

March 2006

**City of Philadelphia Municipal
Retirement System**

July 1, 2005

Actuarial Valuation Report

MERCER

Human Resource Consulting

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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, 2005 and City contributions for the fiscal year ending June 30, 2007. This section summarizes the valuation results and discusses changes in the System's costs and liability arising from demographic and economic experience for the year ending June 30, 2005 as well as the assumption changes from the July 2000 – July 2005 Experience Study.

Findings summary

Table 1 shows actuarial valuation results for all divisions as of July 1, 2005.

1. July 1, 2005 actuarial valuation (dollars in thousands)

Participants	
Active	27,992
Retired	19,528
Beneficiaries	8,610
Disabled	4,481
Terminated vested	802
DROP	2,824 ^c
Total	64,237
 Total annual salaries	 \$ 1,270,656
 Actuarial accrued liability	 \$ 7,851,465
Unfunded actuarial accrued liability	\$ 3,691,940
Assets for valuation purposes	\$ 4,159,525
Funding percent	53.0%
 City normal cost as percent of payroll (beginning-of-year payment)	 5.779%
 Fiscal 2007 funding requirements (beginning-of-year payments)	
City's funding policy	\$ 483,531 ^{a, b}
Minimum municipal obligation	\$ 400,256 ^a

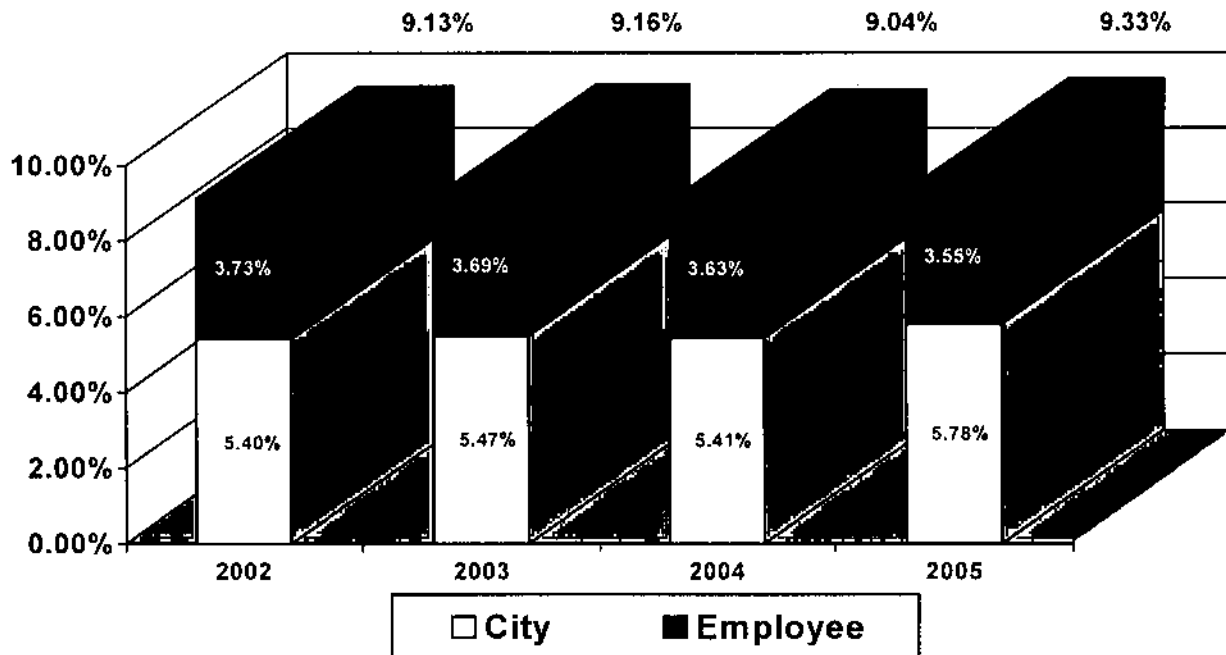
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2006, these totaled \$57,338,499 (general state assistance of \$47,631,872 and COLA reimbursements of \$4,094,566 and \$5,612,060).
- b. Determined using estimated July 1, 2006 annual payroll. Final contribution will be based on actual fiscal 2007 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.

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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 due to assumption changes. 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, 2004 through June 30, 2005, the unfunded actuarial accrued liability increased \$816,376,000 from the expected value of \$2,875,564,000 to \$3,691,940,000 because:

- The valuation assets had a return of 1.8% during the year. We assumed the valuation assets would have a 9.0% return.
- The assumptions were updated because of the 5-year experience study. Lowering the interest rate to 8.75% and lowering the expected mortality rates increased the liabilities substantially. This was somewhat offset by increasing the turnover rates.
- The City contributed the amount required under the MMO, which is less than the amortization payment under the City's funding policy.

EXECUTIVE SUMMARY

- Non-economic experience, such as mortality and retirement experience, resulted in a small loss.
- Salary increases were less than our 5% assumption, resulting in a gain.
- The plan was amended to remove the reduction in disability benefits for gainful employment. We treated this amendment effective for the July 1, 2005 valuation. This amendment had a small increase in liabilities.

The impact of these factors is illustrated in Table 3.

3. Unfunded liability (millions)

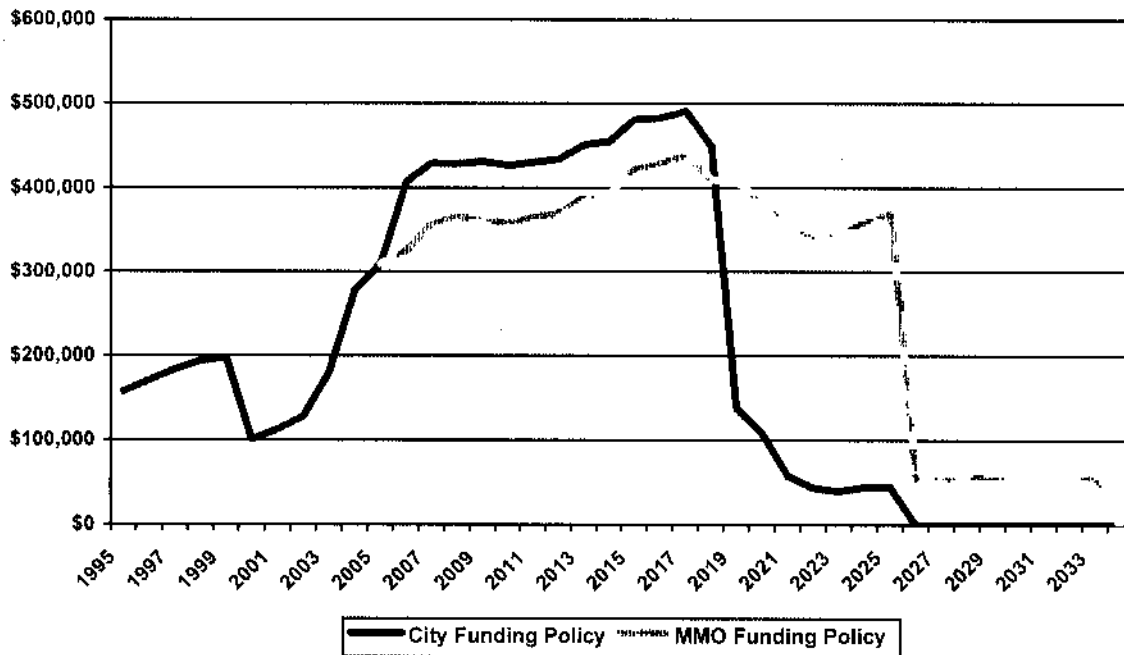
2004 Unfunded liability		\$ 2,915
Change due to:		
Expected change from payment schedule	\$ (39)	
Plan changes	2	
Salary increases	(50)	
Investment return	304	
Assumption changes	406	
Smaller contribution than scheduled	52	
Other actuarial experience	102	
Total of all changes		<u>777</u>
2005 Unfunded liability		\$ 3,692

Due to the July 30, 1985 unfunded liability being amortized with payments increasing 4.0% per year and the 5-year recognition of asset losses, the amortization payment is scheduled to increase each year, reaching a maximum in 2018, and then decrease. The total unfunded liability is scheduled to increase each year until fiscal year 2008, 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 53.0% funded and the alternative amortization schedule is not expected to result in a lower cost to the City until fiscal year 2013.

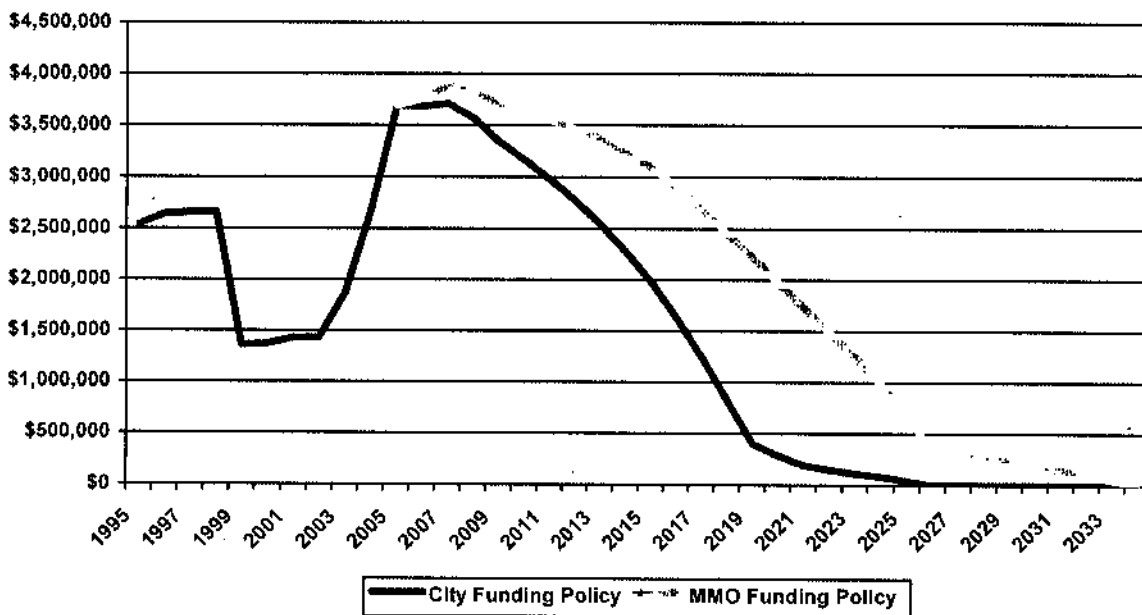
The City has contributed the MMO payment the last couple of years versus contributing the City's funding policy. While the MMO payments are lower now, these MMO payments are expected to continue for a larger time period to pay off the unfunded liability. Graph 3(A) illustrates the difference in the amortization payments through 2035 while graph 3(B) tracks the difference in the unfunded liability through 2035. The red lines indicate changes in the amortization payment or unfunded liability if the City always contributes under the City funding policy while the yellow line is if the city always contributes the MMO. The projected changes include the future schedule of the initial July 30, 1985 unfunded liability and known asset losses for the next year due to the adjusted asset smoothing method.

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, 2006). If paid after July 1, the City's funding policy has been to pay interest (at 8.75%) from July 1, 2006 to the date paid.

The resulting estimated City contributions for fiscal years 2006 and 2007 are shown in Table 4(A).

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

	Fiscal 2006	Fiscal 2007
Normal cost	\$ 71,491	\$ 76,368 ^a
Amortization payment	<u>309,247</u>	<u>407,163</u>
Total City cost	\$ 380,738	\$ 483,531 ^b

a. Based on estimated July 1, 2006 annual payroll. Actual normal cost will be based on actual fiscal 2007 payroll. This payroll does not include DROP participants.

b. The City may use general state aid and state COLA reimbursements to meet this commitment. For fiscal year 2006, they totaled \$57.3 million.

Table 4(B) shows July 1, 2006 employee contribution rates.

4(B). Employee contribution rates effective July 1, 2006 (based on July 1, 2005 results)

	Municipal	Elected	Police	Fire
1967 Plan	3.75% ^a	N/A	6.00%	6.00%
Plan 87	1.86%	7.22%	5.00%	5.00%

a. 6.00% on wages over the Social Security maximum taxable wage base — \$94,200 in 2006.

Quasi agency funding

Table 4(C) shows the quasi agencies funding rate as a percent of payroll for fiscal years 2006 and 2007.

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

	Fiscal 2006	Fiscal 2007
Valuation date	July 1, 2004	July 1, 2005
Normal cost	5.146%	6.294% ^a
Amortization rate	48.112%	70.850% ^b
Total, year-end rate	53.258%	77.144%
Total, adjusted for quarterly payments	51.951%	74.734% ^c

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

b. $\$240,253 \div \$339,103$, see pages 15 and 11.

c. $.96877$ (quarterly adjustment factor) $\times 77.144\%$. The adjustment factor was updated due to the change in interest rate.

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.
- Act 205 was amended in July 2004 to allow for a 30-year amortization of the portion of the July 1, 2003 unfunded liability attributable to the 2001 and 2002 calendar year investment returns. Investment losses are usually amortized over 15 years.
- 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 plan (fiscal) year-end. This was confirmed in a telephone conversation with the Public Employee Retirement Commission (PERC).
- The City's funding policy and the MMO use a one-year delay in applying actuarial valuation results to fiscal years. This July 1, 2005 valuation report determines the City's fiscal 2007 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 2007 MMO. These payments reflect the 40-year funding from July 1, 1985 with increasing payments at 4.0%.

The resulting fiscal 2007 MMO is summarized in Table 4(D).

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4(D). Fiscal 2007 minimum municipal obligation (thousands)

Valuation report	July 1, 2005
Normal cost	\$ 115,840
Amortization payment	324,165
Expected administrative expense	<u>7,100</u>
Subtotal	\$ 447,105
Expected member contributions	<u>(46,849)</u>
Minimum municipal obligation	\$ 400,256
Interest	<u>0^a</u>
Total	\$ 400,256 ^b

- a. Interest applies if the MMO is not paid before the plan year-end (June 30th).
- b. The City may use general state aid and state COLA reimbursement, estimated at \$57.3 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, 2004 and July 1, 2005 is shown in Table 4(E).

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

	2004	2005
Actuarial value of assets	\$ 4,333,057	\$ 4,159,525
Actuarial accrued liability	\$ 7,247,743	\$ 7,851,465
Funding ratio	59.8%	53.0%

EXECUTIVE SUMMARY

Certification

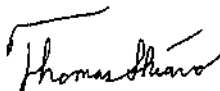
Mercer Human Resource Consulting has prepared the actuarial valuation of the City of Philadelphia Municipal Retirement System as of July 1, 2005 to determine contributions for the fiscal year ending June 30, 2007. The valuation is based on employee and financial data which were provided by the City of 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. The actuarial assumptions are selected jointly by the actuary and the Pension Board and, in our opinion, are considered reasonable. This report fully and fairly discloses the present actuarial 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, 2005.

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.

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

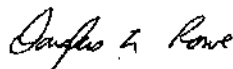


Thomas Skiavo, EA, MAAA
Enrollment Number: 05-6727

March 28, 2006

Date

As a Fellow of the Society of Actuaries, I meet the Qualification Standards to provide the statements of actuarial opinion contained in this report.



Douglas Rowe, FSA, EA, MAAA
Enrollment Number: 05-2626

March 28, 2006

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, 2007. 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 the current actuarial assumptions had always been used.

The valuation assets are determined as of July 1, 2005, 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 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 4.0% 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:

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, 2007.

Table 16 shows the annual payments needed to fund plan liabilities using the City's funding policy if the City does not move to the 10-year rolling amortization of the unfunded.

COST DERIVATION

5. July 1, 2005 derivation of normal cost (dollars in thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Number of active members								
a. Vested	6,951	1,406	613	2,655	16	1,976	494	14,111
b. Non-vested	<u>67</u>	<u>4</u>	<u>0</u>	<u>10,312</u>	<u>6</u>	<u>2,724</u>	<u>768</u>	<u>13,881</u>
c. Total	7,018	1,410	613	12,967	22	4,700	1,262	27,992
2. Total normal costs								
a. Service retirement	\$ 18,778	\$ 9,948	\$ 4,134	\$ 15,688	\$ 167	\$ 22,450	\$ 6,042	\$ 77,209
b. Preretirement death	1,112	391	179	1,378	12	907	276	4,255
c. Disability retirement	2,786	955	398	3,282	17	2,671	710	10,820
d. Vested termination	4,364	648	261	6,429	34	1,048	239	13,023
e. Refund of nonvested members' contributions	2,119	190	77	2,362	33	1,070	227	6,078
f. Administrative expenses	<u>3,182</u>	<u>1,265</u>	<u>460</u>	<u>1,500</u>	<u>4</u>	<u>543</u>	<u>146</u>	<u>7,100</u>
g. Total	\$ 32,342	\$ 13,397	\$ 5,510	\$ 30,639	\$ 268	\$ 28,688	\$ 7,640	\$ 118,484
3. Expected employee contributions	\$ 12,716	\$ 5,141	\$ 2,126	\$ 9,192	\$ 167	\$ 12,525	\$ 3,180	\$ 45,047
4. City normal cost (2g) - (3)	\$ 19,626	\$ 8,257	\$ 3,384	\$ 21,447	\$ 101	\$ 16,163	\$ 4,459	\$ 73,437
5. Current total annual payroll	\$ 339,103	\$ 85,874	\$ 35,499	\$ 493,752	\$ 2,315	\$ 250,506	\$ 63,607	\$1,270,656
6. City normal cost as a percent of pay assuming beginning-of-year payment (4) ÷ (5)	5.788%	9.615%	9.533%	4.344%	4.366%	6.452%	7.011%	5.779%
7. City normal cost as a percent of pay assuming end-of-year payment (6) x 1.0875	6.294%	10.456%	10.367%	4.724%	4.748%	7.017%	7.624%	6.285%

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2005 (dollars in thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Number of members								
a. Active	7,018	1,410	613	12,967	22	4,700	1,262	27,992
b. Retired	11,946	5,449	1,851	239	8	22	13	19,528
c. Beneficiary	5,433	2,114	915	68	3	54	23	8,610
d. Disabled	1,949	1,916	452	51	0	97	16	4,481
e. Terminated vested	605	15	2	143	0	29	8	802
f. DROP	1,840	541	330	101	3	8	1	2,824
g. Total	28,791	11,445	4,163	13,569	36	4,910	1,323	64,237
2. Total annual benefits								
a. Retired	\$ 206,238	\$ 125,290	\$ 48,073	\$ 2,419	\$ 243	\$ 244	\$ 116	\$ 382,624
b. Beneficiary	32,856	15,918	6,792	420	69	306	196	56,558
c. Disabled	28,763	31,671	8,369	821	0	2,607	406	72,637
d. Terminated vested	8,849	193	16	1,746	0	404	107	11,315
e. DROP	53,124	18,414	13,415	1,187	278	158	22	86,598
f. Total	\$ 329,830	\$ 191,486	\$ 76,665	\$ 6,593	\$ 590	\$ 3,719	\$ 847	\$ 609,732
3. Present value of benefits								
a. Active members								
Service retirement	\$ 1,204,605	\$ 451,445	\$ 196,662	\$ 330,772	\$ 8,605	\$ 563,443	\$ 137,764	\$ 2,893,296
Preretirement death	46,116	11,632	5,954	25,436	356	17,005	4,772	111,271
Disability retirement	78,019	6,846	1,935	43,942	227	35,551	8,613	175,133
Vested termination	118,917	1,816	347	139,315	602	25,528	5,169	291,693
Refund of nonvested members' contributions	486	139	76	19,144	51	10,187	2,189	32,273
Subtotal	\$ 1,448,143	\$ 471,878	\$ 204,973	\$ 558,610	\$ 9,841	\$ 651,713	\$ 158,508	\$ 3,503,666
b. Nonactive members								
Service retired	\$ 1,610,308	\$ 1,077,136	\$ 402,222	\$ 19,834	\$ 2,252	\$ 2,493	\$ 1,230	\$ 3,115,476
Beneficiary	247,861	124,868	48,543	4,182	502	3,240	2,025	431,220
Disabled	223,741	267,849	69,188	7,319	0	28,460	4,281	600,838
Terminated vested	60,479	1,806	152	6,800	0	1,807	529	71,574
Nonvested members' contributions	1,654	159	31	1,831	0	281	124	4,080
DROP annuity	510,127	183,609	130,382	9,578	2,172	1,562	198	837,629
DROP account	108,836	43,748	29,447	1,729	285	286	84	184,414
Subtotal	\$ 2,763,006	\$ 1,699,175	\$ 679,965	\$ 51,273	\$ 5,211	\$ 38,129	\$ 8,472	\$ 5,245,231
c. Total	\$ 4,211,149	\$ 2,171,053	\$ 884,938	\$ 609,883	\$ 15,052	\$ 689,842	\$ 166,980	\$ 8,748,897

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2005 (thousands) (continued)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
4. Present value of future normal costs								
a. Service retirement	\$ 125,888	\$ 60,547	\$ 22,250	\$ 111,786	\$ 669	\$ 238,562	\$ 62,383	\$ 622,084
b. Preretirement death	7,778	2,377	967	10,037	53	9,731	2,846	33,790
c. Disability retirement	19,139	5,839	2,149	24,528	83	28,809	7,461	88,008
d. Vested termination	31,904	4,147	1,441	50,905	208	11,920	2,686	103,209
e. Refund of nonvested members' contribution	15,932	1,192	421	17,967	166	12,141	2,521	50,341
f. Total	\$ 200,642	\$ 74,102	\$ 27,227	\$ 215,223	\$ 1,179	\$ 301,161	\$ 77,897	\$ 897,432
5. Actuarial accrued liability (3) - (4)								
a. Active members								
Service retirement	\$ 1,078,717	\$ 390,898	\$ 174,412	\$ 218,986	\$ 7,936	\$ 324,881	\$ 75,381	\$ 2,271,212
Preretirement death	38,338	9,255	4,987	15,399	303	7,274	1,926	77,481
Disability retirement	58,880	1,007	(214)	19,414	144	6,742	1,152	87,125
Vested termination	87,013	(2,331)	(1,094)	88,410	394	13,608	2,483	188,484
Refund of nonvested members' contribution	(15,446)	(1,053)	(345)	1,177	(115)	(1,954)	(332)	(18,068)
Subtotal	\$ 1,247,501	\$ 397,776	\$ 177,746	\$ 343,387	\$ 8,662	\$ 350,552	\$ 80,611	\$ 2,606,234
b. Nonactive members								
Service retirement	\$ 1,610,308	\$ 1,077,136	\$ 402,222	\$ 19,834	\$ 2,252	\$ 2,493	\$ 1,230	\$ 3,115,476
Beneficiary	247,861	124,868	48,543	4,182	502	3,240	2,025	431,220
Disabled	223,741	267,849	69,188	7,319	0	28,460	4,281	600,838
Terminated vested	60,479	1,806	152	6,800	0	1,807	529	71,574
Nonvested members' contribution	1,654	159	31	1,831	0	281	124	4,080
DROP annuity	510,127	183,609	130,382	9,578	2,172	1,562	198	837,629
DROP account	108,836	43,748	29,447	1,729	285	286	84	184,414
Subtotal	\$ 2,763,006	\$ 1,699,175	\$ 679,965	\$ 51,273	\$ 5,211	\$ 38,129	\$ 8,472	\$ 5,245,231
c. Total	\$ 4,010,507	\$ 2,096,951	\$ 857,711	\$ 394,660	\$ 13,873	\$ 388,681	\$ 89,083	\$ 7,851,465
6. Assets for valuation purposes	\$ 2,043,061	\$ 908,997	\$ 424,315	\$ 361,994	\$ 11,243	\$ 329,103	\$ 80,812	\$ 4,159,525
7. Unfunded actuarial accrued liability (5c) - (6)	\$ 1,967,446	\$ 1,187,955	\$ 433,396	\$ 32,666	\$ 2,630	\$ 59,577	\$ 8,271	\$ 3,691,940

Note: Numbers may not add because of rounding.

COST DERIVATION

7. Development of the expected unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation	\$ 1,498,743	\$ 988,591	\$ 341,200	\$ 12,793	\$ 1,537	\$ 28,623	\$ 4,076	\$ 2,875,564
2. Changes in July 1, 2005 unfunded actuarial accrued liability due to actuarial experience	227,117	93,680	48,146	18,014	443	19,284	1,238	407,922
3. Changes in July 2005 unfunded actuarial accrued liability due to assumption changes	239,962	105,644	44,050	1,366	645	11,442	2,957	406,065
4. Changes in July 1, 2005 unfunded actuarial accrued liability due to plan changes	1,624	40	0	493	5	228	0	2,389
5. Actual unfunded actuarial accrued liability, July 1, 2005 (1) + (2) + (3) + (4)	\$ 1,967,446	\$ 1,187,955	\$ 433,396	\$ 32,666	\$ 2,630	\$ 59,577	\$ 8,271	\$ 3,691,940
6. Expected changes in unfunded actuarial accrued liability from July 1, 2005 to July 1, 2006:								
a. Interest $(2 + 3 + 4) \times .0875$	\$ 41,012	\$ 17,444	\$ 8,067	\$ 1,739	\$ 96	\$ 2,708	\$ 367	\$ 71,433
b. Increase/ (decrease) in unfunded actuarial accrued liability from July 1, 2005 to July 1, 2006 after FY 2006 amortization contribution	<u>(40,499)</u>	<u>(32,932)</u>	<u>(7,732)</u>	<u>1,351</u>	<u>(81)</u>	<u>1,135</u>	<u>478</u>	<u>(78,279)</u>
c. Subtotal	\$ 513	\$ (15,488)	\$ 335	\$ 3,090	\$ 15	\$ 3,843	\$ 845	\$ (6,846)
7. Expected July 1, 2006 unfunded actuarial accrued liability (5) + (6c)	\$ 1,967,959	\$ 1,172,467	\$ 433,731	\$ 35,756	\$ 2,645	\$ 63,420	\$ 9,116	\$ 3,685,094 ^a

Note: Numbers may not add because of rounding.

^a Does not include anticipated asset losses or gains per the smoothing of the valuation assets.

COST DERIVATION

8. Development of municipal division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation					
a. Dombrowski	\$ 3,462	\$ 2,705	3	\$ 978	\$ 1,064
b. Remaining	<u>1,495,281</u>	<u>1,455,539</u>	—	<u>166,188^b</u>	<u>180,729^b</u>
c. Subtotal	\$ 1,498,743	\$ 1,458,244	—	\$ 167,166	\$ 181,793
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 227,117	\$ 246,990	15	\$ 27,761	\$ 30,191
b. Assumption change	239,962	260,959	20	25,820	28,080
c. Plan change	1,624	1,766	20	175	190
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 468,703	\$ 509,715	—	\$ 53,756	\$ 58,460
3. Total (1c) + (2e)	\$ 1,967,446	\$ 1,967,959	—	\$ 220,922	\$ 240,253

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

b. Payments toward unfunded liability as of July 1, 1985, increasing at 4.0% per year. All other payments are level dollar amounts.

COST DERIVATION

9. Development of police division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation					
a. Dombrowski	\$ 2,214	\$ 1,730	3	\$ 625	\$ 680
b. Remaining	<u>986,377</u>	<u>953,929</u>	—	<u>108,786^b</u>	<u>118,304^b</u>
c. Subtotal	\$ 988,591	\$ 955,659	—	\$ 109,412	\$ 118,985
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 93,680	\$ 101,877	15	\$ 11,451	\$ 12,453
b. Assumption change	105,644	114,888	20	11,367	12,362
c. Plan change	40	43	20	4	5
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 199,364	\$ 216,808	—	\$ 22,823	\$ 24,820
3. Total (1c) + (2e)	\$ 1,187,955	\$ 1,172,467	—	\$ 132,234	\$ 143,804

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

b. Payments toward unfunded liability as of July 1, 1985, increasing at 4.0% per year. All other payments are level dollar amounts.

COST DERIVATION

10. Development of fire division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation					
a. Dombrowski	\$ 882	\$ 689	3	\$ 249	\$ 271
b. Remaining	<u>340,318</u>	<u>332,779</u>	—	<u>34,998^b</u>	<u>38,060^b</u>
c. Subtotal	\$ 341,200	\$ 333,468	—	\$ 35,247	\$ 38,331
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 48,146	\$ 52,359	15	\$ 5,885	\$ 6,400
b. Assumption change	44,050	47,904	20	4,740	5,155
c. Plan change	0	0	20	0	0
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 92,196	\$ 100,263	—	\$ 10,625	\$ 11,555
3. Total (1c) + (2e)	\$ 433,396	\$ 433,731	—	\$ 45,872	\$ 49,886

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

b. Payments toward unfunded liability as of July 1, 1985, increasing at 4.0% per year. All other payments are level dollar amounts.

COST DERIVATION

11. Development of municipal division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation	\$ 12,793	\$ 14,145	—	\$ (118)	\$ (129)
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 18,014	\$ 19,590	15	\$ 2,202	\$ 2,395
b. Assumption change	1,366	1,485	20	147	160
c. Plan change	493	536	20	53	58
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 19,872	\$ 21,611	—	\$ 2,402	\$ 2,612
3. Total (1) + (2e)	\$ 32,666	\$ 35,756	—	\$ 2,284	\$ 2,483

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

COST DERIVATION

12. Development of elected division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation	\$ 1,537	\$ 1,456	—	\$ 200	\$ 217
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 443	\$ 482	15	\$ 54	\$ 59
b. Assumption change	645	702	20	69	76
c. Plan change	5	5	20	1	1
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 1,093	\$ 1,189	—	\$ 124	\$ 135
3. Total (1) + (2e)	\$ 2,630	\$ 2,645	—	\$ 324	\$ 352

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

COST DERIVATION

13. Development of police division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation	\$ 28,623	\$ 29,758	—	\$ 1,521	\$ 1,654
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 19,284	\$ 20,971	15	\$ 2,357	\$ 2,563
b. Assumption change	11,442	12,443	20	1,231	1,339
c. Plan change	228	248	20	25	27
d. Inactive plan change	0	0	10	0	0
e. Subtotal	\$ 30,954	\$ 33,662	—	\$ 3,613	\$ 3,929
3. Total (1) + (2e)	\$ 59,577	\$ 63,420	—	\$ 5,134	\$ 5,583

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

COST DERIVATION

14. Development of fire division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation	\$ 4,076	\$ 4,554	—	\$ (76)	\$ (83)
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 1,238	\$ 1,346	15	\$ 151	\$ 165
b. Assumption change	2,957	3,215	20	318	346
c. Plan change	0	0	20	0	0
d. Inactive plan change	0	0	10	0	0
e. Subtotal	\$ 4,195	\$ 4,562	—	\$ 469	\$ 511
3. Total (1) + (2e)	\$ 8,271	\$ 9,116	—	\$ 393	\$ 428

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

COST DERIVATION

15. Development of total division annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2007 (thousands)

	Fiscal Year Ending June 30, 2007				
	Outstanding Balance July 1, 2005	Expected Balance July 1, 2006	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2005 unfunded actuarial accrued liability based on July 1, 2004 valuation					
a. Dombrowski	\$ 6,558	\$ 5,124	3	\$ 1,853	\$ 2,015
b. Remaining	<u>2,869,006</u>	<u>2,792,161</u>	—	<u>311,498^b</u>	<u>338,751^b</u>
c. Subtotal	\$ 2,875,564	\$ 2,797,285	—	\$ 313,351	\$ 340,766
2. Changes in unfunded actuarial accrued liability, July 1, 2005					
a. Experience (gains)/losses	\$ 407,922	\$ 443,615	15	\$ 49,862	\$ 54,225
b. Assumption change	406,065	441,596	20	43,693	47,516
c. Plan change	2,389	2,598	20	257	280
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 816,376	\$ 887,809	—	\$ 93,812	\$ 102,021
3. Total (1c) + (2e)	\$ 3,691,940	\$ 3,685,094	—	\$ 407,163	\$ 442,787

Note: Numbers may not add because of rounding.

a. Includes interest at 8.75% to year-end.

b. Payment towards unfunded liability as of July 1, 1985, increasing at 4.0% per year. All other payments are level dollar amounts.

COST DERIVATION

16. Schedule of annual payments to fund the anticipated July 1, 2005 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 Payments as a Percent of Pay
	1967 Plan			Plan 87							
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	Total			
2005	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3,691,940	\$1,270,656	N/A
2006	206,456	143,685	45,872	1,307	167	5,134	393	403,014	3,685,094	1,321,482	30.5%
2007	216,810	150,068	48,636	2,599	162	6,337	682	425,295	3,708,299	1,374,342	30.9%
2008	213,293	152,050	49,418	2,499	107	6,382	711	424,459	3,566,018	1,429,315	29.7%
2009	214,588	153,732	49,970	1,964	96	5,897	582	426,828	3,341,507	1,486,488	28.7%
2010	211,184	152,612	50,188	2,173	17	5,765	624	422,563	3,165,334	1,545,947	27.3%
2011	212,351	154,146	51,124	2,108	33	5,794	653	426,210	2,978,384	1,607,785	26.5%
2012	213,940	155,355	51,939	2,156	75	5,897	715	430,076	2,771,111	1,672,097	25.7%
2013	223,168	159,485	54,332	2,430	75	6,260	775	446,525	2,541,496	1,738,980	25.7%
2014	228,975	157,101	54,877	2,630	109	6,500	880	451,073	2,273,902	1,808,540	24.9%
2015	239,628	150,427	59,315	10,440	398	14,188	2,860	477,256	1,977,947	1,880,881	25.4%
2016	243,734	147,320	58,927	10,633	394	14,424	3,003	478,434	1,627,622	1,956,117	24.5%
2017	247,320	152,456	58,168	11,093	400	14,269	2,938	486,643	1,245,363	2,034,361	23.9%
2018	225,228	142,337	54,866	8,520	346	11,179	2,564	445,041	820,729	2,115,736	21.0%
2019	60,897	46,476	14,799	2,918	165	7,458	1,506	134,219	404,182	2,200,365	6.1%
2020	59,298	37,518	12,405	2,889	165	6,263	1,057	119,596	289,206	2,288,380	5.2%
2021	31,537	14,616	6,520	688	111	3,906	906	58,283	197,037	2,379,915	2.4%
2022	23,678	12,231	5,554	(420)	49	1,682	411	43,185	151,028	2,475,111	1.7%
2023	21,956	11,100	4,662	(406)	49	1,682	411	39,455	117,150	2,574,116	1.5%
2024	25,995	11,372	4,740	200	70	1,256	318	43,950	84,365	2,677,081	1.6%
2025	25,995	11,372	4,740	200	70	1,256	318	43,950	43,950	2,784,164	1.6%
2026	0	0	0	0	0	0	0	0	0	2,895,530	0.0%

Note: Numbers may not add because of rounding. Includes anticipated losses on the valuation assets over the next two years and the amortization payments shown do not switch to the 10-year rolling amortization when advantageous.

COST DERIVATION

Estimated progress of fund

Table 17 shows the pension fund's estimated progress for fiscal years 2006 through 2025. The July 1, 2005 market value of fund assets is the starting point. This projection shows the emerging benefit payments of the fund and the concurrent fund growth. The projection is based on the same assumptions used to determine the Retirement System's annual cost and related liabilities.

The City contribution of normal cost plus the scheduled payments toward amortizing the unfunded actuarial accrued liability under the City's funding policy is used in the projection. The first year of the projection reflects the anticipated City contribution as of the July 1, 2004 valuation. Subsequent contributions are based on the July 1, 2005 valuation. The contribution's normal cost component increases 4.0% annually, reflecting anticipated increases in covered payroll. The projected employee contributions also increase annually, reflecting assumed payroll increases at 4.0%.

The fund projection is limited to the period with the fiscal year ending June 30, 2025. Fluctuations from the figures shown in this 20-year period are to be expected.

The fund's underlying growth trend tends to follow that shown in Table 17, even though the actual numbers vary. The projection shows that combined City and employee contributions do not exceed the benefits paid. However, the contributions combined with expected investment earnings meet benefit payments and allow for continued fund growth.

COST DERIVATION

17. Estimated progress of City of Philadelphia Municipal Retirement System Fund for July 1, 2005 through June 30, 2025 (thousands)

Fiscal Year Ending June 30	Fund at Beginning of Year	City Contributions ^{a, c}	Employee Contributions ^a	Benefit Payments ^{a, b}	Investment Income	Net Increase	Fund at End of Year
2006	\$4,100,577	\$416,936	\$45,697	\$628,428	\$333,306	\$167,511	\$4,268,088
2007	4,268,088	525,841	46,851	639,163	347,544	281,073	4,549,161
2008	4,549,161	553,131	48,725	651,100	371,698	322,453	4,871,614
2009	4,871,614	555,677	50,674	664,106	399,429	341,674	5,213,289
2010	5,213,289	561,976	52,701	678,631	428,778	364,824	5,578,113
2011	5,578,113	561,074	54,809	693,921	460,124	382,086	5,960,199
2012	5,960,199	568,926	57,002	710,379	492,932	408,480	6,368,679
2013	6,368,679	532,141	59,282	728,079	528,000	391,343	6,760,022
2014	6,760,022	507,898	61,653	747,535	561,495	383,510	7,143,532
2015	7,143,532	485,718	64,119	768,828	594,228	375,237	7,518,769
2016	7,518,769	465,482	66,684	790,121	626,242	368,287	7,887,056
2017	7,887,056	447,079	69,351	809,131	657,752	365,050	8,252,106
2018	8,252,106	430,405	72,125	827,968	688,991	363,553	8,615,659
2019	8,615,659	415,366	75,010	847,140	720,089	363,326	8,978,985
2020	8,978,985	401,874	78,011	864,722	751,243	366,405	9,345,390
2021	9,345,390	389,848	81,131	908,336	781,531	344,175	9,689,565
2022	9,689,565	379,213	84,376	952,912	809,838	320,515	10,010,080
2023	10,010,080	369,899	87,751	995,641	836,162	298,171	10,308,252
2024	10,308,252	361,844	91,261	1,035,893	860,644	277,857	10,586,108
2025	10,586,108	354,988	94,912	1,073,343	883,478	260,035	10,846,144

Note: Numbers may not add because of rounding.

- a. City contributions are assumed to be made at the end of the year. Employee contributions and benefit payments are assumed to be made mid-year.
- b. Includes administrative expenses.
- c. We assumed that the City switches to the 10-year amortization of the unfunded liability when advantageous.

PLAN MEMBERSHIP

Data for active, retired, disabled, and terminated vested members as of July 1, 2005 was provided by the Philadelphia Board of Pensions and Retirement.

The active member data, supplied electronically, contained information for all Retirement System members as of July 1, 2005. The data contained basic identifying information on each employee in addition to the annual rate of base compensation, overtime pay, longevity payments, and employee contribution totals. We reviewed the data for consistency and completeness and verified it against the July 1, 2004 data for continued active member coverage.

The nonactive member data, supplied electronically, contained information for all retired, DROP, beneficiary, disabled, and terminated vested members as of July 1, 2005.

Table 18 illustrates a net increase in total plan membership during the period.

18. Total plan membership net change

	Number of Members	Percentage Increase (Decrease)
Active	- 642	- 2.2%
Retired	+ 285	+ 1.5%
Surviving spouses	- 74	- 1.0%
Other beneficiaries	+ 36	+ 2.4%
Disabled	- 93	- 2.0%
Terminated vested	- 7	+ 0.9%
DROP Participants	- 29	- 1.0%
Total	- 524	- 0.8%

Table 19 summarizes the changes in plan membership between valuations. Using the information provided, we identified changes in status due to retirement, entrance into the DROP, disablement, termination with a vested benefit, and new entrants. *Net Other Terminations* consists of:

- Actives
 - Terminated and left member contributions on deposit
 - Died during the period
 - Transferred from one division to another
- Retired or disabled
 - Died during the period
 - Returned to employment

PLAN MEMBERSHIP

- Terminated vested
 - Retired or died during the period
 - Returned to employment

Table 20 details active members' payroll and nonactive members' benefit payments.

PLAN MEMBERSHIP

19. Reconciliation of included members

	1967 Plan			Plan 87				
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	Total
Active members								
Active, July 1, 2004	7,720	1,498	679	12,681	23	4,819	1,214	28,634
New entrants and rehires	+ 48	+ 7	+ 3	+ 1,680	+ 1	+ 40	+ 81	+ 1,860
Separations from active service								
Refunded contributions	- 32	- 0	- 0	- 0	- 0	- 0	- 0	- 32
Terminated vested	- 46	- 0	- 0	- 47	- 0	- 14	- 2	- 109
Became disabled	- 35	- 1	- 0	- 7	- 0	- 9	- 1	- 53
Retired	- 148	- 29	- 5	- 39	- 0	- 9	- 1	- 231
DROP participants	- 388	- 53	- 59	- 46	- 2	- 2	- 0	- 550
Net other terminations ^a	- 101	- 12	- 5	- 1,255	- 0	- 125	- 29	- 1,527
Active, July 1, 2005	7,018	1,410	613	12,967	22	4,700	1,262	27,992
Retired members								
Retired, July 1, 2004	11,828	5,416	1,783	185	7	12	12	19,243
New retirees	+ 643	+ 178	+ 122	+ 58	+ 1	+ 11	+ 1	+ 1,014
Net other terminations	- 525	- 145	- 54	- 4	- 0	- 1	- 0	- 729
Retired, July 1, 2005	11,946	5,449	1,851	239	8	22	13	19,528
Surviving spouses								
Receiving benefit, July 1, 2004	4,261	1,956	869	34	3	14	9	7,146
New spouses	+ 205	+ 96	+ 43	+ 4	+ 0	+ 0	+ 2	+ 350
Net other terminations	- 249	- 111	- 62	- 2	- 0	- 0	- 0	- 424
Receiving benefit, July 1, 2005	4,217	1,941	850	36	3	14	11	7,072

a. Includes terminated employees who left contributions on deposit, deaths, and transfers among plans.

PLAN MEMBERSHIP

19. Reconciliation of included members (continued)

	1967 Plan			Plan 87				
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	Total
Other beneficiaries								
Receiving benefit, July 1, 2004	1,185	176	65	22	1	41	12	1,502
New beneficiaries	+ 48	+ 5	+ 1	+ 10	+ 0	+ 0	+ 0	+ 64
Net other terminations	- 17	- 8	- 1	- 0	- 1	- 1	- 0	- 28
Receiving benefit, July 1, 2005	1,216	173	65	32	0	40	12	1,538
Disabled members								
Disabled, July 1, 2004	1,998	1,971	466	39	0	85	15	4,574
New disabilities	+ 58	+ 4	+ 1	+ 13	+ 0	+ 13	+ 1	+ 90
Net other terminations	- 107	- 59	- 15	- 1	- 0	- 1	- 0	- 183
Disabled, July 1, 2005	1,949	1,916	452	51	0	97	16	4,481
Terminated vested members								
Terminated vested, July 1, 2004	656	19	4	106	1	15	8	809
New vested terminations	+ 63	+ 1	+ 0	+ 54	+ 0	+ 14	+ 2	+ 134
Net other terminations	- 114	- 5	- 2	- 17	- 1	- 0	- 2	- 141
Terminated vested, July 1, 2005	605	15	2	143	0	29	8	802
DROP participants								
DROP participants, July 1, 2004	1,806	610	363	67	1	5	1	2,853
New DROP participants	+ 463	+ 71	+ 83	+ 52	+ 2	+ 3	+ 0	+ 674
Net other terminations	- 429	- 140	- 116	- 18	- 0	- 0	- 0	- 703
DROP participants, July 1, 2005	1,840	541	330	101	3	8	1	2,824

PLAN MEMBERSHIP

20. Summary of active member payroll and nonactive member annual benefits (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Active members								
Active as of July 1, 2004	\$ 364,534	\$ 87,596	\$ 39,101	\$ 467,803	\$ 2,326	\$ 243,899	\$ 60,694	\$ 1,265,953
Net new entrants and pay increases	<u>(25,431)</u>	<u>(1,722)</u>	<u>(3,602)</u>	<u>25,949</u>	<u>(11)</u>	<u>6,607</u>	<u>2,913</u>	<u>4,703</u>
Active as of July 1, 2005	\$ 339,103	\$ 85,874	\$ 35,499	\$ 493,752	\$ 2,315	\$ 250,506	\$ 63,607	\$ 1,270,656
Retired members								
Retired as of July 1, 2004	\$ 196,777	\$ 122,151	\$ 44,642	\$ 1,907	\$ 220	\$ 128	\$ 107	\$ 365,932
Net new entrants	<u>9,461</u>	<u>3,139</u>	<u>3,431</u>	<u>512</u>	<u>23</u>	<u>116</u>	<u>9</u>	<u>16,691</u>
Retired as of July 1, 2005	\$ 206,238	\$ 125,290	\$ 48,073	\$ 2,419	\$ 243	\$ 244	\$ 116	\$ 382,623
Surviving spouses								
Receiving benefit as of July 1, 2004	\$ 25,788	\$ 14,396	\$ 6,061	\$ 243	\$ 41	\$ 113	\$ 116	\$ 46,758
Net new spouses	<u>578</u>	<u>421</u>	<u>267</u>	<u>26</u>	<u>(3)</u>	<u>0</u>	<u>25</u>	<u>1,314</u>
Receiving benefit as of July 1, 2005	\$ 26,366	\$ 14,817	\$ 6,328	\$ 269	\$ 38	\$ 113	\$ 141	\$ 48,072
Other beneficiaries								
Receiving benefits as of July 1, 2004	\$ 6,178	\$ 1,099	\$ 460	\$ 114	\$ 31	\$ 201	\$ 55	\$ 8,138
Net new beneficiaries	<u>312</u>	<u>12</u>	<u>5</u>	<u>38</u>	<u>0</u>	<u>(9)</u>	<u>0</u>	<u>358</u>
Receiving benefit as of July 1, 2005	\$ 6,490	\$ 1,111	\$ 465	\$ 152	\$ 31	\$ 192	\$ 55	\$ 8,496

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

20. Summary of annual active member payroll and nonactive member annual benefits (thousands) (continued)

	1967 Plan			Plan 87				
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	Total
Disabled members								
Disabled as of July 1, 2004	\$ 28,832	\$ 32,353	\$ 8,572	\$ 702	\$ 0	\$ 2,252	\$ 365	\$ 73,076
Net new disabilities	<u>(69)</u>	<u>(682)</u>	<u>(203)</u>	<u>119</u>	<u>0</u>	<u>355</u>	<u>41</u>	<u>(439)</u>
Disabled as of July 1, 2005	\$ 28,763	\$ 31,671	\$ 8,369	\$ 821	\$ 0	\$ 2,607	\$ 406	\$ 72,637
Terminated vested members								
Terminated vested as of July 1, 2004	\$ 9,181	\$ 273	\$ 39	\$ 1,146	\$ 23	\$ 193	\$ 103	\$ 10,958
Net new vested terminations	<u>(332)</u>	<u>(80)</u>	<u>(23)</u>	<u>600</u>	<u>(23)</u>	<u>211</u>	<u>4</u>	<u>357</u>
Terminated vested as of July 1, 2005	\$ 8,849	\$ 193	\$ 16	\$ 1,746	\$ 0	\$ 404	\$ 107	\$ 11,315
DROP Participants (doesn't include account balance)								
DROP participants as of July 1, 2004	\$ 49,542	\$ 20,482	\$ 14,083	\$ 726	\$ 116	\$ 78	\$ 23	\$ 85,050
Net new DROP participants	<u>3,582</u>	<u>(2,068)</u>	<u>(668)</u>	<u>461</u>	<u>162</u>	<u>80</u>	<u>(1)</u>	<u>1,548</u>
DROP participants as of July 1, 2005	\$ 53,124	\$ 18,414	\$ 13,415	\$ 1,187	\$ 278	\$ 158	\$ 22	\$ 86,598

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

A distribution of the active employees' annual earnings for each division by age and service group as of July 1, 2005 appears in Tables 21 through 27.

A distribution of inactive members by age and annual pension is shown in Tables 28-32.

PLAN MEMBERSHIP

21. Municipal (1967 Plan) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
30-34	0	5	21	7	0	0	0	0	0	33
	0	35,373	47,349	40,295	0	0	0	0	0	44,038
35-39	2	5	111	256	10	0	0	0	0	384
	28,424	36,046	45,494	45,533	48,645	0	0	0	0	45,390
40-44	1	10	173	684	245	13	0	0	0	1,126
	28,732	40,987	44,998	45,967	51,084	50,781	0	0	0	46,928
45-49	2	11	185	818	696	227	87	1	0	2,207
	58,968	42,284	42,433	45,164	53,128	54,412	48,046	32,594	0	48,800
50-54	8	7	150	627	530	436	497	84	2	2,341
	50,886	55,566	42,405	42,963	51,749	54,615	52,785	50,016	59,721	49,504
55-59	5	4	89	271	162	100	163	53	3	850
	60,253	64,581	43,539	42,876	49,747	54,397	55,976	51,833	65,584	48,966
60-64	2	2	17	80	31	16	13	11	2	174
	44,764	40,754	54,089	36,387	49,716	44,281	45,268	60,023	60,120	43,794
65-69	0	0	11	22	10	3	3	3	2	54
	0	0	50,881	36,068	42,858	11,275	55,019	65,770	45,616	42,022
70-74	1	0	3	3	1	3	1	1	1	14
	5,304	0	47,039	46,965	39,028	41,367	31,267	12,690	34,739	37,796
75+	1	0	0	6	1	2	2	2	1	15
	75,990	0	0	21,930	40,250	48,119	24,669	51,689	36,774	35,570
Total	22	44	760	2,774	1,686	800	766	155	11	7,018
	49,213	44,565	44,125	44,289	51,906	54,033	52,705	51,321	54,471	48,319

Note: Age represents attained age.

PLAN MEMBERSHIP

22. Police (1967 Plan) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
30-34	0	1	0	0	0	0	0	0	0	1
	0	53,340	0	0	0	0	0	0	0	53,340
35-39	0	0	8	27	1	1	0	0	0	37
	0	0	53,781	56,317	59,758	69,793	0	0	0	56,226
40-44	1	1	4	203	108	3	0	0	0	320
	50,959	53,340	52,361	58,866	62,702	62,046	0	0	0	60,068
45-49	0	0	0	191	269	91	2	0	0	553
	0	0	0	57,031	61,330	63,869	58,739	0	0	60,254
50-54	0	1	1	89	96	121	70	3	0	381
	0	54,066	57,841	56,365	60,412	66,730	63,859	69,666	0	62,156
55-59	0	0	0	24	20	32	23	8	0	107
	0	0	0	54,517	58,717	64,088	69,590	66,965	0	62,335
60-64	0	0	0	0	0	2	2	3	2	9
	0	0	0	0	0	57,369	72,671	72,448	109,928	77,475
65-69	0	0	0	0	0	0	0	1	0	1
	0	0	0	0	0	0	0	54,896	0	54,896
70-74	0	0	0	0	0	0	0	0	1	1
	0	0	0	0	0	0	0	0	94,345	94,345
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	1	3	13	534	494	250	97	15	3	1,410
	50,959	53,582	53,656	57,469	61,343	65,232	65,294	67,797	104,734	60,903

Note: Age represents attained age.

PLAN MEMBERSHIP

23. Fire (1967 Plan) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
35-39	0	0	2	9	1	0	0	0	0	12
	0	0	49,558	54,597	52,676	0	0	0	0	53,597
40-44	0	0	2	40	28	0	0	0	0	70
	0	0	49,558	55,915	56,189	0	0	0	0	55,843
45-49	0	0	1	49	100	1	3	0	0	154
	0	0	52,076	53,974	55,887	52,926	65,872	0	0	55,429
50-54	0	0	0	21	65	92	74	0	0	252
	0	0	0	53,895	55,596	58,660	64,066	0	0	59,060
55-59	0	0	2	6	11	30	51	14	1	115
	0	0	51,069	53,402	57,356	56,766	60,396	70,172	78,743	59,981
60-64	0	0	0	0	0	0	6	2	1	9
	0	0	0	0	0	0	64,049	53,176	60,228	61,208
65-69	0	0	0	0	0	0	0	0	1	1
	0	0	0	0	0	0	0	0	78,743	78,743
70-74	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	0	0	7	125	205	123	134	16	3	613
	0	0	50,349	54,599	55,899	58,151	62,709	68,048	72,571	57,910

Note: Age represents attained age.

PLAN MEMBERSHIP

24. Municipal Plans M & Y (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	73	0	0	0	0	0	0	0	0	73
	6,103	0	0	0	0	0	0	0	0	6,130
20-24	546	25	0	0	0	0	0	0	0	571
	28,512	34,921	0	0	0	0	0	0	0	28,793
25-29	1,043	311	31	1	0	0	0	0	0	1,386
	36,074	39,609	39,563	43,342	0	0	0	0	0	36,951
30-34	856	764	205	20	0	0	1	0	0	1,846
	37,355	43,527	43,935	42,882	0	0	27,160	0	0	40,695
35-39	723	780	363	92	4	1	0	0	0	1,963
	35,630	43,612	45,109	44,409	32,458	51,041	0	0	0	40,967
40-44	798	749	377	143	15	2	0	0	0	2,084
	31,053	40,705	44,710	49,792	41,204	19,124	0	0	0	38,340
45-49	637	691	342	114	26	10	3	0	0	1,823
	34,017	39,624	43,527	47,128	46,692	45,889	36,017	0	0	38,995
50-54	498	561	289	102	21	9	18	5	0	1,494
	34,529	39,617	42,045	48,153	48,213	40,852	46,512	49,124	0	39,247
55-59	327	408	167	87	10	10	7	13	1	1,030
	33,098	38,724	39,419	45,591	37,277	56,647	54,150	43,741	41,272	37,961
60-64	130	181	72	23	3	2	4	6	5	426
	33,005	36,126	45,174	40,467	47,510	32,263	39,459	51,466	31,418	37,191
65-69	66	71	18	4	1	1	1	3	2	167
	13,577	28,206	30,643	37,918	25,214	27,866	33,781	47,897	69,703	23,784
70-74	31	15	11	2	0	0	1	0	1	61
	12,663	18,157	24,593	34,270	0	0	36,662	0	1,040	17,077
75+	12	25	5	1	0	0	0	0	0	43
	6,807	14,944	11,305	18,305	0	0	0	0	0	12,330
Total	5,731	4,581	1,880	589	80	35	35	27	9	12,967
	33,361	40,503	43,199	46,735	43,936	44,992	45,136	46,916	37,645	38,078

Note: Age represents attained age.

PLAN MEMBERSHIP

25. Elected (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
35-39	0	1	0	0	0	0	0	0	0	1
	0	102,292	0	0	0	0	0	0	0	102,292
40-44	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
45-49	0	0	1	0	1	0	0	0	0	2
	0	0	102,292	0	102,292	0	0	0	0	102,292
50-54	0	1	1	1	1	1	0	0	0	5
	0	102,292	102,292	98,059	102,292	102,292	0	0	0	101,445
55-59	0	1	1	0	0	1	1	1	0	5
	0	102,292	102,292	0	0	102,292	107,511	102,292	0	103,336
60-64	0	1	1	0	0	1	0	0	0	3
	0	104,380	129,591	0	0	109,599	0	0	0	114,523
65-69	1	1	1	0	1	0	0	0	0	4
	102,292	98,000	102,292	0	107,511	0	0	0	0	102,524
70-74	0	0	0	0	0	0	0	0	1	1
	0	0	0	0	0	0	0	0	128,387	128,387
75+	0	0	0	0	0	1	0	0	0	1
	0	0	0	0	0	102,292	0	0	0	102,292
Total	1	5	5	1	3	4	1	1	1	22
	102,292	101,851	107,752	90,059	104,032	104,119	107,511	102,292	128,387	105,233

Note: Age represents attained age.

PLAN MEMBERSHIP

26. Police (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	170	9	0	0	0	0	0	0	0	179
	46,023	48,714	0	0	0	0	0	0	0	46,158
25-29	355	366	4	0	0	0	0	0	0	725
	47,221	53,379	52,667	0	0	0	0	0	0	50,360
30-34	218	694	211	30	0	0	0	0	0	1,153
	47,895	53,629	55,168	56,377	0	0	0	0	0	52,898
35-39	94	417	430	321	1	0	1	0	0	1,264
	47,490	53,719	55,290	57,092	59,073	0	58,673	0	0	54,655
40-44	39	201	245	348	2	1	0	1	0	837
	47,962	53,588	55,206	56,609	54,015	53,703	0	61,221	0	55,066
45-49	19	81	96	179	3	0	0	0	0	378
	49,671	53,913	55,091	55,502	61,489	0	0	0	0	54,812
50-54	5	39	27	68	1	1	0	0	0	141
	49,481	52,675	54,114	55,188	54,066	54,066	0	0	0	54,069
55-59	2	12	3	1	0	1	0	0	0	19
	45,143	53,370	53,582	54,066	0	54,637	0	0	0	52,641
60-64	0	3	0	0	0	0	1	0	0	4
	0	55,384	0	0	0	0	58,281	0	0	56,108
65-69	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	902	1,822	1,016	947	7	3	2	1	0	4,700
	47,278	53,564	55,179	56,451	57,948	54,135	58,477	61,221	0	53,299

Note: Age represents attained age.

PLAN MEMBERSHIP

27. Fire (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	26	0	0	0	0	0	0	0	0	26
	40,412	0	0	0	0	0	0	0	0	40,412
25-29	130	22	0	0	0	0	0	0	0	152
	42,690	50,869	0	0	0	0	0	0	0	43,874
30-34	124	130	32	1	0	0	0	0	0	287
	44,462	53,664	52,166	38,789	0	0	0	0	0	49,469
35-39	74	122	126	12	1	0	0	0	0	335
	44,312	53,276	53,738	55,163	65,790	0	0	0	0	51,575
40-44	19	62	125	46	1	0	0	0	0	253
	46,124	51,636	53,657	54,953	59,128	0	0	0	0	52,853
45-49	12	30	54	56	3	0	0	0	0	155
	43,338	52,593	53,398	54,446	52,309	0	0	0	0	52,821
50-54	2	8	9	21	0	1	1	0	0	42
	48,308	53,325	54,963	53,447	0	52,076	52,426	0	0	53,447
55-59	1	3	1	4	0	0	0	0	0	9
	42,317	48,032	52,076	52,426	0	0	0	0	0	49,799
60-64	0	3	0	0	0	0	0	0	0	3
	0	53,405	0	0	0	0	0	0	0	53,405
65-69	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	388	380	347	140	5	1	1	0	0	1,262
	43,629	52,909	53,538	54,354	56,369	52,076	52,426	0	0	50,402

Note: Age represents attained age.

PLAN MEMBERSHIP

28. Terminated vested (1967 Plan and Plan 87) members, July 1, 2005

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
Under 40	60	\$ 638,849	21	\$ 281,967	3	\$ 39,305
40-44	96	1,517,683	17	247,706	5	67,318
45-49	170	2,559,703	2	29,996	1	9,894
50-54	318	4,833,984	2	16,013	0	0
55-59	53	548,540	0	0	0	0
60-64	21	198,126	1	7,128	0	0
Over 64	30	298,089	1	14,735	1	6,028
Total	748	\$ 10,594,974	44	\$ 597,544	10	\$ 122,545

Average Annual Pension

Municipal	\$ 14,164
Police	\$ 13,581
Fire	\$ 12,254

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP**29. Disabled (1967 Plan and Plan 87) members, July 1, 2005**

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	17	\$ 314,746	43	\$ 1,168,489	3	\$ 75,594
40-44	53	888,104	61	1,574,753	9	219,338
45-49	161	2,799,365	116	2,697,604	11	265,002
50-54	295	5,353,424	229	4,797,454	47	992,348
55-59	375	6,607,811	392	7,768,203	97	1,958,651
60-64	307	5,075,884	422	6,826,014	110	1,970,324
65-69	243	3,367,562	229	3,219,284	74	1,390,036
70-74	206	2,136,343	223	2,688,910	43	825,254
75-79	158	1,563,293	182	2,132,313	26	417,736
80-84	115	970,738	69	811,576	34	484,146
OVER 84	70	507,321	47	592,741	14	176,611
TOTAL	2,000	\$ 29,584,591	2,013	\$ 34,277,342	468	\$ 8,775,040

Average Annual Pension

Municipal	\$ 14,792
Police	\$ 17,028
Fire	\$ 18,750

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP**30. Retired (1967 Plan and Plan 87) members, July 1, 2005**

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	0	\$ 0	0	\$ 0	0	\$ 0
40-44	0	0	3	28,696	7	64,077
45-49	3	609	165	3,727,064	21	443,563
50-54	96	1,951,901	587	15,093,553	121	3,174,004
55-59	1,240	29,172,103	1,134	29,621,851	425	12,499,493
60-64	2,116	49,332,961	1,312	32,290,903	469	13,776,681
65-69	2,291	45,449,813	928	20,018,887	328	9,072,746
70-74	2,171	35,024,478	669	12,808,651	160	3,648,806
75-79	1,909	26,348,091	442	8,219,187	107	1,988,049
80-84	1,334	14,139,137	133	2,444,917	116	1,940,109
OVER 84	<u>1,033</u>	<u>7,481,561</u>	<u>98</u>	<u>1,280,508</u>	<u>110</u>	<u>1,581,951</u>
TOTAL	12,193	\$ 208,900,653	5,471	\$ 125,534,218	1,864	\$ 48,189,479

Average Annual Pension

Municipal	\$ 17,133
Police	\$ 22,945
Fire	\$ 25,853

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

31. Beneficiaries (1967 Plan and Plan 87) of members, July 1, 2005

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	472	\$ 2,698,815	132	\$ 872,308	45	\$ 350,108
40-44	159	853,319	42	368,343	11	145,530
45-49	200	1,414,466	49	455,452	27	372,628
50-54	245	1,749,286	95	1,066,326	33	446,117
55-59	311	2,636,372	177	1,845,214	58	667,120
60-64	381	3,188,367	254	2,468,680	70	779,829
65-69	523	4,069,790	285	2,277,729	65	609,004
70-74	731	4,889,078	334	2,467,955	61	432,915
75-79	836	4,880,757	316	2,093,961	135	921,900
80-84	768	3,640,679	208	1,191,000	187	1,108,670
OVER 84	878	3,323,813	276	1,127,294	246	1,154,982
TOTAL	5,504	\$ 33,344,742	2,168	\$ 16,234,262	938	\$ 6,988,803

Average Annual Pension

Municipal	\$ 6,058
Police	\$ 7,488
Fire	\$ 7,451

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

32. DROP (1967 Plan and Plan 87) members, July 1, 2005

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	0	\$ 0	0	\$ 0	0	\$ 0
40-44	0	0	0	0	0	0
45-49	0	0	99	2,832,339	9	286,194
50-54	0	0	203	6,715,809	91	3,471,905
55-59	1,332	41,418,278	208	7,212,779	206	8,489,355
60-64	430	9,931,645	36	1,671,770	24	1,136,657
65-69	119	2,180,380	2	81,293	1	53,196
70-74	45	696,625	0	0	0	0
75-79	16	306,276	0	0	0	0
80-84	2	55,377	1	58,293	0	0
OVER 84	0	0	0	0	0	0
TOTAL	1,944	\$ 54,588,581	549	\$ 18,572,283	331	\$ 13,437,307

Average Annual Pension

Municipal	\$ 28,081
Police	\$ 33,829
Fire	\$ 40,596

Note: Numbers may not add because of rounding.

FINANCIAL EXPERIENCE OF FUND

The July 1, 2005 Retirement System net assets are \$4,101,468,894 on a market value basis and \$3,626,798,577 on a cost value basis. These values include the Pension Adjustment Fund (PAF), which is also shown in Table 34. Financial experience is reported through the following tables:

- Table 33 contains a summary of assets and liabilities
- Table 34 shows receipts and disbursements
- Table 35 itemizes City contributions for the year ending June 30, 2005
- Table 36 summarizes 2005 fiscal year administrative expenses
- Table 37 shows the July 1, 2005 adjusted market value of assets under the five-year spread gain asset valuation method
- Table 38 shows the July 1, 2005 allocation of adjusted assets among all divisions.

Table 34, the fund's receipts and disbursements during the fiscal year ending June 30, 2005, show that total contributions are almost 57% of total receipts. Of the disbursements, benefit payments accounted for more than 96% of all disbursements.

Below is a summary of the approximate rates of return for this fiscal year compared to last year.

Rates of return comparison

	Fiscal Year Ending	
	June 30, 2004	June 30, 2005
Cost value	7.1%	7.1%
Market value	16.6%	9.9%
Adjusted market value	4.6%	1.8%

Table 37 shows the adjusted market value of assets used in the cost calculations. All assets are valued each year at market value and compared to the expected value of assets based on a 9% return assumption (8.75% after 2005). The difference is spread equally over the current year and the next four years. The value of the Pension Adjustment Fund (PAF) is then subtracted from the initial adjusted market value of assets. The adjusted market value is limited to be no more than 120% and no less than 80% of the market value of assets.

As required under Act 205, amortization payments, such as experience gains/losses, must be reported separately for each participating division. For the valuation, assets must be allocated among divisions (Table 38). This allocation does not constitute a legal separation of the assets, however.

FINANCIAL EXPERIENCE OF FUND

Table 38 begins with July 1, 2004 valuation assets. The noninvestment transactions (item 2), other than administrative expenses attributable to each division, were provided by the City of Philadelphia's Finance Department. Administrative expenses were allocated according to the member count of each division at the beginning of the fiscal year. Investment income (after investment expenses) was allocated in proportion to the fund balance of each division before investment income.

33. Statement of assets and liabilities (fiscal year ending June 30, 2005)

	Cost Value	Market Value
Assets		
Cash	\$ 111,604,870	\$ 111,604,870
Investment accounts	3,547,963,701	4,022,634,018
Accounts receivable	6,198,726	6,198,726
Interest and dividends receivable	9,390,600	9,390,600
Due from other funds	0	0
Due from other governmental units	4,161,698	4,161,698
Other assets	11,220	11,220
Total assets	\$ 3,679,330,815	\$ 4,154,001,132
Liabilities		
Vouchers payable	\$ 180,169	\$ 180,169
Accounts payable	3,403,562	3,403,562
Salaries and wages payable	113,285	113,285
Accrued expenses	840,423	840,423
Funds held in escrow	0	0
Deferred revenue	4,184,852	4,184,852
Other liabilities (including amounts due to brokers)	43,809,947	43,809,947
Total liabilities	\$ 52,532,238	\$ 52,532,238
Fund balance	\$ 3,626,798,577	\$ 4,101,468,894

FINANCIAL EXPERIENCE OF FUND

34. Statement of receipts and disbursements

	Market Value (Net of PAF)	PAF	Total Market Value
Balance as of July 1, 2004	\$3,972,395,132	\$ 811,549	\$3,973,206,681
Receipts			
Contributions:			
Commonwealth of Pennsylvania Supplemental State Assistance (Act 205)	\$ 0	\$ 0	\$ 0
City of Philadelphia ^a	290,624,000	0	290,624,000
Employees	49,322,592	0	49,322,592
Quasi-public agencies	8,615,221	0	8,615,221
Interest and dividends	74,490,837	80,279	74,571,116
Gain from sale of investments	188,010,876	0	188,010,876
Miscellaneous operating revenues	<u>1,234,486</u>	<u>0</u>	<u>1,234,486</u>
Total receipts	\$ 612,298,012	\$ 80,279	\$ 612,378,291
Disbursements			
Withdrawals	\$ 4,641,536	\$ 0	\$ 4,641,536
Benefit payments	590,653,605	0	590,653,605
Administrative expenses	6,791,418	0	6,791,418
Investment manager fees	<u>15,252,731</u>	<u>0</u>	<u>15,252,731</u>
Total disbursements	\$ 617,339,290	\$ 0	\$ 617,339,290
Change in unrealized appreciation/(depreciation)	\$ 133,223,213	\$ 0	\$ 133,223,213
Balance as of July 1, 2005	\$4,100,577,066	\$ 891,828	\$4,101,468,894
Approximate return on investments during year			9.9%

a. Includes Commonwealth of Pennsylvania general state assistance (\$47,616,954) and COLA reimbursements (\$2,185,879).

FINANCIAL EXPERIENCE OF FUND

35. Fiscal 2005 City contributions

Date	Amount
October 13, 2004	\$ 278,624,000
June 30, 2005	12,000,000
Various (Quasi-public agencies)	4,453,523
Accrued	<u>4,161,698^a</u>
Total	\$ 299,239,221

a. City-accrued contributions are \$0; quasi-public agencies accrued contributions are \$4,161,698.

**36. Statement of administrative expenses for year ending
June 30, 2005**

Personal services	\$ 3,320,747
Purchase of services	1,644,744
Materials and supplies	101,580
Employer's share of fringe benefits	1,507,331
Miscellaneous	<u>217,017</u>
Total	\$ 6,791,419

FINANCIAL EXPERIENCE OF FUND

37. Derivation of assets for valuation purposes as of July 1, 2005 — 5 year spread gain method

July 1	Total Gain or (Loss)	Year of Recognition					Unrecognized Amount
		2005	2006	2007	2008	2009	
2001	(725,849,800)	(145,169,960)	—	—	—	—	0
2002	(645,231,661)	(129,046,332)	(129,046,333)	—	—	—	(129,046,333)
2003	(282,744,547)	(56,548,909)	(56,548,910)	(56,548,910)	—	—	(113,097,820)
2004	265,309,761	53,061,952	53,061,952	53,061,952	53,061,953	—	159,185,857
2005	30,013,180	<u>6,002,636</u>	<u>6,002,636</u>	<u>6,002,636</u>	<u>6,002,636</u>	<u>6,002,636</u>	<u>24,010,544</u>
Recognized Total		(271,700,613)					
Unrecognized Total			(126,530,655)	2,515,678	59,064,589	6,002,636	(58,947,752)
1. July 1, 2005 market value				\$ 4,101,468,894			
2. Pension Adjustment Fund (PAF)				891,828			
3. July 1, 2005 market value net of PAF (1) – (2)				4,100,577,066			
4. Unrecognized gain/(loss)				<u>(58,947,752)</u>			
5. Initial July 1, 2005 adjusted market value (3) – (4)				\$ 4,159,524,818			
6. 120% of July 1, 2005 market value net of PAF (3) x 1.2				4,920,692,480			
7. 80% of July 1, 2005 market value net of PAF (3) x 0.8				3,280,461,603			
8. July 1, 2005 adjusted market value ((5), but not greater than (6), not less than (7))				\$ 4,159,524,818			
9. Approximate actuarial value return on investments during year				1.9%			

FINANCIAL EXPERIENCE OF FUND

38. Allocation of assets for valuation purposes between divisions as of June 30, 2005 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Assets for valuation purposes as of June 30, 2004	\$ 2,170,265	\$ 987,026	\$ 466,111	\$ 325,526	\$ 11,014	\$ 299,719	\$ 73,395	\$ 4,333,057
2. Transactions during period July 1, 2004 - June 30, 2005								
a. Contributions								
City and commonwealth	\$ 128,474	\$ 91,571	\$ 29,883	\$ 22,089	\$ 141	\$ 14,872	\$ 3,595	\$ 290,624
Employees	14,278	5,594	2,746	10,739	188	12,464	3,314	49,323
Quasi-public agencies	8,615	0	0	0	0	0	0	8,615
Employee contributions receivable	0	0	0	0	0	0	0	0
b. Miscellaneous income and (expenses)	562	222	80	250	1	95	24	1,234
c. Pension benefits	313,230	191,233	82,017	235	310	2,954	675	590,654
d. Withdrawals	1,499	173	79	1,851	0	801	237	4,642
e. Administrative expenses ^a	<u>3,089</u>	<u>1,221</u>	<u>443</u>	<u>1,377</u>	<u>4</u>	<u>523</u>	<u>133</u>	<u>6,791</u>
f. Net transactions (a) + (b) - (c) - (d) - (e)	\$ (165,888)	\$ (95,241)	\$ (49,830)	\$ 29,614	\$ 16	\$ 23,153	\$ 5,887	\$ (252,290)
3. Total fund balance prior to allocation of realized and unrealized income (1) + (2f)	\$ 2,004,377	\$ 891,785	\$ 416,281	\$ 355,140	\$ 11,030	\$ 322,872	\$ 79,282	\$ 4,080,766
4. Realized and unrealized income for period July 1, 2004 - June 30, 2005 (allocated in proportion to (3))	38,684	17,211	8,034	6,854	213	6,231	1,530	78,758
5. Assets for valuation purposes as of June 30, 2005 (3) + (4)	\$ 2,043,061	\$ 908,997	\$ 424,315	\$ 361,994	\$ 11,243	\$ 329,103	\$ 80,812	\$ 4,159,525

Note: Numbers may not add because of rounding.

a. Allocated in proportion to the number of active and nonactive members in each division as of July 1, 2005.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
Participation	Full-time employees participate on their date of employment. Temporary employees participate after completing six months employment. Participation is limited to employees hired before January 8, 1987. District Council 47 (Local 2186 or 2187) and 33 members hired between January 8, 1987 and October 1, 1992 were switched from Plan 87 to 1967 Plan effective on their hire dates, provided such employee contributed the difference between what they paid to the Plan and the amount they would have paid under Plan J.	Same as municipal.
Credited service	Credited service means the period of employment with the City during which the employee makes contributions to the Retirement System. Certain leaves of absence may also be credited.	Same as municipal.
Total compensation	Total compensation means the base rate of pay, longevity payments, and overtime received during a 12-month period.	Total compensation means the base rate of pay, longevity payments, and stress or premium pay (up to 4% of base pay) received during a 12-month period.
Final compensation	Final compensation means whichever is greater: annual base rate of pay at the time of termination or the total compensation received during the 12 months immediately preceding termination, including supplementary compensation received under Civil Service Regulation No. 32.	Same as municipal.
Average final compensation	Average final compensation means the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.	<p>Average final compensation means the highest of:</p> <ul style="list-style-type: none"> ▪ The total compensation received during the 12-month period; or ▪ The annual base rate of pay, excluding longevity payments, calculated from the final pay period; or ▪ The arithmetic average of the total compensation received during five calendar years of employment.
Employee contributions	<p>Each employee who participates in the Social Security System, contributes 3 3/4% of total compensation up to the taxable wage base (\$87,900 in 2004 and \$90,000 in 2005) and 6% of total compensation above the taxable wage base to the Retirement System.</p> <p>Each employee who does not participate in the Social Security System contributes 6% of his total compensation to the Retirement System.</p>	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
Service retirement		
<i>Eligibility</i>	Each municipal employee is eligible to retire and receive a service pension at age 55 with one year of service.	Each uniformed employee is eligible to retire and receive a service pension at age 45.
<i>Benefit amount</i>	The service pension equals 2 1/2% of the employee's average final compensation multiplied by credited service to a maximum of 20 years plus 2% of the employee's average final compensation multiplied by credited service above 20, to a maximum of 80% of the employee's average final compensation.	The service pension equals 2 1/2% of the employee's average final compensation multiplied by credited service, subject to a maximum of 100% of average final compensation.
Early retirement		
<i>Eligibility</i>	Each municipal employee is eligible to retire and receive a reduced service pension at age 52 if he has 10 or more years of credited service.	Each uniformed employee is eligible to retire and receive a reduced service pension at age 40 if he or she has 10 or more years of credited service.
<i>Benefit amount</i>	The annual amount is calculated the same as service retirement, reduced by 1/2 of 1% for each month the employee is younger than minimum retirement age.	Same as municipal.
Deferred vested retirement		
<i>Eligibility</i>	A terminating employee who has completed 10 or more years of credited service is eligible for a deferred vested retirement benefit.	Same as municipal.
<i>Benefit amount</i>	<p>The annual deferred vested benefit is determined the same as service pensions, using average final compensation and credited service at termination. This benefit begins at service retirement date. If the member dies before the deferred vested benefit begins, an ordinary death benefit is payable (see Ordinary Death below).</p> <p>As an alternative before benefits begin, a plan member who is terminating employment may ask to have employee contributions returned (without interest) instead of receiving the deferred vested benefit.</p>	
Withdrawal benefit	Each employee terminating who has completed less than 10 years of credited service will receive a withdrawal benefit equal to his or her employee contributions (without interest).	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
Service-connected death		
<i>Eligibility</i>	The beneficiary of each active employee who dies solely from the performance of duties of the employee's position with the City is eligible for an immediate death benefit.	Same as municipal.
<i>Benefit amount</i>	<p>The death benefit equals total employee contributions paid to the Retirement System, plus a yearly payment of 60% of the employee's final compensation reduced by any death benefits payable under the Worker's Compensation Act.</p> <p>This benefit is payable to the spouse until his or her death or remarriage. Dependent children are entitled to an additional yearly payment of 10% of final compensation for each dependent child (up to two children) until the child reaches age 18.</p> <p>If there is no spouse, or if the spouse dies or remarries, each dependent child (up to three children) is entitled to receive a yearly payment of 25% of final compensation until the child reaches age 18. If there is no spouse or dependent children, each dependent parent is entitled to receive a yearly payment of 15% of final compensation for life.</p>	Same as municipal.
Ordinary death		
<i>Eligibility</i>	<p>The beneficiary of an active employee (or a terminated vested employee who did not withdraw employee contributions) who dies after completing 10 years of credited service or reaching age 55 is eligible for an immediate death benefit equal to a yearly pension or a lump sum payment.</p> <p>The beneficiary of an active employee who dies before completing 10 years of credited service and reaching age 55 is eligible for a lump sum payment.</p> <p>The beneficiary may be any relative by blood or marriage.</p>	<p>The beneficiary of any employee who dies while actively employed (or a terminated vested employee who did not withdraw employee contributions) is eligible for a death benefit equal to a yearly pension or a lump sum payment.</p> <p>The beneficiary may be any relative by blood or marriage.</p>
<i>Annual pension</i>	The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received if eligible to retire on the day before he died and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).	The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received (based on a minimum of 10 years of service) had the person been eligible to retire on the day before dying and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
<i>Lump sum payment</i>	The lump sum payment is equal to 10% of the deceased employee's average final compensation multiplied by years of credited service to a maximum of 10, plus the deceased employee's contributions to the Retirement System, minus the total amount of the deceased employee's City-paid life insurance.	Same as municipal.
Service-connected disability		
<i>Eligibility</i>	An active employee found by the Board of Pensions and Retirement to be mentally or physically permanently incapacitated (unable to perform duties) solely as the result of accident or injury during the performance of duties is eligible for an immediate service-connected disability pension.	Same as municipal.
<i>Benefit amount</i>	<p>The service-connected disability benefit is equal to the employee's Retirement System contributions, plus a yearly benefit of 70% of the employee's final compensation, reduced by any disability benefits payable under the Worker's Compensation Act.</p> <p>If he or she withdraws contributions, the benefit is payable for his or her lifetime only.</p> <p>If the employee leaves employee contributions with the Retirement System, he or she may choose a survivor benefit option (see Survivor Benefit below) and the beneficiary will continue receiving benefit payments after his or her death.</p>	Same as municipal.
<i>Benefit offset</i>	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$3 earned in outside wages until age 65. This offset no longer applies to non-represented employees and will be removed upon the completion of the current labor agreements for represented employees.	Same as municipal, but the earned income offset does not apply to fire employees or police employees granted heroic status.
Service-connected disability periodic adjustment		
<i>Eligibility</i>	An employee who is receiving a service-connected disability benefit who is <i>totally disabled</i> and does not collect Social Security disability insurance benefits is eligible for a periodic adjustment.	Same as municipal, but only applies to police employees.
<i>Benefit amount</i>	The disabled employee's pension will be increased in the eighth year after separation by the percentage raise given in the previous year to active employees in his or her job class. The adjustment will continue each year thereafter until the employee's 65th birthday.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
Ordinary disability		
<i>Eligibility</i>	An active employee found by the board to be mentally or physically permanently incapacitated from the further performance of duties due to an accident or illness not caused by the performance of duties is eligible for an immediate ordinary disability benefit after completing 10 years of credited service.	Same as municipal, except that fire employees only need five years of credited service and police employees have no service requirement if the disability is permanent and total. Police employees with permanent and partial disability need 10 years of credited service.
<i>Benefit amount</i>	The annual ordinary disability benefit is equal to the benefit determined under the service pension formula using average final compensation and credited service as of the date of disablement. If the employee is eligible for or receiving workers' compensation, no benefit is payable. Such employee may apply for benefits at retirement age.	Same as municipal, except police employees that have no service requirement are credited with a minimum of 10 years of credited service. Same as municipal.
<i>Benefit offset</i>	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 55. This offset no longer applies to non-represented employees and will be removed upon the completion of the current labor agreements for represented employees.	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 45. The earned income offset does not apply to fire employees. This offset no longer applies to non-represented employees and will be removed upon the completion of the current labor agreements for represented employees.
Survivor benefit	Service pensions, deferred vested benefits, service-connected disability benefits (if employee contributions are left on deposit), and ordinary disability benefits are payable under 4 optional forms. Options 1, 2, and 3 provide benefits actuarially equivalent to a lifetime only pension while option 4 has no reduction. <i>Option 1</i> – A benefit is payable to the employee with the provision that upon death, the beneficiary will receive a lump sum equal to the excess, if any, of the employee's contributions over the sum of the payments received. <i>Option 2</i> – A reduced benefit payable to the employee with the provision that 100% of the reduced benefit will be paid to the designated beneficiary for life after the death of the employee. <i>Option 3</i> – Same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
Survivor benefit (continued)	<i>Option 4</i> - Upon the employee's death, 50% of the benefit will continue to be paid to the surviving spouse for life, provided the employee and spouse were married for two years before retirement and at death. If there is no eligible spouse at the time the employee dies, or the spouse dies before the full amount of the contributions have been returned, 50% of the benefit is continued to dependent children until age 18, or if no dependent children, payments are given to dependent parents for the remainder of their lives. In addition, option 4 provides for a guaranteed return of employee contributions as described in option 1 above.	Same as municipal.
Minimum pension	The monthly minimum pension to a pensioner is equal to \$25 multiplied by the number of the pensioner's completed years of credited service, to a 10 year maximum.	The monthly minimum pension to pensioners is \$500. The monthly minimum pension to all other pensioners is \$440 providing such pension will increase to \$500 at the time the pensioner reaches age 60.
Waiver of benefit	Any employee at service retirement age with less than three but more than one year of credited service, may waive the right to receive a monthly benefit and in lieu thereof, receive a lump sum payment of twice his or her employee contributions without interest.	Same as municipal.
Service-connected health care benefit	Not applicable.	If a uniformed employee dies during the performance of duties, a service-connected health care benefit may be payable to the surviving spouse and dependent children. Regular payments will be made of the appropriate cost of maintaining medical, dental, optical, and prescription drug benefits that were in force at the time of the employee's death. Payments to the spouse cease upon remarriage and to dependent children at age 18 (age 22 if full-time student) or, if dependent due to physical or mental infirmity, the duration of the infirmity. The health care benefits are not paid from the pension trust assets.
Deferred Retirement Option Plan (DROP)	Employees that have ten years of service and reached the minimum retirement age may elect to participate in the DROP. During this time, their accrued benefit will go into a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2005). The benefit is calculated as of the date they entered the DROP. At the end of the DROP, the employees' accrued monthly benefit will commence, plus they will receive the accumulated amount of the accrued benefit paid to the DROP, as well as the interest earned on such benefit.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87		
	MUNICIPAL	UNIFORMED (PLANS A AND B)
Participation	Full-time employees participate on their date of employment. Temporary employees participate after completing six months of employment. Participation is limited to employees hired on or after January 8, 1987. Any member of the 1967 Plan may irrevocably elect to participate in Plan 87.	Same as municipal.
Credited service	Credited service means the period of employment with the City during which the employee makes contributions to the Retirement System. Certain leaves of absence may also be credited.	Same as municipal.
Total compensation	Total compensation means the base rate of pay, overtime, and longevity payments received during a 12-month period.	Total compensation means the base rate of pay, longevity payments, and stress or premium pay (up to 4% of base pay) received during a 12-month period.
Final compensation	Final compensation means whichever is greater: annual base rate of pay at the time of termination or the total compensation received during the 12 months immediately preceding termination, including supplementary compensation received under Civil Service Regulation No. 32.	Same as municipal.
Average final compensation	Average final compensation means the arithmetic average of the total compensation received during the three calendar or anniversary years producing the highest average.	Average final compensation means the arithmetic average of the total compensation received during the two calendar or anniversary years producing the highest average.
Employee contributions	Total employee contributions equal 30% of the gross normal cost for all members in the municipal division. Exempt and non-represented employees hired after January 13, 1999 (and current employees as of January 13, 1999 that elect to do so) will contribute an additional amount to become vested in five years.	Total employee contributions equal 5% of total compensation, but not less than 30% or greater than 50% of gross normal cost for members in the uniformed division. Exempt and non-represented employees hired after January 13, 1999 (and current employees as of January 13, 1999 that elect to do so) will contribute an additional amount to become vested in five years.
Service retirement		
<i>Eligibility</i>	Each municipal employee is eligible to retire and receive a service pension at age 60 if he or she has 10 or more years of credited service or, if the employee made additional contributions to become vested in five years, five years of credited service.	Each uniformed employee is eligible to retire and receive a service pension upon reaching age 50 and 10 or more years of credited service, or, if the employee made additional contributions to become vested in five years, five years of credited service.
<i>Benefit amount</i>	The service pension equals 2.2% of the employee's average final compensation for the first 10 years of credited service, plus 2% of the employee's average final compensation multiplied by years of service over 10, subject to a maximum of 100% of average final compensation.	The service pension equals 2.2% of the employee's average final compensation multiplied by years of credited service to a maximum of 20 years, plus 2% of the employee's average final compensation multiplied by years of credited service over 20, subject to a maximum of 100% of average final compensation.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

	MUNICIPAL	UNIFORMED (PLANS A AND B)
Early retirement		
<i>Eligibility</i>	Each municipal employee is eligible to retire and receive a reduced service pension at age 52 if he has 10 or more years of credited service. As an alternative, a member is eligible if he or she has at least 33 years of credited service, regardless of age.	Each uniformed employee is eligible to retire and receive a reduced service pension at age 40 if he or she has 10 or more years of credited service. Alternatively, a member is eligible if he has at least 25 years of credited service, regardless of age.
<i>Benefit amount</i>	The annual amount is calculated the same as service retirement, reduced by 1/2 of 1% for each month the employee is younger than minimum retirement age. Benefits are not reduced if the employee has 33 or more years of credited service.	The annual amount is calculated the same as service retirement, reduced by 1/2 of 1% for each month the employee is younger than his minimum retirement age. Benefits are not reduced if the employee has 25 or more years of credited service.
Deferred vested retirement		
<i>Eligibility</i>	An employee who terminates employment after completing 10 or more years of credited service or, if the employee made additional contributions to become vested in five years, five years of credited service, is eligible for a deferred vested retirement if his or her contributions have not been withdrawn.	Same as municipal.
<i>Benefit amount</i>	<p>The annual deferred vested benefit is determined the same as service pensions, based on average final compensation and credited service at termination. This benefit begins at the service retirement date. If a member dies before the deferred vested benefit begins, an ordinary death benefit is payable (see Ordinary Death below).</p> <p>As an alternative, the person terminating employment may request at any time before benefits begin a return of employee contributions (without interest) instead of the deferred vested benefit.</p>	
Withdrawal benefit	Each terminating employee who has completed fewer than 10 years of credited service (or, if the employee made additional contributions to become vested in five years, fewer than five years of credited service) will receive a withdrawal benefit equal to employee contributions (without interest).	Same as municipal.
Service-connected death		
<i>Eligibility</i>	The beneficiary of each active employee who dies solely from the performance of duties of the employee's position with the City is eligible for an immediate death benefit.	Same as municipal.
<i>Benefit amount</i>	The death benefit equals the sum of the total employee contributions paid to the Retirement System (without interest), plus a yearly payment of 60% of the employee's final compensation reduced by any death benefits payable under the Workers' Compensation Act.	Same as municipal.

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Plan 87

MUNICIPAL
UNIFORMED (PLANS A AND B)

This benefit is payable to the spouse until his or her death or remarriage, whichever occurs first. Dependent children are entitled to an additional 10% of final compensation yearly payment for each dependent child (up to two children) until the child reaches 18. This total benefit shall not exceed 80% of final compensation.

If there is no spouse, or if the spouse dies or remarries, each dependent child (up to three children) is eligible for a yearly payment of 25% of final compensation until the child reaches age 18. If there is no spouse or dependent children, each dependent parent is entitled to a 15% of final compensation yearly payment for life.

Ordinary death

Eligibility

The beneficiary of an active employee (or a terminated vested employee who did not withdraw his employee contributions) who dies after completing 10 years of credited service (or five years of credited service if additional contributions were made) or who has reached age 60 is eligible for an immediate death benefit equal to an annual pension or a lump sum payment, whichever the beneficiary chooses.

The beneficiary of an active employee who dies before completing 10 years of credited service (or five years of credited service if additional contributions were made) or who has reached age 60 is eligible for a lump sum payment.

The beneficiary may be any relative by blood or marriage.

Annual pension

The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received had he or she been eligible to retire on the day before death and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).

Lump sum payment

The lump sum payment is equal to the deceased employee's average final compensation multiplied by years of credited service (not to exceed the service in the denominator) and divided by the number of years of credited service needed to become vested, plus the deceased employee's contribution to the Retirement System (without interest) minus the total amount of the deceased employee's life insurance which was paid by the City.

Same as municipal.

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Plan 87

	MUNICIPAL	UNIFORMED (PLANS A AND B)
Service-connected disability	An active employee found by the Board of Pensions and Retirement to be mentally or physically permanently incapacitated from any further performance of duties due solely to the result of the performance of duties is eligible for an immediate service-connected disability pension. The application for benefit must be made within one year after termination of employment.	Same as municipal.
Benefit amount	<p>The service-connected disability benefit is equal to the employee's contributions to the Retirement System, plus a yearly benefit of 70% of the employee's final compensation, reduced by any disability benefits payable under the Worker's Compensation Act.</p> <p>If he or she withdraws contributions, the benefit is payable for his or her lifetime only.</p> <p>If the employee leaves employee contributions with the Retirement System, he or she may choose a survivor benefit option (see Survivor benefit below) and the beneficiary will continue receiving benefit payments after his or her death.</p>	Same as municipal.
Benefit offset	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$3 earned in outside wages until age 65. This offset no longer applies to non-represented employees and will be removed upon the completion of the current labor agreements for represented employees.	Same as municipal, but the earned income offset does not apply to fire employees, or police employees granted heroic status.
Service-connected disability periodic adjustment		
Eligibility	An employee who is receiving a service-connected disability benefit who is <i>totally disabled</i> and does not collect Social Security disability insurance benefits is eligible for a periodic adjustment.	Same as municipal, but only applies to police employees.
Benefit amount	The disabled employee's pension will be increased in the eighth year after separation by the percentage raise given in the previous year to active employees in his or her job class. The adjustment will continue each year until the employee's 65th birthday.	Same as municipal.

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Plan 87

	MUNICIPAL	UNIFORMED (PLANS A AND B)
Ordinary disability		
<i>Eligibility</i>	<p>An active employee found by the Board to be mentally or physically permanently incapacitated from the further performance of duties due to an accident or illness not caused by the performance of duties is eligible for an immediate ordinary disability benefit provided he or she has at least 10 years of credited service (or five years of credited service, if additional contributions were made).</p> <p>The application for benefits must be made within one year after termination.</p>	<p>Same as municipal, except that fire employees only need five years of credited service and police employees have no service requirement if the disability is permanent and total. Police employees with permanent and partial disability need 10 years of credited service (or five years of credited service, if additional contributions were made).</p>
<i>Benefit amount</i>	<p>The annual ordinary disability benefit is equal to the benefit determined under the service pension formula using average final compensation and credited service as of the date of disablement.</p> <p>If the employee is eligible for or receiving workers compensation, no benefit is payable. Such employee may apply for benefits at retirement age.</p>	<p>Same as municipal, except each eligible employee is automatically credited with a minimum of 10 years of service to calculate the annual benefit.</p> <p>Same as municipal.</p>
<i>Benefit offset</i>	<p>If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 60. This offset no longer applies to non-represented employees and will be removed upon the completion of the current labor agreements for represented employees.</p>	<p>If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 50. The earned income offset does not apply to fire employees. This offset no longer applies to non-represented employees and will be removed upon the completion of the current labor agreements for represented employees.</p>
Survivor benefits	<p>Service pension, deferred vested benefits, service-connected disability benefits, and ordinary disability benefits are payable under three optional forms. Options 2 and 3 provide benefits actuarially equivalent to a lifetime only pension while option 1 has no reduction.</p> <p><i>Option 1</i> - A benefit is payable to the employee providing on his death, the beneficiary will receive a lump sum equal to the excess, if any, of the employee's contributions over the sum of the payments received.</p> <p><i>Option 2</i> - A reduced benefit payable to the employee with the provision that 100% of the reduced benefit will continue to be paid to the designated beneficiary for life after the death of the employee.</p> <p><i>Option 3</i> - The same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.</p>	<p>Same as municipal.</p>

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87		
	MUNICIPAL	UNIFORMED (PLANS A AND B)
Service-connected health care benefit	Not applicable.	In the event of the death of a uniformed employee during the performance of his or her duties, a service-connected health care benefit may be payable to the surviving spouse and dependent children. Regular payments will be made of the appropriate cost of maintaining medical, dental, optical and pharmaceutical prescription benefits in force at the time of the employee's death. Payments to the spouse cease upon remarriage and to dependent children at age 18 (age 22 if a full-time student) or, if dependent due to physical or mental infirmity, the duration of the infirmity. The health care benefits are not paid from the pension trust assets.
Deferred Retirement Option Plan (DROP)	Employees that have ten years of service and reached the minimum retirement age may elect to participate in the DROP. During this time, their accrued benefit will go into a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2005). The benefit is calculated as of the date they entered the DROP. At the end of the DROP, the employees' accrued monthly benefit will commence, plus they will receive the accumulated amount of the accrued benefit paid to the DROP, as well as the interest earned on such benefit.	Same as municipal.

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Plan 87

Elected Plan

Participation	Any City employee on or after January 8, 1987, in any general, municipal, or special election, participates in this Plan.
Credited service	Credited service means the period of employment with the City during which the employee makes contributions to the Retirement Systems. Certain leaves of absence may also be credited.
Total compensation	Total compensation means the base rate of pay and longevity payments received during a 12-month period.
Final compensation	Final compensation means whichever is greater: annual base rate of pay at the time of termination or the total compensation received during the 12 months immediately preceding termination, including supplementary compensation received under Civil Service Regulation No. 32.
Average final compensation	Average final compensation means the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.
Employee contributions	Total employee contributions equal 30% of the gross normal cost for all members in the elected division calculated under the municipal plan plus 100% of the gross normal cost that exceeds the cost for the municipal plan. Employees hired after January 13, 1999 (and current employees as of January 13, 1999 that elect to do so) will contribute an additional amount to become vested in the lesser of two full terms or eight years.
Service retirement	
<i>Eligibility</i>	Each elected official is eligible to retire and receive a service pension at age 55 if he or she has 10 or more years of credited service, or, if the employee made additional contributions to become vested in the lesser of two full terms or eight years, the lesser of two full terms or eight years of credited service.
<i>Benefit amount</i>	The service pension equals 3.5% of the employee's average final compensation multiplied by years of credited service, subject to a maximum of 100% of average final compensation.
Early retirement	
<i>Eligibility</i>	Each elected official is eligible to retire and receive a reduced service pension at age 52 if he has 10 or more years of credited service.
<i>Benefit amount</i>	The annual amount is calculated the same as service retirement, reduced by $\frac{1}{2}$ of 1% for each month the employee is younger than minimum retirement age.
Deferred vested retirement	
<i>Eligibility</i>	A person terminating employment and who has completed 10 or more years of credited service, or, if the employee made additional contributions to become vested in the lesser of two full terms or eight years, two full terms or eight years of credited service is eligible for a deferred vested retirement benefit provided he or she has not withdrawn contributions.
<i>Benefit amount</i>	<p>The annual deferred vested benefit is determined in the same manner as service pensions, based on average final compensation and credited service at the time of termination. This benefit begins at the service retirement date. If a member dies before beginning his or her deferred vested benefit, an ordinary death benefit is payable (see Ordinary Death below).</p> <p>As an alternative, the person terminating employment may request at any time before beginning benefits to receive a return of employee contributions (without interest) in lieu of the deferred vested benefit.</p>

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

Elected Plan

Withdrawal benefit	Each terminating employee who completed fewer than 10 years of credited service will receive a withdrawal benefit equal to employee contributions (without interest).
Service-connected death	<p>Eligibility</p> <p>The beneficiary of each active employee who dies solely from performing duties of the employee's position with the City is eligible for an immediate death benefit.</p> <p>Benefit amount</p> <p>The death benefit equals the sum of the total employee contributions paid to the Retirement System (without interest), plus a yearly payment of 60% of the employee's final compensation reduced by any death benefits payable under the Worker's Compensation Act.</p>
Ordinary death	<p>Eligibility</p> <p>The beneficiary of an active employee (or a terminated vested employee who did not withdraw contributions) who dies after completing 10 years of credited service or reaching age 55 is eligible for an immediate death benefit equal to an annual pension or a lump sum payment, whichever the beneficiary chooses.</p> <p>The beneficiary of an active employee who dies before completing 10 years of credited service or reaching age 55 is eligible for a lump sum payment.</p> <p>The beneficiary may be any relative by blood or marriage.</p> <p>Annual pension</p> <p>The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received had he or she been eligible to retire on the day before death and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).</p> <p>Lump sum payment</p> <p>The lump sum payment is equal to the deceased employee's average final compensation multiplied by years of credited service (not to exceed the service in the denominator), divided by the number of years of credited service needed to become vested, plus the deceased employee's contribution to the Retirement System (without interest), minus the total amount of the deceased employee's life insurance which was paid by the City.</p>
Service-connected disability	<p>Eligibility</p> <p>An active employee found by the Board of Pensions and Retirement to be mentally or physically permanently incapacitated from any further performance of duties due solely to the result of the performance of duties is eligible for an immediate service-connected disability pension.</p> <p>Benefit amount</p> <p>The service-connected disability benefit is equal to the employee's contributions to the Retirement System, plus a yearly benefit of 70% of the employee's final compensation, reduced by any disability benefits payable under the Workers' Compensation Act.</p>

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Plan 87

Elected Plan

	<p>If he or she withdraws contributions, the benefit is payable for his or her lifetime only.</p> <p>If the employee leaves employee contributions with the Retirement System, he or she may choose a survivor benefit option (see Survivor Benefit below) and the beneficiary will continue receiving benefit payments after his or her death.</p>
Service-connected disability	
Periodic adjustment	
<i>Eligibility</i>	An employee who is receiving a service-connected disability benefit who is <i>totally disabled</i> and does not collect Social Security disability insurance benefits is eligible for a periodic adjustment.
<i>Benefit amount</i>	The disabled employee's pension will be increased in the eighth year after separation by the percentage raise given in the previous year to active employees in his or her job class. The adjustment will continue each year until the employee's 65th birthday.
Ordinary disability	
<i>Eligibility</i>	An active employee found by the Board to be mentally or physically permanently incapacitated from the further performance of duties due to an accident or illness not caused by the performance of duties is eligible for an immediate ordinary disability benefit provided he or she has completed at least 10 years of credited service, or 8 years if additional contributions were made.
<i>Benefit amount</i>	The annual ordinary disability benefit is equal to the benefit determined under the service pension formula using average final compensation and credited service as of the date of disablement.
<i>Benefit offset</i>	If the employee collects his or her disability benefit and subsequently becomes employed, their disability benefits will be reduced \$1 for every \$2 earned in outside wages. The offset will continue until age 55.
Survivor benefits	<p>Service pensions, deferred vested benefits, service-connected disability benefits, and ordinary disability benefits are payable under three optional forms. Options 2 and 3 provide benefits actuarially equivalent to a lifetime only pension while option 1 has no reduction.</p> <p><i>Option 1</i> - A benefit is payable to the employee providing upon death, the beneficiary will receive a lump sum equal to the excess, if any, of the employee's contributions over the lump sum of the payments received.</p> <p><i>Option 2</i> - A reduced benefit payable to the employee with the provision that 100% of the reduced benefit will continue to be paid to the designated beneficiary for life after the death of the employee.</p> <p><i>Option 3</i> - Same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.</p>
Service-connected health care benefit	Not applicable.

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Plan 87

Elected Plan

Deferred Retirement Option Plan (DROP)

Employees that have ten years of service and reached the minimum retirement age may elect to participate in the DROP. During this time, their accrued benefit will go into a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2005). The benefit is calculated as of the date they entered the DROP. At the end of the DROP, the employees' accrued monthly benefit will commence, plus they will receive the accumulated amount of the accrued benefit paid to the DROP, as well as the interest earned on such benefit.

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The actuarial cost method, factors, and assumptions used in determining cost estimates are described below.

Change since the last valuation

- Methods – None.
- Assumptions – The July 1, 2005 experience study looked at the valuation assumptions for the period 2000 – 2005. The outcome of this study was used to set the assumptions for the July 1, 2005 valuation. The experience study report details the changes from the previous valuation which has been approved by the Pension Board.

Member data

The member data used to determine cost estimates is pertinent information on active, retired, DROP, disabled, and deferred vested municipal and uniformed members of the City of Philadelphia Municipal Retirement System as supplied by the Philadelphia Board of Pensions and Retirement. Data that was missing or inconsistent was replaced with each plan's average.

Valuation date

The plans were valued as of July 1, 2005.

Actuarial cost method

Costs were determined according to the individual entry age actuarial cost method. The Dombrowski unfunded actuarial accrued liability is amortized in level dollar payments over 40 years ending June 30, 2009, as ordered by the Court of Common Pleas of Philadelphia County. The remaining July 1, 1985 unfunded actuarial accrued liability is amortized over 34 years ending June 30, 2019, with payments increasing 4.0% per year. Changes in the actuarial accrued liability realized after July 1, 1985 are amortized in level dollar payments:

- 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 Act 205's MMO, the July 1, 1985 unfunded actuarial accrued liability is amortized over 40 years ending June 30, 2026, with payments increasing 4.0% per year. In addition, an amendment to Act 205 in July 2004 allowed for a 30-year amortization of the

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portion of the July 1, 2003 unfunded liability attributable to the 2001 and 2002 calendar year investment returns.

Annual rate of withdrawal prior to retirement

The assumed annual rates of withdrawal are shown in Table 39.

39. Withdrawal probabilities at 5-year intervals

Attained Age	1967 Plan			1987 Plan	
	Municipal		Uniformed	Municipal and Elected Officials	Uniformed
	Males	Females	Unisex	Unisex	Unisex
20	0.100000	0.105319	0.022050	0.260000	0.030000
25	0.086000	0.096000	0.021148	0.150000	0.037800
30	0.072000	0.071562	0.019148	0.105000	0.029900
35	0.045000	0.056170	0.016148	0.090000	0.025200
40	0.035000	0.043754	0.012148	0.090000	0.011000
45	0.030000	0.035597	0.000000	0.075000	0.010000
50	0.020000	0.022400	0.000000	0.065000	0.000000
55	0.000000	0.000000		0.050000	

In addition, we assumed that a vested employee terminating employment (with 10 years of service) will elect an employee contribution refund unless his or her age plus years of service at termination equal 55 or more (rule of 55) [rule of 45 for 1967 Police and Fire]. Otherwise, we assumed the person would elect a deferred pension beginning at service retirement age.

Annual rate of disability prior to retirement

The assumed annual disability rates appear in Table 40.

40. Disability probabilities at 5-year intervals

Attained Age	Municipal and Elected Officials		Uniformed
	Males	Females	Males and Females
20	.000025	.000043	.000795
25	.000070	.000061	.000870
30	.000557	.000263	.001418
35	.001514	.000620	.001918
40	.001800	.001314	.001934
45	.003840	.002359	.002334
50	.007600	.004285	.002654
55	.008680	.007088	.000000

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In addition, we assumed that 70% of all disabilities among municipal and elected members are ordinary (30% are service-connected) and 50% of all disabilities among uniformed members are ordinary (50% are service-connected).

Annual rate of mortality prior to retirement

We assumed that deaths of active municipal and elected male members would be the GAR-94 Mortality Table for males and deaths of municipal and elected female members at the GAR-94 Mortality Table for females. In addition, we assumed that 98.5% of all deaths of active municipal and elected members are ordinary (1.5% are service-connected)

We assumed that deaths of active uniformed male members would follow the GAR-94 Mortality Table for males and deaths of uniformed female members would follow the GAR-94 Mortality Table for females. In addition, we assumed that 92% of all deaths of active uniformed members are ordinary (8% are service-connected).

The active mortality table reflects the July 1, 2005 experience study.

Service retirement

We assumed that active members in the 1967 Plan will retire according to the rates in Table 41.

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41. 1967 plan service retirement rates

Attained Age	Municipal	Uniformed
	Males and Females	Males and Females
45	—	.080
46	—	.080
47	—	.080
48	—	.080
49	—	.080
50	—	.120
51	—	.120
52	—	.120
53	—	.120
54	—	.170
55	.350	.200
56	.200	.200
57	.120	.200
58	.120	.200
59	.120	.200
60	.120	.200
61	.120	.200
62	.400	.200
63	.200	.200
64	.200	.200
65	.200	.200
66	.200	.200
67	.200	.200
68	.200	.200
69	.200	.200
70+	1.000	1.000

The corresponding rates for members under Plan 87 are in Table 42.

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42. Plan 87 service retirement rates

Age	Municipal and Elected Officials		Uniformed	
	First Year Eligible ^a	Subsequent Years	First Year Eligible ^a	Subsequent Years
40	—	—	.300	.125
41	—	—	.300	.125
42	—	—	.300	.125
43	—	—	.300	.125
44	—	—	.300	.125
45	—	—	.300	.125
46	—	—	.300	.125
47	—	—	.300	.125
48	—	—	.300	.125
49	—	—	.300	.125
50	—	—	.300	.125
51	—	—	.300	.125
52	.450	.060	.300	.140
53	.420	.060	.300	.150
54	.390	.060	.300	.170
55	.360	.060	.300	.190
56	.330	.060	.300	.215
57	.300	.060	.300	.225
58	.300	.060	.300	.225
59	.300	.080	.300	.230
60	.300	.100	.300	.230
61	.350	.150	.300	.245
62	.430	.300	.300	.295
63	.500	.187	.300	.265
64	.500	.199	.300	.260
65	.600	.309	.300	1.000
66	.600	.232	—	—
67	.600	.214	—	—
68	.600	.214	—	—
69	.600	.238	—	—
70	.600	1.000	—	—

- a. Earlier of age 60 and 10 years of service or 33 years of service for municipal; earlier of age 50 and 10 years of service or 25 years of service for police and fire; and 33 years of service for elected officials.

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Annual rate of mortality after retirement

We assumed that postretirement mortality will be as follows:

- Municipal members (male) – 140% of the GAR-94 Mortality Table for males
- Municipal members (female) – 150% of the GAR-94 Mortality Table for females
- Uniformed members – 150% of the GAR-94 Mortality Table (for males and females as appropriate)

We assumed that post-disability mortality will follow the adjustment factors in Tables 43 and 44 applied to:

- Municipal members (male) – 140% of the GAR-94 Mortality Table for males
- Municipal member (female) – 150% of the GAR-94 Mortality Table for females
- Uniformed members – 150% of the GAR-94 Mortality Table (for males and females as appropriate).

43. Post-disablement mortality adjustment factors (municipal)

Adjustment Factor			Adjustment Factor		
Age	Male	Female	Age	Male	Female
47 and earlier	7.3	11.7	67	2.2	2.8
48	7.1	11.3	68	2.2	2.5
49	7.0	10.9	69	2.1	2.2
50	6.8	10.5	70	2.1	1.9
51	6.7	10.0	71	2.1	1.6
52	6.6	9.6	72	2.0	1.3
53	6.2	8.9	73	1.9	1.3
54	5.9	8.1	74	1.8	1.3
55	5.6	7.4	75	1.7	1.3
56	5.2	6.6	76	1.5	1.3
57	4.9	5.9	77	1.4	1.3
58	4.5	5.6	78	1.2	1.3
59	4.1	5.2	79	1.2	1.3
60	3.6	4.9	80	1.2	1.2
61	3.2	4.6	81	1.2	1.2
62	2.8	4.3	82	1.2	1.2
63	2.7	4.0	83 and later	1.00	1.00
64	2.5	3.7			
65	2.4	3.4			
66	2.3	3.1			

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44. Post-disablement mortality adjustment factors (uniformed)

Adjustment Factor		Adjustment Factor	
Age	Unisex	Age	Unisex
42 and earlier	2.8	52	1.2
43	2.5	53	1.2
44	2.2	54	1.2
45	2.0	55	1.2
46	1.7	56	1.2
47	1.4	57	1.2
48	1.4	58	1.2
49	1.3	59	1.2
50	1.3	60 and later	1.0
51	1.2		

Salary scale

We assumed that salaries, including longevity and overtime, will increase at a compound annual rate of 5.0% per year (2.75% due to inflation, 1.5% based on seniority/merit and 0.75% due to general productivity).

Rate of investment return

We assumed that assets of the fund will accumulate at a compound annual rate of 8.75% per year, after annual expenses incurred in the investment of the fund's assets by the equity and debt money managers under contract with the Board of Pensions and Retirement. This rate is supported by the experience study for the five-year period ending June 30, 2005.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Expenses

The administrative expenses of operating the Retirement System are based on the previous year's actual expenses increased by the average salary increase for continuing actives. Administrative expenses exclude the fees of the money managers hired to invest the fund's assets. For this year, the dollar value is \$7,100,000.

Value of investments

Assets held by the fund are valued at market value as reported by the City. The actuarial value of assets is the difference between the market value of the assets reported and last year's assets projected forward at the rate of investment return. One-fifth of this difference is recognized immediately and four-fifths is deferred and recognized over the next four years, one-fifth at a time. Also, the market or actuarial value doesn't include assets held in the Pension Adjustment Fund (PAF). Additionally, the actuarial value is limited to be no more than 120% and no less than 80% of the market value.

Family composition

We assumed that 70% of all active members and 60% of all nonactive members will be survived by a spouse and that female (male) spouses are four years younger (older) than members.

Form of annuity

We assumed that all Plan '67 members will elect Option 4 and Plan '87 members will elect Option 1 unless otherwise indicated in the participant's data.

Rate of covered payroll growth

We assume that the annual rate of growth of total covered payroll is 4.0% per year. This is supported by the actuarial experience study for the five-year period ending June 30, 2005.

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, 2007 is \$400,255,902. This amount is summarized by division in Table 45 and is based on the July 1, 2005 actuarial valuation report.

The City receives general state aid and cost-of-living adjustment reimbursement from the state. The MMO includes these amounts. For fiscal 2006, the total state payments are \$57,338,499. Amounts received during fiscal 2007 may be used to meet the \$400,255,902 obligation.

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.
- Act 205 was amended in July 2004 to allow for a 30-year amortization of the portion of the July 1, 2003 unfunded liability attributable to the 2001 and 2002 calendar year investment returns. Investment losses are usually amortized over 15 years.
- 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 8.75% from July 1 to the payment date. However, no interest accumulates on the MMO if the payment is made by plan year-end as confirmed in conversations with the Public Employee Retirement Commission (PERC).
- 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 4.0% — pre-1999 balances were adjusted to reflect the Pension Obligation Bond.

46. MMO calculation for fiscal 2007 (July 1, 2005 valuation report)

	Fiscal 2006 (dollars in thousands)			
	Non-Uniformed	Police	Fire	Total
Estimated FY 2006-2007 payroll	\$ 868,577	\$ 349,834	\$ 103,070	\$ 1,321,482
Normal cost percent	7.012%	11.974%	12.657%	8.766%
Normal cost	\$ 60,906	\$ 41,889	\$ 13,045	\$ 115,840
Amortization payment	174,739	113,805	35,621	324,165
Administrative expense	<u>4,686</u>	<u>1,808</u>	<u>606</u>	<u>7,100</u>
Subtotal	\$ 240,331	\$ 157,502	\$ 49,272	\$ 447,105
Expected member contributions	<u>(22,958)</u>	<u>(18,373)</u>	<u>(5,518)</u>	<u>(46,849)</u>
MMO ^a	\$ 217,373	\$ 139,129	\$ 43,754	\$ 400,256

- a. Includes general pension state aid and state cost-of-living adjustment reimbursement. For fiscal 2006, the total is \$57,338 (thousands). Also includes quasi agencies.

MINIMUM MUNICIPAL OBLIGATION

46. Unfunded liability payments toward MMO for fiscal 2007 (thousands) — July 1, 2005 valuation report

	Municipal			Police			Fire		
	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 929,285	20	\$ 68,719*	\$ 596,554	20	\$ 44,114*	\$ 237,895	20	\$ 17,592*
Dombrowski	\$ 2,705	3	\$ 978	\$ 1,730	3	\$ 626	\$ 689	3	\$ 249
July 1, 1986 additional amounts									
Active plan change	\$ 452	2	\$ 235	\$ 39	2	\$ 20	\$ 19	2	\$ 10
July 1, 1989 additional amounts									
Active plan change	\$ 759	1	\$ 759	\$ 212	1	\$ 212	\$ 99	1	\$ 99
Assumption change	(828)	1	(828)	(241)	1	(241)	(97)	1	(97)
Subtotal ^b	\$ (69)		\$ (69)	\$ (29)		\$ (29)	\$ 2		\$ 2
July 1, 1992 additional amounts									
Active plan change	\$ 187	3	\$ 68	\$ 0		\$ 0	\$ 0		\$ 0
July 1, 1993 additional amounts									
Active plan change	\$ (607)	5	\$ (143)	\$ (404)	5	\$ (95)	\$ 0		\$ 0
(Gain)/loss	(2,430)	1	(2,430)	(1,915)	1	(1,915)	(772)	1	(772)
Assumption change	(5,976)	5	(1,404)	48	5	11	(1,113)	5	(261)
Subtotal ^b	\$ (9,013)		\$ (3,976)	\$ (2,271)		\$ (1,999)	\$ (1,885)		\$ (1,033)
July 1, 1994 additional amounts									
(Gain)/loss	\$ (2,441)	2	\$ (1,272)	\$ (373)	2	\$ (195)	\$ (1,447)	2	\$ (754)
July 1, 1995 additional amounts									
Active plan change	\$ 333	10	\$ 47	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	3,958	5	930	266	5	62	(1,718)	5	(403)
Subtotal ^b	\$ 4,291		\$ 977	\$ 266		\$ 62	\$ (1,718)		\$ (403)
July 1, 1996 additional amounts									
(Gain)/loss	\$ 3,164	6	\$ 644	\$ 1,553	6	\$ 316	\$ (1,350)	6	\$ (275)
July 1, 1997 additional amounts									
Assumption change	\$ 38,526	12	\$ 4,885	\$ 4,715	12	\$ 598	\$ 1,986	12	\$ 252
(Gain)/loss	(36,919)	7	(6,689)	(14,170)	7	(2,567)	(9,472)	7	(1,716)
Subtotal ^b	\$ 1,607		\$ (1,804)	\$ (9,455)		\$ (1,969)	\$ (7,487)		\$ (1,464)
July 1, 1998 additional amounts									
(Gain)/loss	\$ (11,498)	8	\$ (1,893)	\$ (9,386)	8	\$ (1,545)	\$ (8,437)	8	\$ (1,398)

MINIMUM MUNICIPAL OBLIGATION

	Municipal			Police			Fire		
	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment
July 1, 1999 additional amounts									
(Gain)/loss	\$ (101,864)	9	\$ (15,465)	\$ 749	9	\$ 114	\$ (36,977)	9	\$ (5,614)
Active plan change	12,824	14	1,493	0		0	0		0
Nonactive plan change	22,082	4	6,233	9,828	4	2,774	3,648	4	1,030
Subtotal ^b	\$ (66,958)		\$ (7,739)	\$ 10,578		\$ 2,888	\$ (33,329)		\$ (4,625)
July 1, 2000 additional amounts									
(Gain)/loss	\$ (21,346)	10	\$ (3,025)	\$ 29,690	10	\$ 4,207	\$ 608	10	\$ 86
July 1, 2001 additional amounts									
Assumption change	\$ (3,754)	16	\$ (409)	\$ (2,141)	16	\$ (233)	\$ (4,869)	16	\$ (530)
(Gain)/loss	(16,521)	11	(2,206)	(19,783)	11	(2,642)	9,885	11	1,320
Subtotal ^b	\$ (20,275)		\$ (2,615)	\$ (21,924)		\$ (2,875)	\$ 5,015		\$ 790
July 1, 2002 additional amounts									
Assumption change	\$ 14,789	17	\$ 1,566	\$ 9,806	17	\$ 1,039	\$ 7,719	17	\$ 818
Calendar year 2001 investment loss ^c	19,673	28	1,750	10,488	28	933	4,470	28	398
Other (Gain)/loss	135,342	12	17,162	89,996	12	11,408	25,165	12	3,191
Subtotal ^b	\$ 169,804		\$ 20,478	\$ 110,261		\$ 13,379	\$ 37,354		\$ 4,406
July 1, 2003 additional amounts									
Calendar year 2002 investment loss ^c	\$ 336,189	28	\$ 29,906	\$ 177,404	28	\$ 15,781	\$ 76,263	28	\$ 6,784
Other (Gain)/loss	74,953	13	9,083	10,719	13	1,299	7,975	13	966
Active plan change	0	18	0	22,642	18	2,338	9,055	18	935
Nonactive plan change	0	8	0	30,230	8	4,976	9,038	8	1,488
Subtotal ^b	\$ 411,142		\$ 38,989	\$ 240,996		\$ 24,394	\$ 102,331		\$ 10,173
July 1, 2004 additional amounts									
(Gain)/loss	\$ 141,772	14	\$ 16,508	\$ 85,642	14	\$ 9,972	\$ 25,186	14	\$ 2,933
July 1, 2005 additional amounts									
(Gain)/loss	\$ 225,839	15	\$ 25,384	\$ 96,308	15	\$ 10,825	\$ 41,213	15	\$ 4,632
Assumption change	241,973	20	23,942	117,085	20	11,585	47,007	20	4,651
Plan change	2,122	20	210	268	20	26	0		0
Subtotal ^b	\$ 469,934		\$ 49,536	\$ 213,661		\$ 22,436	\$ 88,219		\$ 9,283
Total^a	\$ 2,002,742		\$ 174,739	\$ 1,247,532		\$ 113,805	\$ 441,667		\$ 35,621

a. Level dollar amortization payment (20 years remaining).

- Municipal — \$40,946
- Police — \$27,474
- Fire — \$10,482

b. Numbers may not add because of rounding.

c. The amendment to Act 205 in July 2004 allows for a 30-year amortization of the portion of the July 1, 2003 unfunded liability affected by the 2001 and 2002 calendar year investment returns.

MINIMUM MUNICIPAL OBLIGATION

The following tables are maintained to support Exhibit 1 of the Act 205 filings. Exhibit I of Act 205 develops the City's MMO based on the assumption that the Pension Obligation Bond was never contributed.

- Table 47 — Corresponds to Section A of Exhibit I and presents a Summary of Modified Actuarial Data.
- Table 48 — Presents various Modified Unfunded Actuarial Accrued Liabilities and Amortization Contributions.
- Table 49 through 51 — Are used to identify and allocate total debt service requirements for debt issued to finance pension plan contributions.
- Table 52 — This is similar to Table 34 —statement of receipts and disbursements, but excluding assets, due to the issuance of a bond.
- Table 53 — This is similar to Table 34 —statement of receipts and disbursements including assets due to the issuance of a bond, but the values are split between the three divisions used for Act 205 filing purposes.

MINIMUM MUNICIPAL OBLIGATION**47. Summary of modified actuarial data**

	Municipal	Police	Fire
Actuarial accrued liability	\$ 4,419,040,000	\$ 2,485,631,000	\$ 946,794,000
Market value of assets ^a	\$ 1,865,644,000	\$ 1,035,645,000	\$ 345,329,000
Actuarial value of assets ^a	\$ 1,771,290,000	\$ 982,520,000	\$ 334,651,000
Unfunded actuarial accrued liability	\$ 2,647,750,000	\$ 1,503,111,000	\$ 612,143,000
Amortization Contributions			
1/1/85 initial liability			
Remaining amortization period	20	20	20
Level dollar contribution	\$ 77,111,000	\$ 51,748,000	\$ 19,740,000
Payroll-based contribution	\$ 129,993,000	\$ 83,448,000	\$ 33,278,000
Post-1/1/85 liability			
Remaining amortization period	25	N/A	N/A
Amortization contribution	\$ 82,171,000	\$ 33,216,000	\$ 11,351,000
Total amortization contribution	\$ 212,163,000	\$ 116,664,000	\$ 44,629,000

- a. Must equal the total fund assets that would have existed had the bond issue proceeds not been contributed to the pension fund including adjustments for investment income on the P.O.B. and contributions.

MINIMUM MUNICIPAL OBLIGATION

48. Modified unfunded actuarial accrued liability and amortization contributions (thousands)

	Municipal			Police			Fire		
	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2005 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 1,757,900	20	\$ 129,993	\$ 1,128,479	20	\$ 83,448	\$ 450,017	20	\$ 33,278
All changes prior to July 1, 2004	\$ 378,081		\$ 27,501	\$ 184,080		\$ 13,218	\$ 68,927		\$ 1,434
July 1, 2004 additional amounts (Gain)/loss	106,861	14	12,443	39,305	14	4,577	18,317	14	2,133
July 1, 2005 additional amounts									
(Gain)/loss	160,812	15	18,075	33,894	15	3,810	27,876	15	3,133
Assumption changes	241,973	20	23,942	117,085	20	11,585	47,007	20	4,651
Plan change	2,122	20	210	268	20	26	0	20	0
All changes including July 1, 2005 addition	\$ 2,647,750		\$ 212,163	\$ 1,503,111		\$ 116,664	\$ 612,142		\$ 44,629

MINIMUM MUNICIPAL OBLIGATION

49. Total debt service requirements (municipal)

Plan Year	Required Principal Payment	Required Interest Payment	Premium or Discount Amortized	Principal Balance at Valuation Date
1999	\$ —	\$ 7,041,525.30	—	\$ 727,185,593.15
2000	9,917,857.50	29,825,175.27	—	717,267,735.65
2001	4,567,730.63	29,324,323.46	—	712,700,005.02
2002	—	29,087,715.02	—	712,700,005.02
2003	6,422,403.75	29,087,715.02	—	706,277,601.27
2004	8,884,981.88	28,728,336.25	—	697,392,619.39
2005	15,161,038.13	28,250,550.75	—	682,231,581.26
2006	18,743,737.50	27,403,048.72	—	663,487,843.76
2007	22,526,257.50	26,345,901.92	—	640,961,586.26
2008	26,486,083.13	25,064,157.87	—	614,475,503.13
2009	30,870,879.38	23,543,856.70	—	583,604,623.75
2010	40,000,711.88	21,756,432.78	—	543,603,911.87
2011	45,151,018.13	19,420,391.21	—	498,452,893.74
2012	22,154,721.72	45,234,066.39	—	476,298,172.02
2013	21,786,233.75	48,416,929.37	—	454,511,938.27
2014	20,545,516.84	50,378,126.28	—	433,966,421.43
2015	20,088,811.07	53,652,021.42	—	413,877,610.36
2016	19,364,886.72	56,464,212.02	—	394,512,723.64
2017	18,085,471.62	57,743,627.12	—	376,427,252.02
2018	16,915,332.51	58,913,766.23	—	359,511,919.51
2019	15,787,131.76	60,041,966.99	—	343,724,787.75
2020	14,758,165.41	61,070,933.33	—	328,966,622.34
2021	13,823,708.03	62,005,390.71	—	315,142,914.31
2022	12,919,375.38	62,909,723.36	—	302,223,538.93
2023	12,071,748.11	63,757,350.63	—	290,151,790.82
2024	11,250,110.80	64,578,987.94	—	278,901,680.02
2025	10,560,195.36	65,268,903.38	—	268,341,484.66
2026	17,271,090.90	58,558,007.84	—	251,070,393.76
2027	60,297,984.38	16,196,263.75	—	190,772,409.38
2028	64,125,534.38	12,367,341.75	—	126,646,875.00
2029	126,646,875.00	4,147,685.16	—	—

MINIMUM MUNICIPAL OBLIGATION

50. Total debt service requirements (police)

Plan Year	Required Principal Payment	Required Interest Payment	Premium or Discount Amortized	Principal Balance at Valuation Date
1999	\$ —	\$ 3,848,228.76	—	\$ 397,410,560.15
2000	5,420,158.68	16,299,607.13	—	391,990,401.47
2001	2,496,287.61	16,025,889.30	—	389,494,113.86
2002	—	15,896,581.60	—	389,494,113.86
2003	3,509,875.74	15,896,581.60	—	385,984,238.12
2004	4,855,686.99	15,705,644.36	—	381,128,551.13
2005	8,285,583.09	15,439,067.14	—	372,842,968.04
2006	10,243,546.20	14,975,903.05	—	362,599,421.84
2007	12,310,712.28	14,398,167.04	—	350,288,709.56
2008	14,474,776.77	13,697,687.51	—	335,813,923.79
2009	16,871,089.83	12,866,835.33	—	318,942,842.96
2010	21,860,588.91	11,889,999.22	—	297,082,254.05
2011	24,675,257.01	10,613,340.83	—	272,406,997.04
2012	12,107,666.12	24,720,643.30	—	260,299,330.92
2013	11,906,285.60	26,460,093.82	—	248,393,045.32
2014	11,228,227.61	27,531,897.73	—	237,164,817.71
2015	10,978,635.63	29,321,097.79	—	226,186,182.08
2016	10,583,077.35	30,857,974.00	—	215,603,174.73
2017	9,883,800.61	31,557,180.75	—	205,719,374.12
2018	9,244,313.74	32,196,667.62	—	196,475,060.38
2019	8,627,746.39	32,813,234.97	—	187,847,313.99
2020	8,065,411.14	33,375,570.22	—	179,781,902.85
2021	7,554,725.51	33,886,255.84	—	172,227,177.34
2022	7,060,503.20	34,380,478.16	—	165,166,674.14
2023	6,597,270.66	34,843,710.70	—	158,569,403.48
2024	6,148,241.77	35,292,739.59	—	152,421,161.71
2025	5,771,199.53	35,669,781.82	—	146,649,962.18
2026	9,438,737.48	32,002,243.88	—	137,211,224.70
2027	32,953,149.75	8,851,339.07	—	104,258,074.95
2028	35,044,924.95	6,758,814.06	—	69,213,150.00
2029	69,213,150.00	2,266,730.66	—	—

MINIMUM MUNICIPAL OBLIGATION

51. Total debt service requirements (fire)

Plan Year	Required Principal Payment	Required Interest Payment	Premium or Discount Amortized	Principal Balance at Valuation Date
1999	\$ —	\$1,620,185.70	—	\$167,318,251.01
2000	2,282,001.44	6,862,479.41	—	165,036,249.57
2001	1,050,989.88	6,747,238.34	—	163,985,259.69
2002	—	6,692,797.06	—	163,985,259.69
2003	1,477,731.92	6,692,797.06	—	162,507,527.77
2004	2,044,346.92	6,612,408.45	—	160,463,180.85
2005	3,488,405.72	6,500,173.80	—	156,974,775.13
2006	4,312,749.60	6,305,171.92	—	152,662,025.53
2007	5,183,070.24	6,061,932.84	—	147,478,955.29
2008	6,094,187.16	5,767,016.15	—	141,384,768.13
2009	7,103,085.64	5,417,209.80	—	134,281,682.49
2010	9,203,770.28	5,005,941.15	—	125,077,912.21
2011	10,388,805.08	4,468,440.96	—	114,689,107.13
2012	5,097,583.51	10,407,913.67	—	109,591,523.62
2013	5,012,798.05	11,140,259.13	—	104,578,725.57
2014	4,727,321.30	11,591,511.24	—	99,851,404.27
2015	4,622,237.80	12,344,802.31	—	95,229,166.47
2016	4,455,669.93	12,991,859.70	—	90,773,496.54
2017	4,161,289.10	13,286,240.52	—	86,612,207.44
2018	3,892,051.60	13,555,478.02	—	82,720,155.84
2019	3,632,463.70	13,815,065.92	—	79,087,692.14
2020	3,395,708.67	14,051,820.95	—	75,691,983.47
2021	3,180,699.22	14,266,830.40	—	72,511,284.25
2022	2,972,621.18	14,474,908.45	—	69,538,663.07
2023	2,777,590.48	14,669,939.14	—	66,761,072.59
2024	2,588,539.82	14,858,989.80	—	64,172,532.77
2025	2,429,797.06	15,017,732.56	—	61,742,735.71
2026	3,973,908.11	13,473,621.52	—	57,768,827.60
2027	13,873,973.00	3,726,600.95	—	43,894,854.60
2028	14,754,654.60	2,845,603.67	—	29,140,200.00
2029	29,140,200.00	954,341.55	—	—

MINIMUM MUNICIPAL OBLIGATION**52. Statement of receipts and disbursements excluding bond issue assets**

	Municipal	Police	Fire
Assets at July 1, 2004	\$ 1,750,466,120	\$ 955,014,600	\$ 343,464,040
Receipts			
Employer contributions	189,938,909	133,213,141	36,833,040
Employee contributions	25,205,032	18,058,028	6,059,532
State aid	25,825,458	18,240,470	5,736,905
Supplemental state assistance	0	0	0
Investment income (includes investment expenses)	118,433,552	65,184,724	22,573,837
Net change in market value	76,558,029	42,522,933	14,142,251
Other receipts	<u>812,508</u>	<u>317,137</u>	<u>104,842</u>
Total receipts	\$ 436,773,488	\$ 277,536,433	\$ 85,450,407
Disbursements			
Benefit payments	\$ 313,774,648	\$ 194,186,967	\$ 82,691,990
Refund of contribution	3,350,548	974,265	316,723
Administrative expenses	4,469,934	1,744,705	576,779
Other disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Total disbursements	\$ 321,595,130	\$ 196,905,937	\$ 83,585,492
Assets at July 1, 2005	\$ 1,865,644,478	\$ 1,035,645,096	\$ 345,328,955

MINIMUM MUNICIPAL OBLIGATION

53. Statement of receipts and disbursements including bond issue assets

	Municipal	Police	Fire
Assets at July 1, 2004	\$ 2,306,677,216	\$ 1,174,525,847	\$ 492,003,618
Receipts			
Employer contributions	133,493,998	88,201,635	27,740,755
Employee contributions	25,205,032	18,058,028	6,059,532
State aid	25,825,458	18,240,470	5,736,905
Supplemental state assistance	0	0	0
Investment income	153,164,678	77,798,080	31,619,234
Net change in market value	77,709,406	39,471,519	16,042,288
Other receipts	<u>812,508</u>	<u>317,137</u>	<u>104,842</u>
Total receipts	\$ 416,211,080	\$ 242,086,869	\$ 87,303,556
Disbursements			
Benefit payments	\$ 313,774,648	\$ 194,186,967	\$ 82,691,990
Refund of contribution	3,350,548	974,265	316,723
Administrative expenses	4,469,934	1,744,705	576,779
Other disbursements (investment expenses)	<u>8,896,953</u>	<u>4,519,096</u>	<u>1,836,683</u>
Total disbursements	\$ 330,492,083	\$ 201,425,033	\$ 85,422,175
Assets at July 1, 2005	\$ 2,392,396,213	\$ 1,215,187,683	\$ 493,884,999

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 54 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 55.

54. 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%
7/1/04	4,333.1	7,247.7	2,914.7	59.79%	1,266.0	230.23%
7/1/05	4,159.5	7,851.5	3,691.9	52.98%	1,270.7	290.54%

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55. 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%
2004	\$ 253,844	79.9%
2005	\$ 358,141	83.6%

- 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 4.0% 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 16 years from July 1, 2005. Assets are valued as a five-year smoothing of gains and losses on the market value.

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- **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 56 below.

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

- *The 15-year open amortization of the NPO as of the beginning of the year.*
 - *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 2005.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
ARC	\$ 223,750	\$ 212,838	\$ 222,482	\$ 237,016	\$ 252,080	\$ 256,704	\$ 168,928	\$ 167,616	\$ 178,239	\$ 195,514	\$ 253,844	\$ 358,141
Interest on NPO	—	(900)	(869)	(840)	(811)	(783)	(113,257)	(110,748)	(106,975)	(103,330)	(98,392)	(90,448)
Adjustment to ARC	—	1,241	1,198	1,158	1,118	1,080	156,130	152,672	147,470	142,446	135,638	124,687
Annual pension cost	\$ 223,750	\$ 213,179	\$ 222,811	\$ 237,334	\$ 252,387	\$ 257,001	\$ 211,801	\$ 209,540	\$ 218,734	\$ 234,630	\$ 291,090	\$ 392,380
Contributions made	233,750	212,838	222,482	237,016	252,080	1,506,704	183,928	167,616	178,239	179,757	202,827	299,266
Increase in NPO	(10,000)	341	329	318	307	(1,249,703)	27,873	41,924	40,495	54,873	88,263	93,114
NPO at beginning of year	—	(10,000)	(9,659)	(9,330)	(9,012)	(8,705)	(1,258,408)	(1,230,535)	(1,188,611)	(1,148,116)	(1,093,243)	(1,004,980)
NPO at end of year	(10,000)	(9,659)	(9,330)	(9,012) ^a	(8,705)	(1,258,408)	(1,230,535)	(1,188,611)	(1,148,116)	(1,093,243)	(1,004,980)	(911,866)
Interest rate	9.00%	9.00%	9.00%	9.00%	9.00%	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	8.06	8.06	8.06	8.06	8.06

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

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