORCE</u> | | | | |
|---------------------------|----------------------------------|-----------------|------------------|--------------------------------------------------|---------------------|--------------------|--------------------|---------------------|
| | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> |
| <u>JUNE 30, 2002</u> | | | | | | | | |
| <u>MUNICIPAL DIVISION</u> | 11,096 | 2,072 | 5,466 | 18,634 | \$13,569,172 | \$2,307,382 | \$2,463,404 | \$18,339,958 |
| <u>FIRE DIVISION</u> | 1,566 | 520 | 988 | 3,074 | 2,659,076 | 734,100 | 515,216 | 3,908,392 |
| <u>POLICE DIVISION</u> | 5,089 | 2,147 | 2,180 | 9,416 | 8,417,187 | 2,789,372 | 1,204,813 | 12,411,372 |
| <u>GRAND TOTAL</u> | <u>17,751</u> | <u>4,739</u> | <u>8,634</u> | <u>31,124</u> | <u>\$24,645,435</u> | <u>\$5,830,854</u> | <u>\$4,183,433</u> | <u>\$34,659,722</u> |

| | <u>NUMBER RECEIVING BENEFITS</u> | | | <u>MONTHLY RATE OF PENSION BENEFITS IN FORCE</u> | | | | |
|---------------------------|----------------------------------|-----------------|------------------|--------------------------------------------------|---------------------|--------------------|--------------------|---------------------|
| | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> |
| <u>JUNE 30, 2003</u> | | | | | | | | |
| <u>MUNICIPAL DIVISION</u> | 11,415 | 2,056 | 5,468 | 18,939 | \$14,597,918 | \$2,386,494 | \$2,563,797 | \$19,548,209 |
| <u>FIRE DIVISION</u> | 1,587 | 502 | 969 | 3,058 | 2,935,914 | 759,106 | 522,541 | 4,217,561 |
| <u>POLICE DIVISION</u> | 5,163 | 2,115 | 2,179 | 9,457 | 9,023,894 | 2,914,779 | 1,246,571 | 13,185,244 |
| <u>GRAND TOTAL</u> | <u>18,165</u> | <u>4,673</u> | <u>8,616</u> | <u>31,454</u> | <u>\$26,557,726</u> | <u>\$6,060,379</u> | <u>\$4,332,909</u> | <u>\$36,951,014</u> |

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

ACTIVE MEMBERS

| <u>DIVISION</u> | <u>6/30/02</u> | <u>6/30/03</u> |
|------------------------|-----------------------|-----------------------|
| MUNICIPAL | 22,165 | 22,063 |
| FIRE | 2,425 | 2,452 |
| POLICE | 6,967 | 7,126 |
| <u>TOTAL</u> | <u>31,557</u> | <u>31,641</u> |

Cover photo provided by courtesy of Tony Webb, Office of the City Representative, City of Philadelphia

