



CITY OF PHILADELPHIA GAS WORKS RETIREMENT RESERVE FUND
Financial Statements
June 30, 2025
With Independent Auditor's Reports

City of Philadelphia Gas Works Retirement Reserve Fund
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Year Ended June 30, 2025

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Independent Auditor's Report

To the Board of Directors of
City of Philadelphia Gas Works Retirement Reserve Fund:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of City of Philadelphia Gas Works Retirement Reserve Fund (the "Plan"), which comprise the statement of fiduciary net position as of June 30, 2025, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the Plan's fiduciary net position as of June 30, 2025, and the respective changes in fiduciary net position therein for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The Plan's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Governmental Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the the "Plan"'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules of net pension liability, employer contributions as a percentage of covered payroll and investment returns, and notes to be required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis for the City of Philadelphia Gas Works Retirement Reserve Fund, that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements is required by the Government Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2025 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



December 10, 2025

City of Philadelphia Gas Works Retirement Reserve Fund
Statement of Fiduciary Net Position
June 30, 2025

Assets

Cash and cash equivalents		\$ 17,684,276
Interest and dividend receivable		2,435,847
Investments, at fair value		
Corporate bonds	\$ 69,485,514	
Common and preferred stock	464,841,058	
U.S. government securities	135,986,924	
Foreign bonds	9,672,296	
Municipal obligations	363,912	
Mutual funds	<u>1,346,381</u>	
Total investments		681,696,085
Receivables		
Due from brokers	7,987,730	
Due from the Philadelphia Gas Works	<u>105,838</u>	
		8,093,568
Collateral on loaned securities		<u>36,282,021</u>
Total assets		<u>746,191,797</u>

Liabilities

Advance from the Philadelphia Gas Works		246,372
Due to brokers		6,783,609
Accounts payable		100,577
Due on return of securities loaned		<u>36,282,021</u>
Total liabilities		43,412,579

Fiduciary net position restricted for pensions **\$ 702,779,218**

The Notes to Financial Statements are an integral part of this statement.

City of Philadelphia Gas Works Retirement Reserve Fund
Statement of Changes in Fiduciary Net Position
June 30, 2025

Additions

Contributions	
Employer's contributions	\$ 30,000,000
Employees' contributions	2,999,850
Total contributions	<u>32,999,850</u>
Investment income:	
Interest	9,973,661
Dividends	8,799,192
Net realized/unrealized income/(loss)	60,406,728
Other investment income	63,435
Less: Investment expense	<u>(2,049,019)</u>
Net investment income/(loss)	77,193,997
Securities lending income	2,079,770
Less: securities lending expense	<u>(2,000,181)</u>
Net income from securities lending activities	79,589
Total additions	<u>110,273,436</u>

Deductions

Administrative expenses	361,949
Benefits paid	<u>62,116,154</u>
Total deductions	<u>62,478,103</u>
Change in fiduciary net position restricted for pensions	47,795,333

Fiduciary net position restricted for pensions

Beginning of year	<u>654,983,885</u>
End of year	<u><u>\$ 702,779,218</u></u>

The Notes to Financial Statements are an integral part of this statement.

City of Philadelphia Gas Works Retirement Reserve Fund
Notes to Financial Statements
June 30, 2025

1. PLAN DESCRIPTION

The City of Philadelphia (the “City”) maintains two pension systems providing benefits for its employees and several of its component units: The City’s pension system includes the Municipal Pension (the “Fund”) and the Gas Works Plan (the “Plan”). Each pension system is a separate Public Employee Retirement System (“PERS”) with a separate oversight body and is financially independent of the other. In each case, the City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system.

There are no component units of the Plan. In determining its oversight responsibility, the Plan considers financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability of fiscal matters.

The Plan consists of Philadelphia Gas Works (“PGW” or the “Company”), a component unit of the City and is included in the City’s Annual Comprehensive Financial Report as a fiduciary fund.

The Plan is a single employer defined benefit PERS. The Plan provides pension benefits for all eligible employees of Philadelphia Gas Works, and other eligible class employees of Philadelphia Facilities Management Corporation (“PFMC”) and Philadelphia Gas Commission (“PGC”). The Plan is administered by the Sinking Fund Commission of the City of Philadelphia (the “Commission”). Certain administrative aspects of the Plan are delegated to PGW. The Commission acts in a fiduciary matter with regards to the assets of the Plan. The Commission was established by the City Charter and consists of the Director of Finance, the City Controller and an experienced banker or investment banker appointed by the Mayor. Alternates for these members are allowed by written authorization of the Mayor.

As of the latest available actuarial valuation (June 30, 2025), the Plan’s membership consisted of:

Active participants	1,142
Retired participants	2,214
Vested terminated participants	318
Total plan participants	3,674
Total payroll	\$ 112,581,382
Average pay	98,583

The Plan is currently open to all employees of PGW.

The Plan provides retirement benefits as well as death and disability benefits. Retirement benefits are vested after 5 years of credited service. Employees who retire at or after age 65 are entitled to receive an annual retirement benefit, payable monthly, in an amount equal to the greater of:

- 1.25% of the first \$6,600 of Final Average Earnings plus 1.75% of the excess of Final Average Earnings over \$6,600, times years of credited service; maximum of 60% of the highest annual earnings during any one of the last 10 years of credited service; applicable to all participants; or,
- 2% of total earnings received during the period of credited service plus 22.5% of the first \$1,200 of such amount; applicable only to participants who were employees on or prior to March 24, 1967.

City of Philadelphia Gas Works Retirement Reserve Fund
Notes to Financial Statements
June 30, 2025

Final Average Earnings are the employees' average pay over the highest five years of the last ten years of credited service. Employees with 15 years of credited service may retire at or after age 55 and receive a reduced retirement benefit. In addition, employees with 30 years of credited service are eligible to select early retirement with no reduction in benefits.

Contributions

In December 2011 the City of Philadelphia City Council approved Bill No. 110830 "An Ordinance" effecting PGW workers hired on or after May 21, 2011. The ordinance states, in part, that employees commencing employment on or after May 21, 2011, shall become a participant in the Plan only upon completion of an irrevocable written election to participate in the Plan. Such election must be made within thirty days after their employment commencement date, or if later, thirty days after the effective date of the ordinance. All such employees who elect to participate in the Plan are deemed contributing participants.

Contributing participants (non-covered employees) in the Plan are required to make annual contributions totaling 6% of their compensation. Such contributions are made by means of periodic payroll deductions determined by the Company. Contributing participants are 100% vested in their employee contributions. All participants in the Plan, including contributing participants, have no vested interest in their accrued benefit from the Plan sponsor until they have 5 years of credited service, at which time they become 100% vested in their accrued benefit. Contributions from contributing participants for the Plan year ending June 30, 2025, totaled \$2,999,850.

In addition, newly hired employees who commence employment on or after May 21, 2011, who opt out of the Plan will enter into the newly formed Philadelphia Gas Works Employees' Defined Contribution Plan, a tax qualified defined contribution plan pursuant to Section 401(a) of the Internal Revenue Code of 1986 as amended. The defined-contribution plan provides for an employer contribution equal to 5.5% of applicable wages. Assets of this plan are not a part of the City of Philadelphia Gas Works Retirement Reserve Fund and are not reported on in these financial statements.

Funding Policy

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contributions rates are determined using the Projected Unit Credit actuarial funding method. The most recent annual actuarial valuation is as of June 30, 2025, and the contribution rate as of percentage of payroll was 26.65%.

Benefit and contribution provisions are established by City ordinance and may be amended only as allowed by City ordinance. Benefits under the Plan are guaranteed by statute. In the event employer contributions are not sufficient to pay required benefits, the City's General Fund must provide any shortfall.

Investments

The Commission maintains a Statement of Investment Guidelines ("Policy") consistent with the needs of the Plan. The latest Policy was approved by the Commission at its meeting on November 25, 2019. The Policy serves as the chief communication tool of the Commission with vendors and investment managers. The Policy defines the need for the Policy, the investment goals of the Plan, the asset allocation, the investment guidelines, including prohibited investments, as well as the objectives for each manager and benchmarks for each type of investment. Additionally, it defines the necessary communication and responsibilities of each party, including the Commission, the investment managers, the custodian, and any consultants. The Policy can only be revised or changed by a vote by the Commission.

For a more complete description of the Policy, see the online version at:
<http://www.phila.gov/Treasurer/Documents/PGWPP.pdf>

City of Philadelphia Gas Works Retirement Reserve Fund
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The Pension Plan utilizes both equity and fixed-income investments consistent with the Policy described above. As of June 30, 2025, the Plan had investments of approximately \$681.7 million, comprised of \$466.2 million in equities and \$215.5 million in fixed-income investments. The ratio of equities to fixed income is 68% to 32%, which is in line with the Policy guidelines of 60-70% equities and 30-40% fixed income.

For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of investment expense was 12.5%.

The Commission employs third-party vendors to manage the assets of the Plan as well as perform other needed services. As of June 30, 2025, the Commission employed the following investment managers and vendors:

Manager	Mandate	Balance (Millions)
<u>Equity Managers</u>		
RhumbLine Asset Management	Domestic Large Cap Index	\$ 111.3
RhumbLine International	International Markets	37.5
PineBridge Investments	Domestic Large Cap Index	91.4
Northern Trust Company	Domestic Large Cap Index	53.8
Acadian Asset Management	International Markets	60.9
Earnest Partners, LLC	International Markets	53.4
Copeland Capital Management	Domestic and International	27.9
Rhumblin Small CAP	Domestic Small Cap Index	<u>30.0</u>
		466.2
 <u>Bond Managers</u>		
Weaver Barksdale	Core	58.3
Met Life Inc	Investment Grade	19.1
Met Life Inc	Core	59.3
Garcia Hamilton	Intermediate	62.0
Sky Harbor Capital Management	High Yield	<u>16.8</u>
		<u>215.5</u>
Total		<u>\$ 681.7</u>

At its quarterly meetings, the Commission, with the assistance of Marquette Associates, monitors the performance of the investment managers over various periods of time and will change a manager when the Commission deems it necessary. Each of the managers and other vendors (except for those marked 'fund') are contracted for a period of one year, with one-year extensions at the discretion of the Commission.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus and Basis of Accounting

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Fund adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB). The Board has fiduciary responsibility for the investments within the fiduciary fund. The Fund includes a fiduciary fund which accounts for assets held by the government in a trustee capacity for a pension trust fund. The pension trust fund includes a defined benefit plan which is accounted for on the flow of economic resources

City of Philadelphia Gas Works Retirement Reserve Fund
Notes to Financial Statements
June 30, 2025

measurement focus and the accrual basis of accounting. Contributions to the defined benefit pension plans are recognized in the period in which the contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments

The Plan reports investments at their fair value in the statement of fiduciary net position. Unrealized gains and losses are included in the statement of changes in fiduciary net position. Securities traded on national or international exchanges are recorded at the last reported sales price at current exchange rates.

Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the transaction date. Net realized gains on sales amounted to \$31,770,927 for the year ended June 30, 2025. Net unrealized gain for the year ended June 30, 2025, totaled \$28,635,801.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Due From and To Brokers

Due from brokers represents the value of investments sold by brokers prior to year-end, for which the settlement date of the sale occurred after year end. Similarly, due to brokers represents the value of investments purchased by brokers prior to year-end, for which the settlement date of the purchase occurred after year end.

Fair Value of Financial Instruments

The carrying values of financial instruments including interest and dividends receivable, due from brokers, accounts payable, and amounts due to PGW and brokers approximate their fair market value due to the relatively short maturity of these instruments.

Investment Advisors

The Fund utilizes numerous investment advisors to manage debt and equity portfolios. The Sinking Fund Commission must approve all investment advisors.

Income Taxes

The Plan is not subject to Federal, state, or local income taxes.

Trend Information

Historical trend information related to the Plan is presented in the Required Supplementary Information section. The information is presented to enable the reader to assess the progress made by the Plan in accumulating sufficient assets to pay pension benefits as they become due.

Related Parties

The Sinking Fund Commission is the trustee of the Plan. The City of Philadelphia Department of Finance provides accounting services for the Plan. Philadelphia Gas Works makes monthly benefit payments to retirees on behalf of the Plan and incurs administrative expenses on behalf of the Plan. Benefit payments made by PGW and administrative costs incurred by PGW on behalf of the Plan amounted to \$62,116,154 and \$361,949, respectively for the year ended June 30, 2025.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on June 30, 2025, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from

City of Philadelphia Gas Works Retirement Reserve Fund
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June 30, 2025

those estimates. Significant estimates include the valuation of investments without quoted prices in an active market for identical assets and the actuarial estimates for Plan future benefit obligations.

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and those changes could materially affect the amounts reported in the statement of fiduciary net position.

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

3. CASH DEPOSITS, INVESTMENTS, SECURITIES LENDING

The Plan is authorized to maintain a diversified portfolio in the following types of investments: U.S. Treasury and agency obligations, corporate debt and equity securities, and foreign debt and equity securities. City ordinances and sinking fund policies contain provisions which preclude the Plan from investing in organizations that conduct business in certain countries and industries and impose limitations on the amounts invested in certain types of securities.

Interest Rate Risk

Interest rate risk is the largest risk faced by an investor in the fixed income market. The price of a fixed income security generally moves in the opposite direction of the change in interest rates. Securities with long maturities are highly sensitive to interest rate changes. The Plan's fixed income investments are as follows:

	<u>Total Fair Value</u>	<u>Below 1 Year</u>	<u>1 to 5 years</u>	<u>5 to 10 years</u>	<u>10 years and over</u>
Corporate Bonds	\$ 69,485,514	\$ 1,570,769	\$ 23,200,054	\$ 32,944,715	\$ 11,769,976
U.S. Govt. Treasuries	68,250,654	-	19,620,305	31,529,502	17,100,847
U.S. Govt. Agencies	67,736,270	-	120,990	674,309	66,940,971
Foreign Bonds	9,672,296	-	3,029,415	5,022,587	1,620,294
Municipal Bonds	363,912	-	124,212	-	239,700
	<u>\$ 215,508,646</u>	<u>\$ 1,570,769</u>	<u>\$ 46,094,976</u>	<u>\$ 70,171,113</u>	<u>\$ 97,671,788</u>

Custodial Credit Risk

In the event of counter-party failure, the Plan may not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities held by the counterparty or counterparty's trust department are uninsured and are not registered in the name of the Plan. The Plan requires that all investments be clearly marked as to ownership, and to the extent possible, be registered in the name of the Plan. Certain investments may be held by the managers in the Plan's name.

City of Philadelphia Gas Works Retirement Reserve Fund
Notes to Financial Statements
June 30, 2025

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Fund's rated debt investments as of June 30, 2025, were rated by Standard and Poor ("S&P"), a nationally recognized statistical rating agency and are presented below using S&Ps rating scale:

S&P Credit Rating	Corporate Bonds	U.S. Government Treasuries	U.S. Government Agency Securities	Foreign Bonds	Municipal Obligations	Total Fair Value
AAA	\$ 1,580,575	\$ -	\$ -	\$ -	\$ -	\$ 1,580,575
AA+	68,984	-	65,385,136	-	-	65,454,120
AA	506,946	-	-	-	-	506,946
AA-	1,061,506	-	-	53,406	-	1,114,912
A+	3,563,309.00	-	-	387,493	-	3,950,802
A	6,821,043	-	-	76,542	239,700	7,137,285
A-	7,097,526.00	-	-	1,347,041	-	8,444,567
BBB+	8,675,737	-	-	1,772,306	-	10,448,043
BBB	12,220,592.00	-	-	1,106,285	-	13,326,877
BBB-	6,461,256	-	-	1,655,659	-	8,116,915
BB+	3,577,273	-	-	167,729	-	3,745,002
BB	2,530,082	-	-	767,802	-	3,297,884
BB-	2,589,360	-	-	420,819	-	3,010,179
B+	3,641,581	-	-	345,744	-	3,987,325
B	2,978,559	-	-	435,350	-	3,413,909
B-	1,232,055	-	-	115,011	-	1,347,066
CCC+	370,285	-	-	-	-	370,285
CCC	487,445	-	-	-	-	487,445
NR/NA	4,021,400	-	-	1,021,109	124,212	5,166,721
	<u>\$ 69,485,514</u>	<u>\$ -</u>	<u>\$ 65,385,136</u>	<u>\$ 9,672,296</u>	<u>\$ 363,912</u>	<u>\$ 144,906,858</u>
U.S. Govt. Guaranteed		68,250,654	2,351,134			70,601,788
	<u>\$ 69,485,514</u>	<u>\$ 68,250,654</u>	<u>\$ 67,736,270</u>	<u>\$ 9,672,296</u>	<u>\$ 363,912</u>	<u>\$ 215,508,646</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of substantial loss if investments are concentrated in one issuer. As of June 30, 2025, no single investment not guaranteed by the U.S. government exceeds 5% of the Plan's net fiduciary financial position.

Securities Lending Program

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized US Bank to act as the Fund's agent in lending the Fund's securities to approved borrowers. US Bank, as agent, enters into Securities Loan Agreements with borrowers.

During the fiscal year, US Bank lent, on behalf of the Fund, certain securities of the Fund held by US Bank as custodian and received cash collateral. US Bank does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 101% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, US Bank had an obligation to indemnify the Fund in the event of default by a borrower. There were no failures by any borrowers to return loaned securities

City of Philadelphia Gas Works Retirement Reserve Fund
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or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal year, the Fund and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested in a separately managed account based upon the investment guidelines established by the Fund. As of June 30, 2025, the weighted average maturity was 3 days, and the final maturity was 397 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2025, the Fund had no credit risk exposure to borrowers because all borrowers were required to deliver collateral for each loan.

As of June 30, 2025, the fair value of securities on loan was \$35.3 million. Associated collateral totaling \$36.3 million was comprised of cash which was invested in a separately managed account based upon the investment guidelines established by the Pension Fund. As of June 30, 2025, the invested cash collateral was \$36.3 million and is valued at amortized cost.

4. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The accounting pronouncement on fair value measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair value is the amount that the Fund can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fixed income securities and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges or securities pricing services. Securities which are not traded on a national security exchange are valued by the respective fund managers or other third parties based on similar sales.

City of Philadelphia Gas Works Retirement Reserve Fund
Notes to Financial Statements
June 30, 2025

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of June 30, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds	\$ -	\$ 69,485,514	\$ -	\$ 69,485,514
Common and preferred stock	464,823,553	15,025	2,480	464,841,058
U.S. government securities	68,250,653	67,736,271	-	135,986,924
Foreign bonds	-	9,672,296	-	9,672,296
Municipal obligations	-	363,912	-	363,912
Mutual funds	1,346,381	-	-	1,346,381
	<u>\$ 534,420,587</u>	<u>\$ 147,273,018</u>	<u>\$ 2,480</u>	<u>\$ 681,696,085</u>

5. ADVANCE FROM THE PHILADELPHIA GAS WORKS

Payments to beneficiaries are made by PGW through its payroll system. The amount due to PGW on June 30, 2025 of \$246,372 represents the cumulative excess of payments made to the retirees and administrative expenses incurred by PGW, over the sum of the Company's required contribution, and reimbursements received from the Plan. This amount will be settled in the subsequent Plan year.

6. NET PENSION LIABILITY

The components of the net pension liability of the City of Philadelphia Gas Works Retirement Reserve Fund on June 30, 2025, were as follows (dollar amounts in thousands):

Total pension liability	\$ 863,104
Plan fiduciary net position	702,779
Net pension liability	<u>\$ 160,325</u>

Plan fiduciary net position as a percentage of of the total pension liability	81.42%
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2025, using the following actuarial assumptions:

Salary increases:	Salaries are assumed to increase by an amount based on years of service.
General inflation:	2%
Investment rate of return:	7.00%, net of pension plan investment expense, including inflation.

Mortality rates were based on the Pri-2012 mortality table projected generationally from the central year using Scale MP-2021

Change in Assumptions

The total pension liability reflects an increase of approximately \$21.4 million mainly due to the changes in demographic and actuarial assumptions for the Plan year ended June 30, 2025. Demographic changes increased the liability by approximately \$9.2 million compared to prior year's actuarial valuation. In addition, based on a recent demographic study, the assumptions regarding retirement, termination, and disability were updated to reflect actual experience which led to an increase of \$10.2 million in liability. There was no change in the mortality table from the prior year.

City of Philadelphia Gas Works Retirement Reserve Fund
Notes to Financial Statements
June 30, 2025

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using the software simulations developed by the Fund's investment consultant, Marquette Associates, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of the expected rates of return for each major asset class for FY 2025 are summarized in the following table:

Asset Class	Long-Term Expected Rate of Return
Domestic Equity	7.5 %
International Equity	7.6 %
Fixed Income	4.9 %

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for June 30, 2025. The projection of cash flows used to determine the discount rate assumed the contributions from Plan members will be made at the current contribution rate and that contributions from PGW will be made based on the current actuarially determined funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability. The net pension liability as of June 30, 2025, is calculated using the discount rate of 7.00%, as well as the Plan's net pension liability if it were calculated using a discount rate that is 1 % lower (6.00%) or 1% higher (8.00%) than the current rate (dollar amounts in thousands):

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$ 954,956	\$ 863,104	\$ 785,364
Plan Fiduciary Net Position	702,779	702,779	702,779
Net Pension Liability	<u>\$ 252,177</u>	<u>\$ 160,325</u>	<u>\$ 82,585</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 73.59%	 81.42%	 89.48%

7. SUBSEQUENT EVENTS

The Plan has evaluated subsequent events occurring after the statement of fiduciary net position through the date of December 10, 2025, which is the date the financial statements were available to be issued.

Based on this evaluation, the Plan has determined no subsequent event has occurred which requires disclosure in the financial statements.



REQUIRED SUPPLEMENTARY INFORMATION

City of Philadelphia Gas Works Retirement Reserve Fund
Schedule of Changes in Net Pension Liability and Related Ratios (Amount in Thousands)
June 30, 2025

	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>FYE 2016</u>
<u>Total Pension Liability</u>										
Service cost	\$ 9,755	\$ 9,256	\$ 8,713	\$ 7,152	\$ 7,178	\$ 6,400	\$ 6,554	\$ 6,103	\$ 5,823	\$ 5,400
Interest cost	57,461	56,901	56,413	55,276	55,454	56,893	57,240	55,718	55,443	55,903
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	6,156	2,859	1,923	9,665	2,057	(3,034)	(12,089)	15,706	2,182	(8,841)
Changes of assumptions	10,193	-	-	1,481	22,923	(24,891)	(1,834)	(3,864)	(7,952)	26,748
Benefit payments	(62,116)	(60,928)	(60,312)	(58,502)	(56,646)	(55,061)	(53,893)	(52,627)	(51,376)	(50,447)
Net change in total pension liability	21,449	8,088	6,737	15,072	30,966	(19,693)	(4,022)	21,036	4,120	28,763
Total pension liability - beginning	841,655	833,567	826,830	811,758	780,792	800,485	804,507	783,471	779,351	750,588
Total pension liability - ending	\$ 863,104	\$ 841,655	\$ 833,567	\$ 826,830	\$ 811,758	\$ 780,792	\$ 800,485	\$ 804,507	\$ 783,471	\$ 779,351
<u>Plan fiduciary net position</u>										
Contributions - employer	30,000	30,000	30,000	30,042	29,728	29,414	28,570	29,143	27,918	21,123
Contributions - employee	3,000	2,641	2,215	1,854	1,607	1,519	1,249	1,078	852	602
Net investment income/(loss)	77,273	79,631	66,844	(80,988)	155,840	14,286	34,260	44,310	61,002	2,872
Benefit payments	(62,116)	(60,928)	(60,312)	(58,502)	(56,646)	(55,061)	(53,893)	(52,627)	(51,376)	(50,446)
Administrative expense	(362)	(494)	(361)	(200)	(217)	(168)	(192)	(184)	(129)	(1,611)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	47,795	50,850	38,386	(107,794)	130,312	(10,010)	9,994	21,720	38,267	(27,460)
Plan fiduciary net position - beginning	654,984	604,134	565,748	673,542	543,230	553,240	543,246	521,526	483,259	510,719
Plan fiduciary net position - ending	\$ 702,779	\$ 654,984	\$ 604,134	\$ 565,748	\$ 673,542	\$ 543,230	\$ 553,240	\$ 543,246	\$ 521,526	\$ 483,259
Net pension liability - ending	\$ 160,325	\$ 186,671	\$ 229,433	\$ 261,082	\$ 138,216	\$ 237,562	\$ 247,245	\$ 261,261	\$ 261,945	\$ 296,092

City of Philadelphia Gas Works Retirement Reserve Fund
Schedule of Changes in Net Pension Liability and Related Ratios (Amount in Thousands)
June 30, 2025

	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>FYE 2016</u>
Plan fiduciary Net Position as a Percentage of the Total Pension Liability	81.42%	77.82%	72.48%	68.42%	82.97%	69.57%	69.11%	67.53%	66.57%	62.01%
Covered Payroll	\$ 112,581	\$ 108,177	\$ 102,709	\$ 97,435	\$ 97,959	\$ 95,934	\$ 98,454	\$ 101,271	\$ 94,768	\$ 90,860
Net Pension Liability as a Percentage of Covered Payroll	142.41%	172.56%	223.38%	267.96%	141.10%	247.63%	251.13%	257.98%	276.41%	325.88%

Change in Actuarial Assumptions:

FY 2025- See footnotes #6 to the audited financial statements.

FY 2024- There was a change in demographic of participants.

FY 2023- No change.

FY 2022- The mortality table was changed from the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2020 to Scale MP-2021.

FY 2021- The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2018 to the Pri-2012 Mortality Table projected generationally from the central year using Scale MP-2020. In addition, discount rate was reduced from 7.30% to 7.00%.

FY 2020- The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2018 to the Pri-2012 Mortality table projected generationally from the central year using Scale MP-2020.

FY 2019- The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2017 to the RP-2014 mortality table generationally projected with Scale MP-2018.

FY 2018- The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2016 to the RP-2014 mortality table generationally projected with Scale MP-2017. In addition to change in demographic of participants and 9.5% increase in average pay.

FY 2017- The mortality table was changed from the RP-2014 mortality table generationally projected with Scale MP-2015 to the RP-2014 mortality table generationally projected with Scale MP-2016.

FY 2016- The mortality table was changed from the RP-2000 IRS PPA@ 2014 mortality tables for males and females to the RP-2014 mortality table generationally projected with Scale MP-2015. In addition, the discount rate was reduced from 7.65 to 7.30.

City of Philadelphia Gas Works Retirement Reserve Fund
Schedule of Employer Contributions as a Percentage of Covered Payroll and Investment Return
June 30, 2025

Employer Contributions as a Percentage of Covered Payroll (Amount in Thousands)

	<u>FYE 2025</u>	<u>FYE 2024</u>	<u>FYE 2023</u>	<u>FYE 2022</u>	<u>FYE 2021</u>	<u>FYE 2020</u>	<u>FYE 2019</u>	<u>FYE 2018</u>	<u>FYE 2017</u>	<u>FYE 2016</u>
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contribution	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 29,227	\$ 28,797	\$ 28,395	\$ 29,260	\$ 26,476
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ 272</u>	<u>\$ (187)</u>	<u>\$ 227</u>	<u>\$ (748)</u>	<u>\$ 1,342</u>	<u>\$ 5,353</u>
Covered Payroll	\$ 112,581	\$ 108,177	\$ 102,709	\$ 97,435	\$ 97,959	\$ 95,934	\$ 98,454	\$ 101,271	\$ 94,768	\$ 90,860
Contributions as a Percentage of Covered Payroll	26.65%	27.73%	29.21%	30.83%	30.35%	30.66%	29.02%	28.78%	29.46%	23.25%

Investment Returns

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return net of investment expense	12.50%	13.90%	12.56%	-12.77%	29.59%	2.83%	6.73%	8.89%	13.04%	0.58%

City of Philadelphia Gas Works Retirement Reserve Fund
Notes to Required Supplementary Information
June 30, 2025

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

Valuation date	June 30, 2025
Actuarial cost method	Projected unit credit
Amortization method	Contributions based on greater of 20-year level dollar open amortization method and 30-year level dollar closed amortization method.
Asset valuation method	Assets smoothed over a 5-year period.
Salary increase	Varies by participant years of service.
General inflation	2.00%
Investment rate of return	7.00%
Retirement Age	Varies
Mortality rates	Pri-2012 mortality projected generationally from the central year using Scale MP-2021.

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
City of Philadelphia Gas Works Retirement Reserve Fund:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Philadelphia Gas Works Retirement Reserve Fund (the "Plan"), which comprise the statement of fiduciary net position as of June 30, 2024 and the related statement of changes in fiduciary net position for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 10, 2025

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting ("internal control") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

December 10, 2025