

May 2007

City of Philadelphia Municipal
Retirement System
July 1, 2006
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, 2006 and City contributions for the fiscal year ending June 30, 2008. 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, 2006.

Findings summary

Table 1 shows actuarial valuation results for all divisions as of July 1, 2006.

1. July 1, 2006 actuarial valuation (dollars in thousands)

Participants	
Active	28,017
Retired	19,853
Beneficiaries	8,637
Disabled	4,439
Terminated vested	809
DROP	<u>2,625^c</u>
Total	64,380
Total annual salaries	\$ 1,319,431
Actuarial accrued liability	\$ 8,083,667
Unfunded actuarial accrued liability	\$ 3,915,200
Assets for valuation purposes	\$ 4,168,467
Funding percent	51.6%
City normal cost as percent of payroll (beginning-of-year payment)	5.673%
Fiscal 2008 funding requirements (beginning-of-year payments)	
City's funding policy	\$ 519,040 ^{a, b}
Minimum municipal obligation	\$ 412,448 ^a

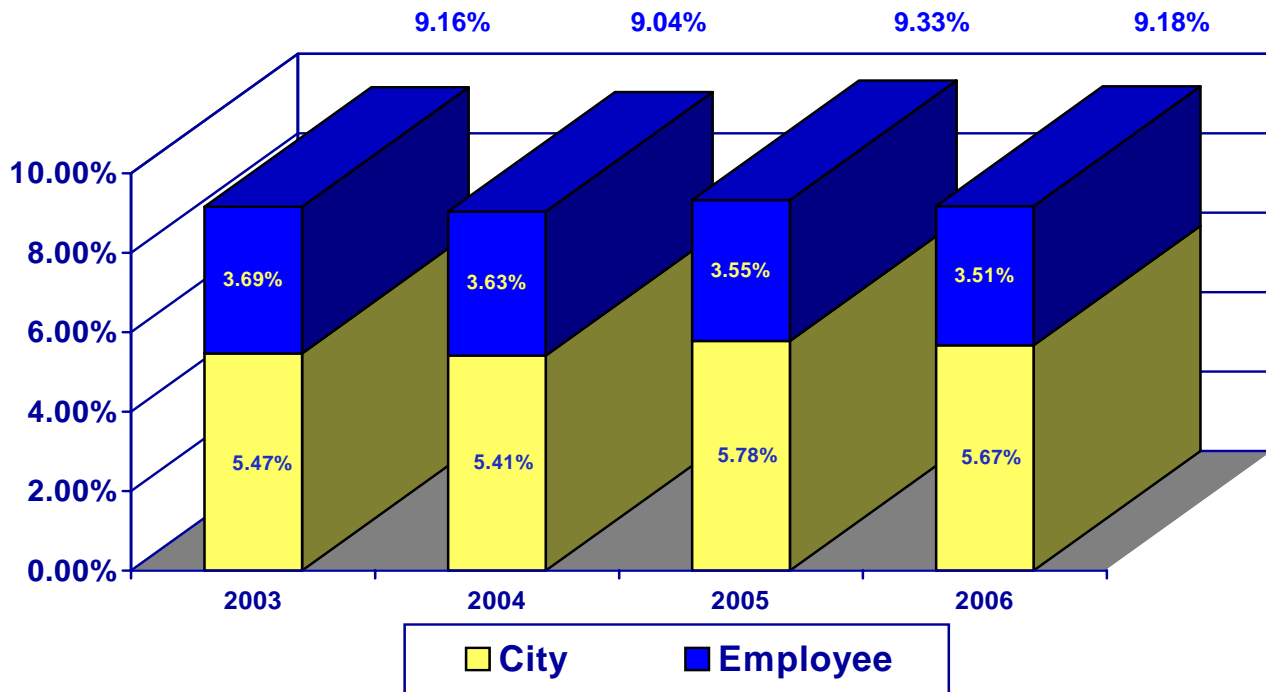
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2007, these totaled \$57,742,370 (general state assistance of \$49,650,196 and COLA reimbursements of \$5,702,535 and \$2,389,638).
- b. Determined using estimated July 1, 2007 annual payroll. Final contribution will be based on actual fiscal 2008 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 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, 2005 through June 30, 2006, the unfunded actuarial accrued liability increased \$230,106,000 from the expected value of \$3,685,094,000 to \$3,915,200,000 because:

- The valuation assets had a return of 6.1% during the year. We assumed the valuation assets would have a 8.75% return.
- The City contributed the amount required under the MMO, which is less than the amortization payment under the City's funding policy.
- Non-economic experience, such as mortality and retirement experience, resulted in a loss.
- Salary increases were less than our 5% assumption, resulting in a small gain.

EXECUTIVE SUMMARY

The impact of these factors is illustrated in Table 3.

3. Unfunded liability (millions)

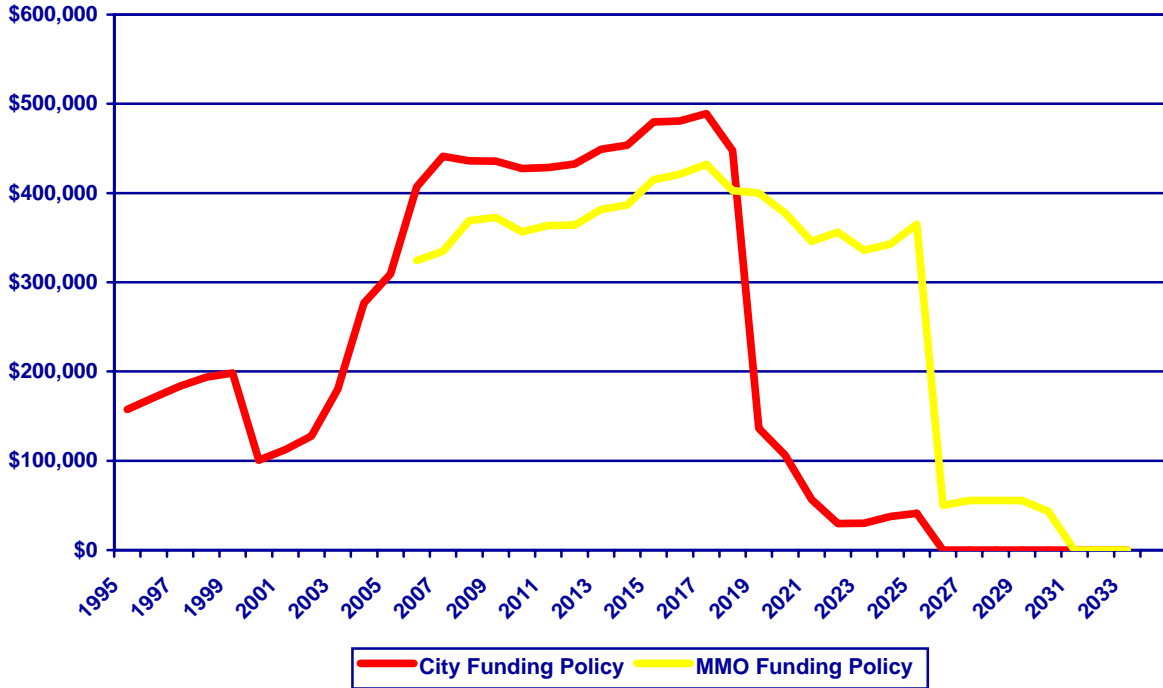
2005 Unfunded liability		\$ 3,692
Change due to:		
Expected change from payment schedule	\$ (7)	
Plan changes	0	
Salary increases	(7)	
Investment return	112	
Assumption changes	0	
Smaller contribution than scheduled	57	
Other actuarial experience	68	
Total of all changes		<u>223</u>
2006 Unfunded liability		\$ 3,915

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 that has been increasing annually under the City's funding policy is scheduled to decrease between July 1, 2006 and July 1, 2007 and continue to decrease annually thereafter unless there are further actuarial losses, plan changes or other assumption changes. 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 51.6% funded and the alternative amortization schedule is not expected to result in a lower cost to the City until close to fiscal year 2013.

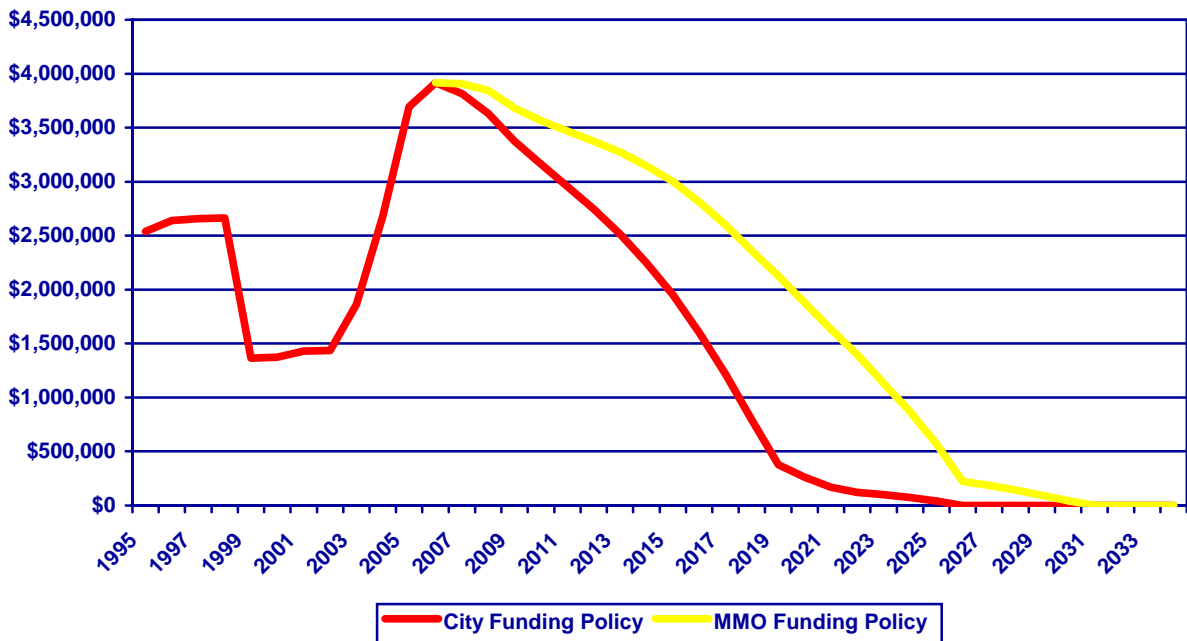
The City has contributed the MMO payment the last few years versus contributing the City's funding policy amount. While the MMO payments are lower now, these MMO payments are expected to continue for a longer time period to pay off the unfunded liability. Graph 3(A) illustrates the difference in the 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 gains/losses for the next few years 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

This report shows the recommended City contributions assuming they're paid at the beginning of the fiscal year (July 1, 2007). If paid after July 1, the City's funding policy has been to pay interest (at 8.75%) from July 1, 2007 to the date paid.

The resulting estimated City contributions for fiscal years 2007 and 2008 are shown in Table 4(A).

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

	Fiscal 2007	Fiscal 2008
Normal cost	\$ 76,368	\$ 77,845 ^a
Amortization payment	<u>407,163</u>	<u>441,195</u>
Total City cost	\$ 483,531	\$ 519,040 ^b

- Based on estimated July 1, 2007 annual payroll. Actual normal cost will be based on actual fiscal 2008 payroll. This payroll does not include DROP participants.
- The City may use general state aid and state COLA reimbursements to meet this commitment. For fiscal year 2007, they totaled \$57.7 million.

Table 4(B) shows July 1, 2007 employee contribution rates.

4(B). Employee contribution rates effective July 1, 2007 (based on July 1, 2006 results)

	Municipal	Elected	Police	Fire
1967 Plan	3.75% ^a	N/A	6.00%	6.00%
Plan 87	1.85%	7.51%	5.00%	5.00%

- 6.00% on wages over the Social Security maximum taxable wage base — \$97,500 in 2007.

Quasi agency funding

Table 4(C) shows the quasi agencies funding rate as a percent of payroll for fiscal years 2007 and 2008.

EXECUTIVE SUMMARY

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

	Fiscal 2007	Fiscal 2008
Valuation date	July 1, 2005	July 1, 2006
Normal cost	6.294%	6.287% ^a
Amortization rate	70.850%	80.107% ^b
Total, year-end rate	77.144%	86.394%
Total, adjusted for quarterly payments	74.734%	83.696% ^c

- a. End of year normal cost rate, Table 5, Municipal 1967 Plan.
b. See Tables 5 and 8.
c. .96877 (quarterly adjustment factor) x 86.394%.

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. The City funding policy uses a 15 year amortization period for investment losses.
- 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, 2006 valuation report determines the City's fiscal 2008 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.
- Starting with the Fiscal 2007-2008 MMO, the PERC requested that actuarial gains and losses are recognized every other year to match the timing of the Act 205 filings. The City's funding policy continues to recognize gains and losses annually.

Table 46 of this report summarizes the City's unfunded liability payment for its fiscal 2008 MMO. These payments reflect the 40-year funding from July 1, 1985 with payments increasing 4% each year.

The resulting fiscal 2008 MMO is summarized in Table 4(D).

EXECUTIVE SUMMARY

4(D). Fiscal 2008 minimum municipal obligation (thousands)

Valuation report	July 1, 2006
Normal cost	\$ 118,524
Amortization payment	334,596 ^a
Expected administrative expense	<u>7,488</u>
Subtotal	\$ 460,608
Expected member contributions	<u>(48,160)</u>
Minimum municipal obligation	\$ 412,448
Interest	<u>0^b</u>
Total	<u>\$ 412,448^c</u>

a. Only includes amortization bases through June 30, 2005.

b. Interest applies if the MMO is not paid before the plan year-end (June 30th).

c. The City may use general state aid and state COLA reimbursement, estimated at \$57.7 million, to meet this commitment.

Funding status

In computing the recommended City contributions and the MMO, 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, 2005 and July 1, 2006 is shown in Table 4(E). For illustrative purposes, the funding ratio measured by the ratio of the plan's market value of assets to the actuarial accrued liability is also shown.

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

	2005	2006
Actuarial value of assets	\$ 4,159,525	\$ 4,168,467
Actuarial accrued liability	\$ 7,851,465	\$ 8,083,667
Funding ratio	53.0%	51.6%
Market value of assets	\$ 4,100,577	\$ 4,315,593
Funding ratio	52.2%	53.4%

EXECUTIVE SUMMARY

Certification

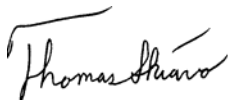
Mercer Human Resource Consulting has prepared the actuarial valuation of the City of Philadelphia Municipal Retirement System as of July 1, 2006 to determine contributions for the fiscal year ending June 30, 2008. The valuation is based on employee and financial data which were provided by the City of 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. Results shown in this valuation report could be materially different than the results obtained under a different set of assumptions, and could be materially different from actual outcome if actual plan experience differs from the assumptions used.

Changes to the actuarial assumptions are described in the "Actuarial Cost Method, Factors and Assumptions" section of this report. Recent city ordinances did change the plan provisions since the previous year, but these changes were administrative in nature and did not impact the valuation results. There have been no other changes in plan provisions, 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.

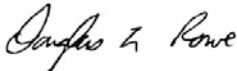


Thomas Skiavo, EA, MAAA
Enrollment Number: 05-6727

May 4, 2007

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

May 4, 2007

Date

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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, 2008. 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, 2006, 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, 2008.

Table 16 shows the annual amortization 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 liability.

COST DERIVATION

5. July 1, 2006 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	6,362	1,334	564	3,267	17	2,439	592	14,575
b. Non-vested	<u>35</u>	<u>2</u>	<u>0</u>	<u>10,218</u>	<u>3</u>	<u>2,404</u>	<u>780</u>	<u>13,442</u>
c. Total	6,397	1,336	564	13,485	20	4,843	1,372	28,017
2. Total normal costs								
a. Service retirement	\$ 17,669	\$ 9,763	\$ 4,086	\$ 17,204	\$ 172	\$ 23,854	\$ 6,957	\$ 79,705
b. Preretirement death	1,054	384	177	1,488	12	967	318	4,400
c. Disability retirement	2,636	817	335	3,566	17	2,351	684	10,407
d. Vested termination	4,188	644	260	6,906	28	1,114	274	13,415
e. Refund of nonvested members' contributions	2,019	188	76	2,369	29	1,107	253	6,039
f. Administrative expenses	<u>3,149</u>	<u>1,264</u>	<u>458</u>	<u>1,597</u>	<u>4</u>	<u>568</u>	<u>160</u>	<u>7,200</u>
g. Total	\$ 30,715	\$ 13,059	\$ 5,392	\$ 33,130	\$ 261	\$ 29,962	\$ 8,646	\$ 121,166
3. Expected employee contributions	\$ 12,084	\$ 5,044	\$ 2,100	\$ 9,939	\$ 160	\$ 13,319	\$ 3,661	\$ 46,308
4. City normal cost (2g) - (3)	\$ 18,631	\$ 8,015	\$ 3,292	\$ 23,191	\$ 101	\$ 16,643	\$ 4,985	\$ 74,858
5. Current total annual payroll	\$ 322,252	\$ 84,360	\$ 35,101	\$ 535,976	\$ 2,130	\$ 266,388	\$ 73,224	\$1,319,431
6. City normal cost as a percent of pay assuming beginning-of-year payment (4) ÷ (5)	5.781%	9.501%	9.380%	4.327%	4.759%	6.248%	6.807%	5.673%
7. City normal cost as a percent of pay assuming end-of-year payment (6) x 1.0875	6.287%	10.332%	10.201%	4.706%	5.175%	6.795%	7.403%	6.169%

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2006 (dollars in thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Number of members								
a. Active	6,397	1,336	564	13,485	20	4,843	1,372	28,017
b. Retired	12,089	5,509	1,894	311	9	27	14	19,853
c. Beneficiary	5,439	2,136	899	74	3	61	25	8,637
d. Disabled	1,924	1,872	438	78	0	111	16	4,439
e. Terminated vested	560	8	2	202	0	30	7	809
f. DROP	<u>1,749</u>	<u>441</u>	<u>296</u>	<u>126</u>	<u>3</u>	<u>10</u>	<u>0</u>	<u>2,625</u>
g. Total	28,158	11,302	4,093	14,276	35	5,082	1,434	64,380
2. Total annual benefits								
a. Retired	\$ 216,896	\$ 128,860	\$ 50,592	\$ 3,071	\$ 319	\$ 312	\$ 144	\$ 400,194
b. Beneficiary	34,067	16,391	6,893	440	69	387	218	58,464
c. Disabled	29,304	31,196	8,183	1,261	0	3,045	406	73,394
d. Terminated vested	7,837	119	16	2,389	0	451	96	10,908
e. DROP	<u>52,645</u>	<u>15,318</u>	<u>12,548</u>	<u>1,570</u>	<u>267</u>	<u>193</u>	<u>0</u>	<u>82,542</u>
f. Total	\$ 340,749	\$ 191,884	\$ 78,232	\$ 8,731	\$ 655	\$ 4,388	\$ 864	\$ 625,502
3. Present value of benefits								
a. Active members								
Service retirement	\$ 1,182,609	\$ 456,765	\$ 198,209	\$ 381,730	\$ 8,778	\$ 623,653	\$ 162,685	\$ 3,014,429
Preretirement death	44,688	11,932	6,146	28,716	336	18,424	5,524	115,767
Disability retirement	73,307	5,982	1,633	48,707	169	32,654	8,584	171,036
Vested termination	109,959	1,212	240	156,510	421	27,323	5,911	301,577
Refund of nonvested members' contributions	<u>301</u>	<u>143</u>	<u>76</u>	<u>18,870</u>	<u>34</u>	<u>9,536</u>	<u>2,209</u>	<u>31,169</u>
Subtotal	\$ 1,410,863	\$ 476,034	\$ 206,305	\$ 634,533	\$ 9,738	\$ 711,590	\$ 184,914	\$ 3,633,977
b. Nonactive members								
Service retired	\$ 1,692,177	\$ 1,098,561	\$ 420,235	\$ 25,056	\$ 2,948	\$ 3,232	\$ 1,514	\$ 3,243,723
Beneficiary	255,175	127,426	49,145	4,337	489	4,107	2,257	442,937
Disabled	227,339	260,158	66,585	11,319	0	33,133	4,250	602,785
Terminated vested	52,919	1,018	150	8,543	0	2,098	468	65,196
Nonvested members' contributions	2,429	215	54	2,323	0	512	163	5,696
DROP annuity	505,726	151,766	120,472	12,819	2,041	1,861	0	794,685
DROP account	<u>118,731</u>	<u>42,061</u>	<u>32,860</u>	<u>2,532</u>	<u>560</u>	<u>419</u>	<u>0</u>	<u>197,162</u>
Subtotal	\$ 2,854,496	\$ 1,681,205	\$ 689,501	\$ 66,929	\$ 6,038	\$ 45,363	\$ 8,652	\$ 5,352,183
c. Total	\$ 4,265,359	\$ 2,157,239	\$ 895,806	\$ 701,462	\$ 15,776	\$ 756,953	\$ 193,566	\$ 8,986,160

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2006 (thousands) (continued)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
4. Present value of future normal costs								
a. Service retirement	\$ 115,176	\$ 56,665	\$ 21,210	\$ 119,619	\$ 662	\$ 247,480	\$ 70,371	\$ 631,183
b. Preretirement death	7,166	2,226	921	10,714	49	10,144	3,207	34,428
c. Disability retirement	17,588	4,777	1,748	26,308	74	24,858	7,072	82,424
d. Vested termination	29,688	3,916	1,381	54,355	159	12,417	3,032	104,950
e. Refund of nonvested members' contribution	<u>14,814</u>	<u>1,120</u>	<u>400</u>	<u>17,957</u>	<u>136</u>	<u>12,316</u>	<u>2,768</u>	<u>49,509</u>
f. Total	\$ 184,430	\$ 68,704	\$ 25,661	\$ 228,954	\$ 1,080	\$ 307,215	\$ 86,451	\$ 902,493
5. Actuarial accrued liability (3) - (4)								
a. Active members								
Service retirement	\$ 1,067,433	\$ 400,100	\$ 176,999	\$ 262,111	\$ 8,116	\$ 376,173	\$ 92,314	\$ 2,383,246
Preretirement death	37,522	9,706	5,225	18,002	287	8,280	2,317	81,339
Disability retirement	55,719	1,205	(115)	22,399	95	7,796	1,512	88,612
Vested termination	80,271	(2,704)	(1,141)	102,155	262	14,906	2,879	196,627
Refund of nonvested members' contribution	<u>(14,513)</u>	<u>(977)</u>	<u>(324)</u>	<u>913</u>	<u>(102)</u>	<u>(2,780)</u>	<u>(559)</u>	<u>(18,340)</u>
Subtotal	\$ 1,226,433	\$ 407,330	\$ 180,644	\$ 405,579	\$ 8,658	\$ 404,375	\$ 98,463	\$ 2,731,484
b. Nonactive members								
Service retirement	\$ 1,692,177	\$ 1,098,561	\$ 420,235	\$ 25,056	\$ 2,948	\$ 3,232	\$ 1,514	\$ 3,243,723
Beneficiary	255,175	127,426	49,145	4,337	489	4,107	2,257	442,937
Disabled	227,339	260,158	66,585	11,319	0	33,133	4,250	602,785
Terminated vested	52,919	1,018	150	8,543	0	2,098	468	65,196
Nonvested members' contribution	2,429	215	54	2,323	0	512	163	5,696
DROP annuity	505,726	151,766	120,472	12,819	2,041	1,861	0	794,685
DROP account	<u>118,731</u>	<u>42,061</u>	<u>32,860</u>	<u>2,532</u>	<u>560</u>	<u>419</u>	<u>0</u>	<u>197,162</u>
Subtotal	\$ 2,854,496	\$ 1,681,205	\$ 689,501	\$ 66,929	\$ 6,038	\$ 45,363	\$ 8,652	\$ 5,352,183
c. Total	\$ 4,080,929	\$ 2,088,535	\$ 870,145	\$ 472,508	\$ 14,696	\$ 449,738	\$ 107,115	\$ 8,083,667
6. Assets for valuation purposes	\$ 1,995,978	\$ 872,120	\$ 408,771	\$ 413,048	\$ 11,851	\$ 374,305	\$ 92,393	\$ 4,168,467
7. Unfunded actuarial accrued liability (5c) - (6)	\$ 2,084,951	\$ 1,216,415	\$ 461,374	\$ 59,460	\$ 2,844	\$ 75,433	\$ 14,722	\$ 3,915,200

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, 2008 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation	\$ 1,967,959	\$ 1,172,467	\$ 433,731	\$ 35,756	\$ 2,645	\$ 63,420	\$ 9,116	\$ 3,685,094
2. Changes in July 1, 2006 unfunded actuarial accrued liability due to actuarial experience	116,992	43,948	27,643	23,705	200	12,012	5,606	230,106
3. Changes in July 1, 2006 unfunded actuarial accrued liability due to assumption changes	0	0	0	0	0	0	0	0
4. Changes in July 1, 2006 unfunded actuarial accrued liability due to plan changes	0	0	0	0	0	0	0	0
5. Actual unfunded actuarial accrued liability, July 1, 2006 (1) + (2) + (3) + (4)	\$ 2,084,951	\$ 1,216,415	\$ 461,374	\$ 59,460	\$ 2,844	\$ 75,433	\$ 14,722	\$ 3,915,200
6. Expected changes in unfunded actuarial accrued liability from July 1, 2006 to July 1, 2007:								
a. Interest $(2 + 3 + 4) \times .0875$	\$ 10,237	\$ 3,845	\$ 2,419	\$ 2,074	\$ 17	\$ 1,051	\$ 490	\$ 20,134
b. Increase/ (decrease) in unfunded actuarial accrued liability from July 1, 2006 to July 1, 2007 after FY 2007 amortization contribution	<u>(68,057)</u>	<u>(41,213)</u>	<u>(11,935)</u>	<u>645</u>	<u>(120)</u>	<u>(34)</u>	<u>370</u>	<u>(120,344)</u>
c. Subtotal	\$ (57,820)	\$ (37,368)	\$ (9,516)	\$ 2,719	\$ (103)	\$ 1,017	\$ 860	\$ (100,210)
7. Expected July 1, 2007 unfunded actuarial accrued liability (5) + (6c)	\$ 2,027,131	\$ 1,179,047	\$ 451,859	\$ 62,180	\$ 2,741	\$ 76,450	\$ 15,582	\$ 3,814,990 ^a

Note: Numbers may not add because of rounding.

a. Based on experience through June 30, 2006. Does not include possible demographic or asset gains or losses during the year.

COST DERIVATION

8. Development of municipal division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation					
a. Dombrowski	\$ 2,705	\$ 1,878	2	\$ 978	\$ 1,064
b. Remaining	<u>1,965,254</u>	<u>1,898,024</u>	—	<u>222,097^b</u>	<u>241,530^b</u>
c. Subtotal	\$ 1,967,959	\$ 1,899,902	—	\$ 223,075	\$ 242,594
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 116,992	\$ 127,229	15	\$ 14,300	\$ 15,552
b. Assumption change	0	0	20	0	0
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	\$ 116,992	\$ 127,229	—	\$ 14,300	\$ 15,552
3. Total (1c) + (2e)	\$ 2,084,951	\$ 2,027,131	—	\$ 237,375	\$ 258,146

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, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation					
a. Dombrowski	\$ 1,730	\$ 1,201	2	\$ 626	\$ 680
b. Remaining	<u>1,170,737</u>	<u>1,130,052</u>	—	<u>134,261^b</u>	<u>146,009^b</u>
c. Subtotal	\$ 1,172,467	\$ 1,131,253	—	\$ 134,887	\$ 146,690
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 43,948	\$ 47,794	15	\$ 5,372	\$ 5,842
b. Assumption change	0	0	20	0	0
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	\$ 43,948	\$ 47,794	—	\$ 5,372	\$ 5,842
3. Total (1c) + (2e)	\$ 1,216,415	\$ 1,179,047	—	\$ 140,259	\$ 152,532

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, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation					
a. Dombrowski	\$ 689	\$ 478	2	\$ 249	\$ 271
b. Remaining	<u>433,042</u>	<u>421,319</u>	—	<u>46,626^b</u>	<u>50,705^b</u>
c. Subtotal	\$ 433,731	\$ 421,797	—	\$ 46,875	\$ 50,976
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 27,642	\$ 30,062	15	\$ 3,379	\$ 3,675
b. Assumption change	0	0	20	0	0
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	\$ 27,642	\$ 30,062	—	\$ 3,379	\$ 3,675
3. Total (1c) + (2e)	\$ 461,374	\$ 451,859	—	\$ 50,254	\$ 54,651

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, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation	\$ 35,756	\$ 36,401	—	\$ 2,344	\$ 2,550
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 23,705	\$ 25,779	15	\$ 2,898	\$ 3,151
b. Assumption change	0	0	20		0
c. Plan change	0	0	20		0
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 23,705	\$ 25,779	—	\$ 2,898	\$ 3,151
3. Total (1) + (2e)	\$ 59,460	\$ 62,180	—	\$ 5,242	\$ 5,701

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, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation	\$ 2,645	\$ 2,524	—	\$ 277	\$ 302
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 200	\$ 217	15	\$ 24	\$ 27
b. Assumption change	0	0	20	0	0
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	\$ 200	\$ 217	—	\$ 24	\$ 27
3. Total (1) + (2e)	\$ 2,844	\$ 2,741	—	\$ 302	\$ 328

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, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation	\$ 63,420	\$ 63,386	—	\$ 5,205	\$ 5,660
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 12,012	\$ 13,063	15	\$ 1,468	\$ 1,597
b. Assumption change	0	0	20	0	0
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	\$ 12,012	\$ 13,063	—	\$ 1,468	\$ 1,597
3. Total (1) + (2e)	\$ 75,433	\$ 76,450	—	\$ 6,673	\$ 7,257

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, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation	\$ 9,116	\$ 9,486	—	\$ 404	\$ 440
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 5,606	\$ 6,096	15	\$ 685	\$ 745
b. Assumption change	0	0	20	0	0
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	\$ 5,606	\$ 6,096	—	\$ 685	\$ 745
3. Total (1) + (2e)	\$ 14,722	\$ 15,582	—	\$ 1,090	\$ 1,185

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, 2008 (thousands)

	<u>Fiscal Year Ending June 30, 2008</u>				
	Outstanding Balance July 1, 2006	Expected Balance July 1, 2007	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2006 unfunded actuarial accrued liability based on July 1, 2005 valuation					
a. Dombrowski	\$ 5,124	\$ 3,557	2	\$ 1,853	\$ 2,015
b. Remaining	<u>3,679,970</u>	<u>3,561,192</u>	—	<u>411,215^b</u>	<u>447,196^b</u>
c. Subtotal	\$ 3,685,094	\$ 3,564,749	—	\$ 413,068	\$ 449,211
2. Changes in unfunded actuarial accrued liability, July 1, 2006					
a. Experience (gains)/losses	\$ 230,106	\$ 250,240	15	\$ 28,127	\$ 30,588
b. Assumption change	0	0	20	0	0
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	\$ 230,106	\$ 250,240	—	\$ 28,127	\$ 30,588
3. Total (1c) + (2e)	\$ 3,915,200	\$ 3,814,989	—	\$ 441,195	\$ 479,799

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, 2006 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				Total			
	Municipal	Police	Fire	Municipal	Elected	Police	Fire				
2006	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3,915,200	\$1,319,431	N/A
2007	222,909	151,710	50,254	4,266	144	6,673	1,090	437,046	3,814,989	1,372,208	31.8%
2008	217,290	152,742	50,592	3,789	78	6,374	1,035	431,900	3,630,939	1,427,097	30.3%
2009	217,140	153,821	50,873	2,887	57	5,563	825	431,167	3,376,533	1,484,181	29.1%
2010	211,908	151,888	50,711	2,772	(32)	5,137	795	423,180	3,165,735	1,543,548	27.4%
2011	211,735	152,826	51,369	2,470	(23)	4,950	771	424,097	2,953,818	1,605,290	26.4%
2012	213,323	154,035	52,183	2,518	19	5,053	832	427,964	2,746,242	1,669,501	25.6%
2013	222,551	158,165	54,577	2,792	19	5,416	893	444,413	2,516,298	1,736,281	25.6%
2014	228,358	155,781	55,122	2,992	53	5,656	998	448,961	2,248,345	1,805,733	24.9%
2015	239,011	149,107	59,560	10,802	342	13,344	2,978	475,144	1,952,001	1,877,962	25.3%
2016	243,117	146,000	59,172	10,995	337	13,580	3,121	476,322	1,601,253	1,953,080	24.4%
2017	246,703	151,136	58,413	11,455	344	13,425	3,055	484,530	1,218,534	2,031,204	23.9%
2018	224,611	141,017	55,111	8,882	290	10,335	2,682	442,929	793,399	2,112,452	21.0%
2019	60,280	45,156	15,043	3,280	109	6,614	1,623	132,106	376,308	2,196,950	6.0%
2020	58,681	36,198	12,650	3,252	109	5,419	1,175	117,483	260,740	2,284,828	5.1%
2021	30,920	13,296	6,765	1,050	55	3,062	1,023	56,171	167,927	2,376,221	2.4%
2022	16,962	9,269	4,181	(1,725)	10	503	121	29,322	121,218	2,471,270	1.2%
2023	17,342	9,087	3,733	(1,333)	22	846	205	29,902	99,619	2,570,120	1.2%
2024	22,826	9,962	4,082	(361)	53	745	193	37,499	75,536	2,672,925	1.4%
2025	24,655	10,775	4,461	(38)	63	1,040	265	41,221	41,261	2,779,842	1.5%
2026	-	-	-	-	-	-	-	-	-	2,891,036	0.0%

Note: Numbers may not add because of rounding. Includes anticipated gains and losses on valuation assets in future 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 2007 through 2026. The July 1, 2006 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, 2005 valuation. Subsequent contributions are based on the July 1, 2006 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, 2026. 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, 2006 through June 30, 2026 (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
2007	\$ 4,315,593	\$ 524,191	\$ 46,366	\$ 646,849	\$ 351,343	\$ 275,052	\$ 4,590,645
2008	4,590,645	564,456	48,183	658,410	374,984	329,213	4,919,858
2009	4,919,858	562,281	50,110	670,818	403,332	344,906	5,264,764
2010	5,264,764	565,185	52,115	684,844	432,985	365,441	5,630,205
2011	5,630,205	560,221	54,199	699,946	464,391	378,866	6,009,071
2012	6,009,071	554,248	56,367	716,256	496,924	391,283	6,400,354
2013	6,400,354	527,888	58,622	733,460	530,507	383,557	6,783,911
2014	6,783,911	503,706	60,967	752,619	563,332	375,387	7,159,298
2015	7,159,298	481,575	63,405	773,938	595,353	366,394	7,525,692
2016	7,525,692	461,374	65,942	795,395	626,584	358,504	7,884,196
2017	7,884,196	442,993	68,579	814,833	657,219	353,958	8,238,155
2018	8,238,155	426,331	71,322	834,241	687,461	350,874	8,589,028
2019	8,589,028	411,293	74,175	854,014	717,422	348,877	8,937,905
2020	8,937,905	397,791	77,142	872,281	747,279	349,932	9,287,837
2021	9,287,837	385,744	80,228	890,199	777,250	353,023	9,640,860
2022	9,640,860	375,077	83,437	935,572	806,294	329,237	9,970,097
2023	9,970,097	365,722	86,775	979,402	833,331	306,427	10,276,523
2024	10,276,523	357,616	90,246	1,021,090	858,471	285,243	10,561,767
2025	10,561,767	350,699	93,855	1,060,287	881,873	266,141	10,827,908
2026	10,827,908	344,919	97,610	1,097,806	903,683	248,407	11,076,315

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, 2006 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, 2006. 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, 2005 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, 2006.

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	+ 25	+ 0.1%
Retired	+ 325	+ 1.7%
Surviving spouses	- 21	- 0.3%
Other beneficiaries	+ 48	+ 3.1%
Disabled	- 42	- 0.9%
Terminated vested	+ 7	+ 0.9%
DROP Participants	- <u>199</u>	- <u>7.0%</u>
Total	+ 143	+ 0.2%

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				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Active members								
Active, July 1, 2005	7,018	1,410	613	12,967	22	4,700	1,262	27,992
New entrants and rehires	+ 39	+ 4	+ 0	+ 1,953	+ 1	+ 242	+ 127	+ 2,366
Separations from active service								
Refunded contributions	- 14	- 0	- 0	- 604	- 0	- 36	- 14	- 668
Terminated vested	- 27	- 0	- 0	- 51	- 0	- 5	- 1	- 84
Became disabled	- 41	- 2	- 1	- 15	- 0	- 7	- 0	- 66
Retired	- 102	- 19	- 8	- 37	- 1	- 6	- 1	- 174
DROP participants	- 364	- 53	- 37	- 52	- 0	- 3	- 0	- 509
Net other terminations ^a	- 112	- 4	- 3	- 676	- 2	- 42	- 1	- 840
Active, July 1, 2006	6,397	1,336	564	13,485	20	4,843	1,372	28,017
Retired members								
Retired, July 1, 2005	11,946	5,449	1,851	239	8	22	13	19,528
New retirees	+ 633	+ 174	+ 81	+ 70	+ 1	+ 7	+ 1	+ 967
Net other terminations	- 490	- 114	- 38	+ 2	- 0	- 2	- 0	- 642
Retired, July 1, 2006	12,089	5,509	1,894	311	9	27	14	19,853
Surviving spouses								
Receiving benefit, July 1, 2005	4,217	1,941	850	36	3	14	11	7,072
New spouses	+ 217	+ 96	+ 33	+ 4	+ 0	+ 1	+ 1	+ 352
Net other terminations	- 245	- 78	- 50	- 0	- 0	- 0	- 0	- 373
Receiving benefit, July 1, 2006	4,189	1,959	833	40	3	15	12	7,051

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				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Other beneficiaries								
Receiving benefit, July 1, 2005	1,216	173	65	32	0	40	12	1,538
New beneficiaries	+ 50	+ 8	+ 2	+ 2	+ 0	+ 6	+ 2	+ 70
Net other terminations	- 16	- 4	- 1	- 0	- 0	- 0	- 1	- 22
Receiving benefit, July 1, 2006	1,250	177	66	34	0	46	13	1,586
Disabled members								
Disabled, July 1, 2005	1,949	1,916	452	51	0	97	16	4,481
New disabilities	+ 48	+ 3	+ 2	+ 15	+ 0	+ 7	+ 0	+ 75
Net other terminations	- 73	- 47	- 16	+ 12	- 0	+ 7	- 0	- 117
Disabled, July 1, 2006	1,924	1,872	438	78	0	111	16	4,439
Terminated vested members								
Terminated vested, July 1, 2005	605	15	2	143	0	29	8	802
New vested terminations	+ 27	+ 0	+ 0	+ 51	+ 0	+ 5	+ 1	+ 84
Net other terminations	- 72	- 7	- 0	+ 8	- 0	- 4	- 2	- 77
Terminated vested, July 1, 2006	560	8	2	202	0	30	7	809
DROP participants								
DROP participants, July 1, 2005	1,840	541	330	101	3	8	1	2,824
New DROP participants	+ 365	+ 53	+ 38	+ 52	+ 0	+ 3	+ 0	+ 511
Net other terminations	- 456	- 153	- 72	- 27	- 0	- 1	- 1	- 710
DROP participants, July 1, 2006	1,749	441	296	126	3	10	0	2,625

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, 2005	\$ 339,103	\$ 85,874	\$ 35,499	\$ 493,752	\$ 2,315	\$ 250,506	\$ 63,607	\$ 1,270,656
Net new entrants and pay increases	<u>(16,851)</u>	<u>(1,514)</u>	<u>(398)</u>	<u>42,223</u>	<u>(185)</u>	<u>15,883</u>	<u>9,617</u>	<u>48,775</u>
Active as of July 1, 2006	\$ 322,252	\$ 84,360	\$ 35,101	\$ 535,976	\$ 2,130	\$ 266,388	\$ 73,224	\$ 1,319,431
Retired members								
Retired as of July 1, 2005	\$ 206,238	\$ 125,290	\$ 48,073	\$ 2,419	\$ 243	\$ 244	\$ 116	\$ 382,623
Net new entrants	<u>10,657</u>	<u>3,570</u>	<u>2,519</u>	<u>651</u>	<u>76</u>	<u>68</u>	<u>27</u>	<u>17,570</u>
Retired as of July 1, 2006	\$ 216,896	\$ 128,860	\$ 50,592	\$ 3,071	\$ 319	\$ 312	\$ 144	\$ 400,194
Surviving spouses								
Receiving benefit as of July 1, 2005	\$ 26,366	\$ 14,817	\$ 6,328	\$ 269	\$ 38	\$ 113	\$ 141	\$ 48,072
Net new spouses	<u>879</u>	<u>427</u>	<u>94</u>	<u>1</u>	<u>0</u>	<u>43</u>	<u>11</u>	<u>1,455</u>
Receiving benefit as of July 1, 2006	\$ 27,245	\$ 15,244	\$ 6,422	\$ 270	\$ 38	\$ 156	\$ 152	\$ 49,527
Other beneficiaries								
Receiving benefits as of July 1, 2005	\$ 6,490	\$ 1,111	\$ 465	\$ 152	\$ 31	\$ 192	\$ 55	\$ 8,496
Net new beneficiaries	<u>331</u>	<u>35</u>	<u>6</u>	<u>18</u>	<u>0</u>	<u>39</u>	<u>11</u>	<u>440</u>
Receiving benefit as of July 1, 2006	\$ 6,821	\$ 1,146	\$ 471	\$ 170	\$ 31	\$ 231	\$ 66	\$ 8,936

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				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Disabled members								
Disabled as of July 1, 2005	\$ 28,763	\$ 31,671	\$ 8,369	\$ 821	\$ 0	\$ 2,607	\$ 406	\$ 72,637
Net new disabilities	<u>541</u>	<u>(475)</u>	<u>(186)</u>	<u>439</u>	<u>0</u>	<u>439</u>	<u>0</u>	<u>758</u>
Disabled as of July 1, 2006	\$ 29,304	\$ 31,196	\$ 8,183	\$ 1,261	\$ 0	\$ 3,045	\$ 406	\$ 73,394
Terminated vested members								
Terminated vested as of July 1, 2005	\$ 8,849	\$ 193	\$ 16	\$ 1,746	\$ 0	\$ 404	\$ 107	\$ 11,315
Net new vested terminations	<u>(1,011)</u>	<u>(75)</u>	<u>0</u>	<u>642</u>	<u>0</u>	<u>47</u>	<u>(11)</u>	<u>(407)</u>
Terminated vested as of July 1, 2006	\$ 7,837	\$ 119	\$ 16	\$ 2,389	\$ 0	\$ 451	\$ 96	\$ 10,908
DROP Participants (doesn't include account balance)								
DROP participants as of July 1, 2005	\$ 53,124	\$ 18,414	\$ 13,415	\$ 1,187	\$ 278	\$ 158	\$ 22	\$ 86,598
Net new DROP participants	<u>(479)</u>	<u>(3,096)</u>	<u>(867)</u>	<u>383</u>	<u>(10)</u>	<u>35</u>	<u>(22)</u>	<u>(4,056)</u>
DROP participants as of July 1, 2006	\$ 52,645	\$ 15,318	\$ 12,548	\$ 1,570	\$ 267	\$ 193	\$ 0	\$ 82,542

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, 2006 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	1 30,281	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	1 30,281
30-34	0 0	0 0	13 44,474	5 42,477	0 0	0 0	0 0	0 0	0 0	18 43,919
35-39	0 0	3 39,801	63 47,202	183 47,714	9 49,748	0 0	0 0	0 0	0 0	258 47,568
40-44	3 30,418	3 57,035	100 45,268	586 47,387	213 51,614	29 54,396	0 0	0 0	0 0	934 48,318
45-49	3 50,853	4 45,066	125 41,612	745 47,193	614 55,018	299 54,839	36 48,453	1 33,388	0 0	1,827 50,711
50-54	5 48,469	4 60,490	86 46,703	609 44,382	506 55,366	480 56,188	467 54,442	55 49,229	0 0	2,212 51,830
55-59	3 84,039	3 74,493	57 42,598	266 44,591	191 50,815	128 53,523	163 57,962	67 54,510	4 61,128	882 50,642
60-64	0 0	1 57,174	20 52,214	76 36,876	35 51,101	24 52,597	18 48,398	10 63,402	3 71,211	187 46,383
65-69	0 0	0 0	6 54,044	19 44,111	10 41,588	4 17,864	1 42,133	3 59,812	2 40,219	45 43,371
70-74	1 5,335	0 0	3 76,284	6 47,438	4 48,051	2 48,741	1 56,064	1 10,845	2 46,847	20 48,455
75+	1 81,689	0 0	0 0	4 20,610	2 26,729	0 0	3 37,338	2 53,185	1 37,779	13 36,442
Total	17 50,328	18 55,188	473 45,078	2,499 45,926	1,584 53,910	966 55,100	689 54,714	139 52,689	12 55,838	6,397 50,376

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	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
35-39	0	0	7	16	2	1	0	0	0	26
	0	0	56,105	59,175	55,956	73,136	0	0	0	58,638
40-44	1	0	3	121	99	4	0	0	0	228
	54,673	0	55,315	61,061	63,657	76,982	0	0	0	62,364
45-49	0	0	0	117	270	119	3	0	0	509
	0	0	0	58,334	62,417	65,587	67,467	0	0	62,249
50-54	0	0	0	66	123	169	56	4	0	418
	0	0	0	57,707	61,252	67,135	68,648	61,349	0	64,063
55-59	0	1	1	18	30	41	31	21	0	143
	0	54,940	60,845	55,998	60,192	63,379	68,972	72,076	0	64,194
60-64	0	0	0	0	1	1	1	4	4	11
	0	0	0	0	61,550	56,277	85,241	76,316	102,135	83,352
65-69	0	0	0	0	0	0	0	1	0	1
	0	0	0	0	0	0	0	56,544	0	56,544
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	1	1	11	338	525	335	91	30	4	1,336
	54,673	54,940	56,320	59,103	62,224	66,229	68,902	70,693	102,135	63,144

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	0	3	0	0	0	0	0	3
	0	0	0	60,050	0	0	0	0	0	60,050
40-44	0	0	0	31	14	0	0	0	0	45
	0	0	0	59,017	62,049	0	0	0	0	59,960
45-49	0	0	0	33	112	3	0	0	0	148
	0	0	0	56,398	60,266	57,470	0	0	0	59,347
50-54	0	0	1	15	85	66	64	1	0	232
	0	0	55,243	56,121	59,311	62,584	69,040	73,328	0	62,762
55-59	0	0	0	5	17	35	60	11	0	128
	0	0	0	56,714	60,392	61,566	66,532	75,955	0	64,785
60-64	0	0	0	0	0	1	2	2	2	7
	0	0	0	0	0	56,168	70,743	76,697	74,692	71,490
65-69	0	0	0	0	0	0	0	0	1	1
	0	0	0	0	0	0	0	0	85,061	85,061
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	1	87	228	105	126	14	3	564
	0	0	55,243	57,428	60,029	62,037	67,873	75,873	78,148	62,235

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	105	0	0	0	0	0	0	0	0	105
	5,474	0	0	0	0	0	0	0	0	5,474
20-24	562	35	0	0	0	0	0	0	0	597
	28,720	30,677	0	0	0	0	0	0	0	28,835
25-29	1,084	343	30	0	0	0	0	0	0	1,457
	37,528	40,989	40,677	0	0	0	0	0	0	38,407
30-34	769	695	226	17	0	0	1	0	0	1,708
	38,585	44,221	44,969	41,608	0	0	27,467	0	0	41,747
35-39	701	802	481	95	7	1	0	0	0	2,087
	37,659	44,529	48,688	45,359	41,150	53,744	0	0	0	43,211
40-44	733	715	481	150	14	3	0	0	0	2,096
	34,729	41,590	46,861	52,076	44,697	27,282	0	0	0	41,151
45-49	603	692	474	118	22	15	5	0	0	1,929
	34,582	41,166	45,507	50,233	50,301	49,483	46,187	0	0	40,911
50-54	478	587	349	117	25	15	12	4	1	1,588
	35,252	40,860	44,028	48,840	46,509	42,709	49,082	46,124	38,355	40,636
55-59	324	431	249	100	15	12	11	19	2	1,163
	32,017	39,258	43,709	45,439	42,460	48,348	42,318	48,166	35,023	39,028
60-64	137	203	94	23	5	5	1	4	7	479
	34,715	38,373	45,160	41,629	50,804	40,673	50,587	33,942	63,229	39,320
65-69	54	72	25	6	0	1	1	3	5	167
	20,572	34,826	35,555	40,703	0	29,458	35,891	31,880	56,214	31,099
70-74	38	27	9	2	0	0	0	1	1	78
	9,380	18,104	21,760	16,825	0	0	0	38,309	5,309	14,338
75+	10	18	2	1	0	0	0	0	0	31
	9,072	18,425	30,178	22,925	0	0	0	0	0	16,311
Total	5,598	4,620	2,420	629	88	52	31	31	16	13,485
	34,533	41,521	45,683	48,127	46,296	44,837	45,140	44,173	52,336	39,746

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	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
40-44	0	1	0	0	0	0	0	0	0	1
	0	102,292	0	0	0	0	0	0	0	102,292
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	1	1	0	0	0	2	0	0	0	4
	109,000	102,292	0	0	0	102,292	0	0	0	103,969
55-59	0	0	1	0	0	1	1	1	0	4
	0	0	102,292	0	0	102,292	107,511	102,292	0	103,597
60-64	0	0	2	0	0	1	0	0	0	3
	0	0	103,336	0	0	109,599	0	0	0	105,424
65-69	0	0	1	2	1	0	0	0	0	4
	0	0	102,292	118,293	107,511	0	0	0	0	111,597
70-74	0	0	1	0	0	0	0	0	0	1
	0	0	102,292	0	0	0	0	0	0	102,292
75+	0	0	0	0	0	0	0	0	1	1
	0	0	0	0	0	0	0	0	128,387	128,387
Total	1	2	6	2	2	4	1	1	1	20
	109,000	102,292	102,640	118,293	104,902	104,119	107,511	102,292	128,387	106,524

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	1	0	0	0	0	0	0	0	0	1
	38,481	0	0	0	0	0	0	0	0	38,481
20-24	181	5	0	0	0	0	0	0	0	186
	44,801	43,514	0	0	0	0	0	0	0	44,766
25-29	374	302	9	0	0	0	0	0	0	685
	49,146	54,826	56,330	0	0	0	0	0	0	51,745
30-34	222	523	318	5	0	0	0	0	0	1,068
	49,489	55,271	56,650	54,575	0	0	0	0	0	54,476
35-39	115	357	562	327	0	0	0	0	0	1,361
	49,227	55,144	57,004	59,025	0	0	0	0	0	56,344
40-44	38	146	310	390	3	2	1	1	0	891
	50,960	55,242	56,778	58,741	59,685	56,277	62,197	64,459	0	57,161
45-49	16	72	124	220	2	1	1	0	0	436
	52,075	55,093	56,353	57,522	68,254	56,277	56,544	0	0	56,632
50-54	5	32	44	103	0	2	0	0	0	186
	52,047	55,423	56,220	57,044	0	56,277	0	0	0	56,428
55-59	2	11	9	1	0	1	0	0	0	24
	48,653	54,940	55,315	55,689	0	56,277	0	0	0	54,644
60-64	0	2	2	0	0	0	1	0	0	5
	0	54,940	55,315	0	0	0	63,115	0	0	56,725
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	954	1,450	1,378	1,046	5	6	3	1	0	4,843
	48,536	55,095	56,770	58,383	63,113	56,277	60,619	64,459	0	55,005

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	1 38,481	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	1 38,481
20-24	38 41,318	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	38 41,318
25-29	140 45,720	26 53,120	1 42,536	0 0	0 0	0 0	0 0	0 0	0 0	167 46,853
30-34	113 47,033	119 55,822	31 53,799	2 44,760	0 0	0 0	0 0	0 0	0 0	265 51,754
35-39	81 46,599	126 56,233	148 57,371	11 52,633	1 72,594	0 0	0 0	0 0	0 0	367 54,502
40-44	27 47,277	55 55,702	153 57,092	44 58,346	1 63,678	0 0	0 0	0 0	0 0	280 56,093
45-49	10 46,048	25 55,739	76 57,338	63 57,642	2 55,859	1 56,168	0 0	0 0	0 0	177 56,559
50-54	4 46,093	8 57,901	19 57,081	28 58,366	0 0	0 0	1 56,424	0 0	0 0	60 57,047
55-59	1 49,164	3 51,224	3 57,084	6 55,602	0 0	1 56,168	0 0	0 0	0 0	14 54,562
60-64	0 0	1 60,371	0 0	0 0	0 0	0 0	0 0	0 0	0 0	1 60,371
65-69	0 0	2 54,883	0 0	0 0	0 0	0 0	0 0	0 0	0 0	2 54,883
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	415 45,949	365 55,763	431 56,960	154 57,370	4 61,998	2 56,168	1 56,424	0 0	0 0	1,372 53,370

Note: Age represents attained age.

PLAN MEMBERSHIP

28. Terminated vested (1967 Plan and Plan 87) members, July 1, 2006

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
Under 40	75	\$ 792,387	17	\$ 248,358	3	\$ 39,217
40-44	114	1,527,959	17	272,123	4	56,631
45-49	169	2,514,517	2	28,804	1	9,894
50-54	291	4,196,511	0	0	0	0
55-59	70	869,491	0	0	0	0
60-64	15	160,727	0	0	0	0
Over 64	<u>28</u>	<u>273,591</u>	<u>2</u>	<u>20,740</u>	<u>1</u>	<u>6,028</u>
Total	762	\$ 10,335,182	38	\$ 570,024	9	\$ 111,769

Average Annual Pension

Municipal	\$ 13,563
Police	\$ 15,001
Fire	\$ 12,419

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

29. Disabled (1967 Plan and Plan 87) members, July 1, 2006

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	23	\$ 450,887	42	\$ 1,182,609	3	\$ 75,594
40-44	43	745,377	51	1,369,052	6	145,640
45-49	157	2,763,406	112	2,679,324	12	297,663
50-54	286	5,466,477	196	4,301,837	37	834,757
55-59	392	6,965,238	360	7,160,989	93	1,872,633
60-64	301	5,258,080	446	7,616,829	97	1,759,828
65-69	256	3,512,667	244	3,491,580	89	1,656,707
70-74	204	2,319,416	207	2,530,155	44	851,487
75-79	155	1,561,429	193	2,301,414	24	410,039
80-84	117	1,008,665	85	1,014,969	32	447,044
OVER 84	<u>68</u>	<u>512,762</u>	<u>47</u>	<u>592,593</u>	<u>17</u>	<u>237,345</u>
TOTAL	2,002	\$ 30,564,404	1,983	\$ 34,241,351	454	\$ 8,588,737

Average Annual Pension

Municipal	\$ 15,267
Police	\$ 17,267
Fire	\$ 18,918

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

30. Retired (1967 Plan and Plan 87) members, July 1, 2006

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	15	225,009	5	46,699
45-49	2	530	152	3,559,099	26	568,913
50-54	69	1,512,724	511	13,450,856	111	3,053,895
55-59	1,323	32,020,600	1,136	29,804,129	397	11,970,343
60-64	2,227	53,116,281	1,312	33,594,933	504	15,147,344
65-69	2,257	45,664,692	997	22,279,347	348	9,951,667
70-74	2,176	37,142,530	667	12,792,981	180	4,215,625
75-79	1,939	27,752,930	484	9,134,391	110	2,164,857
80-84	1,334	14,606,766	167	3,042,148	110	1,912,165
OVER 84	<u>1,082</u>	<u>8,468,549</u>	<u>95</u>	<u>1,289,215</u>	<u>117</u>	<u>1,704,683</u>
TOTAL	12,409	\$ 220,285,603	5,536	\$ 129,172,107	1,908	\$ 50,736,191

Average Annual Pension

Municipal	\$ 17,752
Police	\$ 23,333
Fire	\$ 26,591

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

31. Beneficiaries (1967 Plan and Plan 87) of members, July 1, 2006

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	466	\$ 2,710,279	133	\$ 895,406	49	\$ 378,628
40-44	159	904,614	39	365,279	9	117,056
45-49	205	1,395,718	52	431,998	23	344,428
50-54	249	1,850,384	96	1,106,190	35	531,344
55-59	328	2,836,467	172	1,867,175	57	670,640
60-64	371	3,224,089	262	2,583,736	76	798,010
65-69	515	4,184,319	287	2,385,417	63	645,830
70-74	693	4,875,439	311	2,231,073	63	472,348
75-79	827	5,034,955	345	2,407,420	106	745,084
80-84	804	3,956,091	217	1,321,969	186	1,160,851
OVER 84	<u>899</u>	<u>3,602,692</u>	<u>283</u>	<u>1,182,138</u>	<u>257</u>	<u>1,246,813</u>
TOTAL	5,516	\$ 34,575,048	2,197	\$ 16,777,804	924	\$ 7,111,031

Average Annual Pension

Municipal	\$ 6,268
Police	\$ 7,637
Fire	\$ 7,696

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

32. DROP (1967 Plan and Plan 87) members, July 1, 2006

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	68	2,018,643	6	184,969
50-54	0	0	155	4,973,358	50	1,935,987
55-59	1,268	41,029,183	189	6,783,938	205	8,731,859
60-64	452	10,499,897	37	1,598,281	34	1,641,739
65-69	104	1,986,940	1	47,528	1	53,196
70-74	34	633,757	1	89,580	0	0
75-79	18	293,825	0	0	0	0
80-84	2	39,001	0	0	0	0
OVER 84	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1,878	\$ 54,482,603	451	\$ 15,511,328	296	\$ 12,547,751

Average Annual Pension

Municipal	\$ 29,011
Police	\$ 34,393
Fire	\$ 42,391

Note: Numbers may not add because of rounding.

FINANCIAL EXPERIENCE OF FUND

The July 1, 2006 Retirement System net assets are \$4,316,586,247 on a market value basis and \$3,897,952,491 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, 2006
- Table 36 summarizes 2006 fiscal year administrative expenses
- Table 37 shows the July 1, 2006 adjusted market value of assets under the five-year spread gain asset valuation method
- Table 38 shows the July 1, 2006 allocation of adjusted assets among all divisions.

Table 34, the fund's receipts and disbursements during the fiscal year ending June 30, 2006, show that total contributions are about 45% of total receipts. Benefit payments accounted for more than 95% of the 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, 2005	June 30, 2006
Cost value	7.1%	12.8%
Market value	9.9%	11.3%
Adjusted market value	1.8%	6.1%

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 8.75% return assumption. 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, 2005 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, 2006)

	Cost Value	Market Value
Assets		
Cash	\$ 21,931,505	\$ 21,931,505
Investment accounts	3,930,455,315	4,349,089,071
Accounts receivable	4,077,069	4,077,069
Interest and dividends receivable	7,377,285	7,377,285
Due from other funds	0	0
Due from other governmental units	3,513,290	3,513,290
Other assets	<u>0</u>	<u>0</u>
Total assets	\$ 3,967,354,464	\$ 4,385,988,220
Liabilities		
Vouchers payable	\$ 30,238	\$ 30,238
Accounts payable	4,290,750	4,290,750
Salaries and wages payable	109,716	109,716
Accrued expenses	1,165,356	1,165,356
Deferred revenue	2,227,796	2,227,796
Other liabilities (including amounts due to brokers)	<u>61,578,118</u>	<u>61,578,118</u>
Total liabilities	\$ 69,401,973	\$ 69,401,973
Fund balance	\$ 3,897,952,491	\$ 4,316,586,247

FINANCIAL EXPERIENCE OF FUND

34. Statement of receipts and disbursements

	Market Value (Net of PAF)	PAF	Total Market Value
Balance as of July 1, 2005	\$4,100,577,066	\$ 891,828	\$4,101,468,894
Adjustment to match audited assets as of July 1, 2005	\$ 319,116	\$ 0	\$ 319,116
Receipts			
Contributions:			
Commonwealth of Pennsylvania <i>Supplemental State Assistance</i> <i>(Act 205)</i>	\$ 0	\$ 0	\$ 0
City of Philadelphia ^a	321,346,416	0	321,346,416
Employees	48,910,052	0	48,910,052
Quasi-public agencies	10,419,032	0	10,419,032
Interest and dividends	64,999,391	101,155 ^b	65,100,546
Gain from sale of investments	403,143,791	0	403,143,791
Securities lending revenue	12,040,928	0	12,040,928
Miscellaneous operating revenues	<u>2,157,351</u>	<u>0</u>	<u>2,157,351</u>
Total receipts	\$ 863,016,961	\$ 101,155	\$ 863,118,116
Disbursements			
Withdrawals	\$ 4,791,109	\$ 0	\$ 4,791,109
Benefit payments	608,682,198	0	608,682,198
Administrative expenses	6,722,719	0	6,722,719
Securities lending expenses	11,343,244	0	11,343,244
Investment manager fees	<u>16,780,609</u>	<u>0</u>	<u>16,780,609</u>
Total disbursements	\$ 648,319,879	\$ 0	\$ 648,319,879
Balance as of July 1, 2006	\$4,315,593,264	\$ 992,983	\$4,316,586,247
Approximate return on investments during year			11.34%

a. Includes Commonwealth of Pennsylvania general state assistance (\$47,631,872) and COLA reimbursements (\$9,706,626).

b. This amount includes all types of investment income. The PAF is credited with investment income at the market rate of return earned by plan assets.

FINANCIAL EXPERIENCE OF FUND

35. Fiscal 2006 City contributions

Date	Amount
November 2, 2005	\$ 307,165,000
June 30, 2006	14,181,415
Various (Quasi-public agencies)	6,905,742
Accrued	<u>3,513,290^a</u>
Total	\$ 331,765,447

a. City-accrued contributions are \$0; quasi-public agencies accrued contributions are \$3,513,290.

**36. Statement of administrative expenses for year ending
June 30, 2006**

Personal services	\$ 3,383,531
Purchase of services	1,055,663
Materials and supplies	101,766
Employer's share of fringe benefits	2,034,523
Miscellaneous	<u>147,236</u>
Total	\$ 6,722,719

FINANCIAL EXPERIENCE OF FUND

37. Derivation of assets for valuation purposes as of July 1, 2006 — 5 year spread gain method

July 1	Total Gain or (Loss)	Year of Recognition					Unrecognized Amount
		2006	2007	2008	2009	2010	
2002	(645,231,661)	(129,046,333)	—	—	—	—	0
2003	(282,744,547)	(56,548,910)	(56,548,910)	—	—	—	(56,548,910)
2004	265,309,761	53,061,952	53,061,952	53,061,953	—	—	106,123,905
2005	30,013,180	6,002,636	6,002,636	6,002,636	6,002,636	—	18,007,908
2006	99,429,256	19,885,851	19,885,851	19,885,851	19,885,851	19,885,851	79,543,404
Recognized Total		(106,644,804)					
Unrecognized Total			22,401,529	78,950,440	25,888,487	19,885,851	147,126,307
1. July 1, 2006 market value				4,316,586,247			
2. Pension Adjustment Fund (PAF)				992,983			
3. July 1, 2006 market value net of PAF (1) – (2)				4,315,593,264			
4. Unrecognized gain/(loss)				147,126,307			
5. Initial July 1, 2006 adjusted market value (3) – (4)				\$4,168,466,957			
6. 120% of July 1, 2006 market value net of PAF (3) x 1.2				5,178,711,917			
7. 80% of July 1, 2006 market value net of PAF (3) x 0.8				3,452,474,611			
8. July 1, 2006 adjusted market value (5), but not greater than (6), not less than (7))				\$ 4,168,466,957			
9. Approximate actuarial value return on investments during year				6.08%			

FINANCIAL EXPERIENCE OF FUND

38. Allocation of assets for valuation purposes between divisions as of June 30, 2006 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Assets for valuation purposes as of June 30, 2005	\$ 2,043,061	\$ 908,997	\$ 424,315	\$ 361,994	\$ 11,243	\$ 329,103	\$ 80,812	\$ 4,159,525
2. Transactions during period July 1, 2005 - June 30, 2006								
a. Contributions								
City and commonwealth	\$ 142,184	\$ 100,796	\$ 32,388	\$ 23,886	\$ 270	\$ 17,326	\$ 4,496	\$ 321,346
Employees	13,064	5,267	2,306	11,470	183	12,926	3,696	48,910
Quasi-public agencies	10,419	0	0	0	0	0	0	10,419
Employee contributions receivable	0	0	0	0	0	0	0	0
b. Miscellaneous income and (expenses)	1,280	509	185	603	2	218	59	2,855
c. Pension benefits	327,163	193,480	74,020	5,950	430	5,896	1,742	608,682
d. Withdrawals	1,457	155	52	1,872	110	913	232	4,791
e. Administrative expenses ^a	<u>3,013</u>	<u>1,198</u>	<u>436</u>	<u>1,420</u>	<u>4</u>	<u>514</u>	<u>138</u>	<u>6,723</u>
f. Net transactions (a) + (b) - (c) - (d) - (e)	\$ (164,687)	\$ (88,262)	\$ (39,630)	\$ 26,717	\$ (89)	\$ 23,148	\$ 6,138	\$ (236,665)
3. Total fund balance prior to allocation of realized and unrealized income (1) + (2f)	\$ 1,878,374	\$ 820,734	\$ 384,686	\$ 388,711	\$ 11,153	\$ 352,251	\$ 86,949	\$ 3,922,859
4. Realized and unrealized income for period July 1, 2005 - June 30, 2006 (allocated in proportion to (3))	117,604	51,386	24,085	24,337	698	22,054	5,444	245,608
5. Assets for valuation purposes as of June 30, 2006 (3) + (4)	\$ 1,995,978	\$ 872,120	\$ 408,771	\$ 413,048	\$ 11,851	\$ 374,305	\$ 92,393	\$ 4,168,467

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		
	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
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 (\$90,000 in 2005 and \$92,400 in 2006) 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		
	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
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		
	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
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		
	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
<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		
	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
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, 2006). 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

	<i>MUNICIPAL</i>	<i>UNIFORMED (PLANS A AND B)</i>
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

	<i>MUNICIPAL</i>	<i>UNIFORMED (PLANS A AND B)</i>
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.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

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 reaching age 60 is eligible for a lump sum payment.

The beneficiary may be any relative by blood or marriage.

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 an annual pension or a lump sum payment, whichever the beneficiary chooses.

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).

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 he 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.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

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.
<i>Benefit amount</i>	<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.
<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 until the employee's 65th birthday.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

MUNICIPAL

UNIFORMED (PLANS A AND B)

Ordinary disability

Eligibility

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).

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).

The application for benefits must be made within one year after termination.

Benefit amount

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.

Same as municipal, except each eligible employee is automatically credited with a minimum of 10 years of service to calculate the annual benefit.

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.

Benefit offset

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.

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.

Survivor benefits

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.

Same as municipal.

Option 1 - 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.

Option 2 - 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.

Option 3 - The same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

	<i>MUNICIPAL</i>	<i>UNIFORMED (PLANS A AND B)</i>
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, 2006). 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

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 ½ 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>	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). 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.

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

Eligibility

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.

Benefit amount

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.

This benefit is payable to the spouse until death or remarriage, whichever occurs first. The spouse is 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. 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 25% of final compensation yearly payment 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 the remainder of his lifetime.

Ordinary death

Eligibility

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.

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.

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), 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.

Service-connected disability

Eligibility

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.

Benefit amount

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.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

Elected Plan

If he or she withdraws contributions, the benefit is payable for his or her lifetime only.

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.

Service-connected disability Periodic adjustment

Eligibility

An employee who is receiving a service-connected disability benefit who is *totally disabled* and does not collect Social Security disability insurance benefits is eligible for a periodic adjustment.

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.

Ordinary disability

Eligibility

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.

Benefit amount

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.

Benefit offset

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

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.

Option 1 - 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.

Option 2 - 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.

Option 3 - Same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.

Service-connected health care benefit

Not applicable.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

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, 2006). 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.

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

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

Change since the last valuation

- Methods – None.
- Assumptions – The administrative expense assumption was updated from \$7,100,000 to \$7,200,000. There were no other changes in assumptions.

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, 2006.

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

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

Annual rate of withdrawal prior to retirement

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

39. Sample 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	0.039379	0.012148	0.090000	0.015400
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. Sample 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

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).

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

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.

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

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.

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

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.

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

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)

Age	Adjustment Factor		Age	Adjustment Factor	
	Male	Female		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			

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

44. Post-disablement mortality adjustment factors (uniformed)

<u>Adjustment Factor</u>		<u>Adjustment Factor</u>	
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.

ACTUARIAL COST METHOD, FACTORS AND ASSUMPTIONS

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 \$7,200,000.

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, 2008 is \$412,447,687. This amount is summarized by division in Table 45 and is based on the July 1, 2006 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 2007, the total state payments are \$57,742,370. Amounts received during fiscal 2008 may be used to meet the \$412,447,687 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. The City funding policy uses a 15 year amortization period for investment losses.
- 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.
- Starting with the Fiscal 2007-2008 MMO, the PERC requested that actuarial gains and losses are recognized every other year to match the timing of the Act 205 filings. The city's funding policy continues to recognize gains and losses annually.

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.

45. MMO calculation for fiscal 2008 (July 1, 2006 valuation report)

	Fiscal 2007 (dollars in thousands)			
	Non-Uniformed	Police	Fire	Total
Estimated FY 2007-2008 payroll	\$ 894,773	\$ 364,778	\$ 112,658	\$ 1,372,208
Normal cost percent	6.899%	11.743%	12.388%	8.637%
Normal cost	\$ 61,731	\$ 42,837	\$ 13,956	\$ 118,524
Amortization payment	179,987	117,514	37,095	334,596
Administrative expense	<u>4,940</u>	<u>1,906</u>	<u>643</u>	<u>7,488</u>
Subtotal	\$ 246,657	\$ 162,256	\$ 51,694	\$ 460,608
Expected member contributions	<u>(23,071)</u>	<u>(19,098)</u>	<u>(5,991)</u>	<u>(48,160)</u>
MMO ^a	\$ 223,587	\$ 143,158	\$ 45,703	\$ 412,448

- a. Includes general pension state aid and state cost-of-living adjustment reimbursement. For fiscal 2007, the total is \$57,742 (thousands). Also includes quasi agencies.

MINIMUM MUNICIPAL OBLIGATION

46. Unfunded liability payments toward MMO for fiscal 2008 (thousands) — July 1, 2006 valuation report

	Municipal			Police			Fire		
	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 935,866	19	\$ 71,467 ^a	\$ 600,779	19	\$ 45,878 ^a	\$ 239,580	19	\$ 18,295 ^a
Dombrowski	\$ 1,878	2	\$ 978	\$ 1,201	2	\$ 626	\$ 478	2	\$ 249
July 1, 1986 additional amounts									
Active plan change	\$ 235	1	\$ 235	\$ 20	1	\$ 20	\$ 10	1	\$ 10
July 1, 1992 additional amounts									
Active plan change	\$ 130	2	\$ 68	\$ 0		\$ 0	\$ 0		\$ 0
July 1, 1993 additional amounts									
Active plan change	\$ (505)	4	\$ (143)	\$ (336)	4	\$ (95)	\$ 0		\$ 0
Assumption change	<u>(4,972)</u>	4	<u>(1,404)</u>	<u>40</u>	4	<u>11</u>	<u>(926)</u>	4	<u>(261)</u>
Subtotal ^b	\$ (5,477)		\$ (1,546)	\$ (296)		\$ (84)	\$ (926)		\$ (261)
July 1, 1994 additional amounts									
(Gain)/loss	\$ (1,272)	1	\$ (1,272)	\$ (195)	1	\$ (195)	\$ (754)	1	\$ (754)
July 1, 1995 additional amounts									
Active plan change	\$ 311	9	\$ 47	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	<u>3,293</u>	4	<u>930</u>	<u>221</u>	4	<u>62</u>	<u>(1,429)</u>	4	<u>(403)</u>
Subtotal ^b	\$ 3,604		\$ 977	\$ 221		\$ 62	\$ (1,429)		\$ (403)
July 1, 1996 additional amounts									
(Gain)/loss	\$ 2,741	5	\$ 644	\$ 1,345	5	\$ 316	\$ (1,169)	5	\$ (275)
July 1, 1997 additional amounts									
Assumption change	\$ 36,584	11	\$ 4,885	\$ 4,477	11	\$ 598	\$ 1,886	11	\$ 252
(Gain)/loss	<u>(32,876)</u>	6	<u>(6,689)</u>	<u>(12,618)</u>	6	<u>(2,567)</u>	<u>(8,435)</u>	6	<u>(1,716)</u>
Subtotal ^b	\$ 3,709		\$ (1,804)	\$ (8,141)		\$ (1,969)	\$ (6,549)		\$ (1,464)
July 1, 1998 additional amounts									
(Gain)/loss	\$ (10,446)	7	\$ (1,893)	\$ (8,527)	7	\$ (1,545)	\$ (7,665)	7	\$ (1,389)

MINIMUM MUNICIPAL OBLIGATION

	Municipal			Police			Fire		
	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment
July 1, 1999 additional amounts									
(Gain)/loss	\$ (93,959)	8	\$ (15,465)	\$ 691	8	\$ 114	\$ (34,107)	8	\$ (5,614)
Active plan change	12,322	13	1,493	0		0	0		0
Nonactive plan change	17,235	13	6,233	7,671	3	2,774	2,848	3	1,030
Subtotal ^b	\$ (64,401)	3	\$ (7,739)	\$ 8,362		\$ 2,888	\$ (31,260)		\$ (4,584)
July 1, 2000 additional amounts									
(Gain)/loss	\$ (19,924)	9	\$ (3,025)	\$ 27,713	9	\$ 4,208	\$ 567	9	\$ 86
July 1, 2001 additional amounts									
Assumption change	\$ (3,638)	15	\$ (409)	\$ (2,075)	15	\$ (233)	\$ (4,719)	15	\$ (530)
(Gain)/loss	(15,567)	10	(2,206)	(18,641)	10	(2,642)	9,314	10	1,320
Subtotal ^b	\$ (19,205)		\$ (2,615)	\$ (20,716)		\$ (2,875)	\$ 4,595		\$ 790
July 1, 2002 additional amounts									
Assumption change	\$ 14,380	16	\$ 1,566	\$ 9,535	16	\$ 1,039	\$ 7,506	16	\$ 818
Calendar year 2001 investment loss ^c	19,491	27	1,750	10,391	27	933	4,429	27	398
Other (Gain)/loss	128,521	11	17,162	85,432	11	11,408	23,896	11	3,191
Subtotal ^b	\$ 162,392		\$ 20,478	\$ 105,359		\$ 13,379	\$ 35,831		\$ 4,406
July 1, 2003 additional amounts									
Calendar year 2002 investment loss ^c	\$ 333,083	27	\$ 29,906	\$ 175,766	27	\$ 15,781	\$ 75,558	27	\$ 6,784
Other (Gain)/loss	71,633	12	9,083	10,245	12	1,299	7,622	12	966
Active plan change	0	17	0	22,080	17	2,338	8,830	17	935
Nonactive plan change	0	7	0	27,464	7	4,976	8,211	7	1,488
Subtotal ^b	\$ 404,717		\$ 38,989	\$ 235,554		\$ 24,394	\$ 100,221		\$ 10,173
July 1, 2004 additional amounts									
(Gain)/loss	\$ 136,224	13	\$ 16,508	\$ 82,291	13	\$ 9,972	\$ 24,200	13	\$ 2,933
July 1, 2005 additional amounts									
(Gain)/loss	\$ 217,995	14	\$ 25,384	\$ 92,963	14	\$ 10,825	\$ 39,781	14	\$ 4,632
Assumption change	237,109	19	23,942	114,732	19	11,585	46,062	19	4,651
Plan change	2,079	19	210	262	19	26	0	19	0
Subtotal ^b	\$ 457,183		\$ 49,536	\$ 207,957		\$ 22,436	\$ 85,843		\$ 9,283
Total^b	\$1,987,953		\$ 179,987	\$ 1,232,928		\$ 117,514	\$ 441,574		\$ 37,095

a. Level dollar amortization payment (19 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	\$ 4,568,133,000	\$ 2,538,273,000	\$ 977,260,000
Market value of assets ^a	\$ 2,022,861,000	\$ 1,148,128,000	\$ 364,160,000
Actuarial value of assets ^a	\$ 1,797,920,000	\$ 1,021,685,000	\$ 330,033,000
Unfunded actuarial accrued liability	\$ 2,770,213,000	\$ 1,516,588,000	\$ 647,227,000
Amortization Contributions			
1/1/85 initial liability			
Remaining amortization period	19	19	19
Level dollar contribution	\$ 77,111,000	\$ 51,748,000	\$ 19,740,000
Payroll-based contribution	\$ 135,192,000	\$ 86,786,000	\$ 34,609,000
Post-1/1/85 liability			
Remaining amortization period	20	20	N/A
Amortization contribution	\$ 88,053,000	\$ 36,877,000	\$ 12,823,000
Total amortization contribution	\$ 223,245,000	\$ 123,663,000	\$ 47,432,000

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, 2006 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2006 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 1,770,350	19	\$ 135,192	\$ 1,136,471	19	\$ 86,786	\$ 453,204	19	\$ 34,609
All changes prior to July 1, 2004	\$ 379,980		\$ 33,383	\$ 185,812		\$ 16,879	\$ 73,374		\$ 2,906
July 1, 2004 additional amounts (Gain)/loss	102,679	13	12,443	37,767	13	4,577	17,600	13	2,133
July 1, 2005 additional amounts (Gain)/loss	155,227	14	18,075	32,717	14	3,810	26,908	14	3,133
Assumption changes	237,109	19	23,942	114,732	19	11,585	46,062	19	4,651
Plan change	2,079	19	210	262	19	26	0		0
All changes including July 1, 2005 addition ^a	\$ 2,647,423		\$ 223,245	\$ 1,507,761		\$ 123,663	\$ 617,147		\$ 47,432

^a July 1, 2006 (gain)/loss will be combined with the July 1, 2007 (gain)/loss in the July 1, 2007 valuation.

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, 2005	\$ 1,865,644,478	\$ 1,035,645,096	\$ 345,328,955
Receipts			
Employer contributions	206,505,446	142,216,263	39,573,409
Employee contributions	24,716,270	18,192,291	6,001,491
State aid	29,680,408	21,076,726	6,581,365
Supplemental state assistance	0	0	0
Investment income (includes investment expenses)	235,849,726	132,425,760	43,052,102
Other receipts	<u>1,884,305</u>	<u>726,904</u>	<u>243,827</u>
Total receipts	\$ 498,636,155	\$ 314,637,944	\$ 95,452,194
Disbursements			
Benefit payments	\$ 333,543,548	\$ 199,376,113	\$ 75,762,537
Refund of contribution	3,439,159	1,067,472	284,479
Administrative expenses	4,436,951	1,711,632	574,136
Other disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Total disbursements	\$ 341,419,658	\$ 202,155,217	\$ 76,621,152
Assets at July 1, 2006	\$ 2,022,860,975	\$ 1,148,127,823	\$ 364,159,997

MINIMUM MUNICIPAL OBLIGATION

53. Statement of receipts and disbursements including bond issue assets

	Municipal	Police	Fire
Assets at July 1, 2005	\$ 2,392,396,213	\$ 1,215,187,683	\$ 493,884,999
Receipts			
Employer contributions	147,078,742	97,045,140	30,303,068
Employee contributions	24,716,270	18,192,291	6,001,491
State aid	29,680,408	21,076,726	6,581,365
Supplemental state assistance	0	0	0
Investment income	273,126,493	139,338,373	55,779,473
Other receipts	<u>1,884,305</u>	<u>726,904</u>	<u>243,827</u>
Total receipts	\$ 476,486,218	\$ 276,379,434	\$ 98,909,224
Disbursements			
Benefit payments	\$ 333,543,548	\$ 199,376,113	\$ 75,762,537
Refund of contribution	3,439,159	1,067,472	284,479
Administrative expenses	4,436,951	1,711,632	574,136
Other disbursements (investment expenses)	<u>9,601,974</u>	<u>4,898,549</u>	<u>1,960,971</u>
Total disbursements	\$ 351,021,632	\$ 207,053,766	\$ 78,582,123
Assets at July 1, 2006	\$ 2,517,860,799	\$ 1,284,513,350	\$ 514,212,100

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 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%
7/1/06	4,168.5	8,083.7	3,915.2	51.57%	1,319.4	296.74%

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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%
2006	\$ 394,950	84.0%

- 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 13 years from July 1, 2006. Assets are valued as a five-year smoothing of gains and losses on the market value.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

During the 1994 fiscal year, the City contributed \$10,000,000 more than the ARC. Therefore, the initial NPO value at the effective date is \$(9,012,000) as shown in Table 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 2006.

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	2006
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	\$ 394,950
Interest on NPO	—	(900)	(869)	(840)	(811)	(783)	(113,257)	(110,748)	(106,975)	(103,330)	(98,392)	(90,448)	(82,068)
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	113,135
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	\$ 426,017
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	331,765
Increase in NPO at beginning of year	(10,000)	341	329	318	307	(1,249,703)	27,873	41,924	40,495	54,873	88,263	93,114	94,252
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)	(817,614)
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%	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	8.06

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

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