



ANNUAL REPORT

City of Philadelphia BOARD OF PENSIONS AND RETIREMENT



FISCAL YEAR ENDING JUNE 30, 2006

**John F. Street
Mayor**

**Vincent Jannetti
Chairperson**

**Gwendolyn Bell
Executive Director**

CITY OF PHILADELPHIA

BOARD OF PENSIONS AND RETIREMENT

ANNUAL REPORT

FISCAL YEAR JULY 1, 2005 – JUNE 30, 2006

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

To the People of the City of Philadelphia:

The Board of Pensions and Retirement hereby submits the Annual Report of the Retirement System for City of Philadelphia employees for the fiscal year ending June 30, 2006. The report consists of three sections: An introductory section which contains a brief summary of the Fund and identifies the administrators, investment managers and professional consultants of the Retirement System, an actuarial section which details the methods of costing and funding current and future benefits to members and beneficiaries of the Retirement System, and a financial section which contains the System's financial statements, membership and pension data, and investment statistics.

TABLE OF CONTENTS

| INTRODUCTORY SECTION | | PAGE |
|--|---------------|-------------|
| The Board, Consultants and Investment Managers | | 1-6 |
| Mission Statement | | 7 |
| Membership | | 7 |
| Funding | | 8 |
| Income | | 8-9 |
| Investments | | 9 |
| Expenses | | 10 |
| Amendments to Public Employees Retirement Code And Regulations of the Board | | 10 |
| Professional Services | | 10 |
| Audit | | 10 |
| ACTUARIAL SECTION | | |
| Executive Summary of Findings – July 1, 2006 | | |
| Mercer Human Resource Consulting | | 11-18 |
| Cost Derivation | | 19-21 |
| Minimum Municipal Obligation | | 22-25 |
| Governmental Accounting Standards Board (GASB) | | 26-29 |
| FINANCIAL SECTION | | |
| Statement of Plan Net Assets – June 30, 2006 | Exhibit A-1 | 30 |
| Summary Schedule of Investments – June 30, 2006 | Schedule A-1a | 31 |
| Statement of Changes in Plan Net Assets | | |
| Fiscal Years Ended June 30, 2006 and 2005 | Exhibit A-2 | 32 |
| Analysis of Members' Contributions | | |
| Fiscal Year Ended June 30, 2006 | Exhibit A-3 | 33-34 |
| Analysis of Fund Balance | | |
| Fiscal year Ended June 30, 2006 | Exhibit A-4 | 35 |
| Statement of Cash Receipts and Disbursements | | |
| Fiscal year Ended June 30, 2006 | Exhibit A-5 | 36 |
| Pension Contributions by Division | | |
| Fiscal Year Ending June 30, 2006 | | 37 |
| STATISTICAL INFORMATION | | |
| Applications Processed During Period July 2004 | | |
| Through June 2005 and July 2005 Through June 2006 | | 38 |
| Comparative Statement of Retirement Benefits in Force | | |
| As of June 30, 2005 and June 30, 2006 | | 39 |
| Analysis of Membership | | 40 |

NOTES:

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

For additional copies of this report, write to: Linda Donovan, Pension Program Administrator, or call 215-496-7413 or 1-800-544-1173, or download from www.phila.gov/pensions/.

INTRODUCTORY SECTION

CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Gwendolyn Bell

Executive Director

MEMBERS OF THE BOARD

Vincent Jannetti

Chairperson, Acting Director of Finance
Appointed December 27, 2004.

Pedro Ramos, Esquire

Managing Director
Appointed April 4, 2005.

Romulo L. Diaz, Jr., Esquire

City Solicitor
Appointed April 4, 2005

Linda Orfanelli

Personnel Director
Appointed January 14, 2002.

Alan L. Butkovitz

City Controller
Elected by voters of Philadelphia.
Serving as Board Member since
January 2, 2006.

John A. Reilly

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

William Rubin

AFSCME District Council 33. Serving
as Employee Elected Representative
since November 2004.

Carol Stukes

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

Ronald Stagliano

Fraternal Order of Police. Serving as
Employee Elected Representative since
November 2004.

CONSULTANTS

ACTUARY

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

AUDITOR

City Controller
And
Mitchell & Titus, LLP
Philadelphia, Pennsylvania

LEGAL COUNSEL

City Solicitor

GENERAL INVESTMENT CONSULTANT

Fiduciary Investment Solutions, Inc.
Philadelphia, Pennsylvania

ALTERNATIVE INVESTMENT CONSULTANTS

CRA RogersCasey
Darien, Connecticut

Franklin Park
Bala Cynwid, Pennsylvania

CUSTODIAN BANK

State Street Bank
Boston, Massachusetts

INVESTMENT MANAGERS

U. S. Equities

Ark Asset Management
New York, New York

Aronson + Johnson + Ortiz, LLC
Philadelphia, Pennsylvania

Boston Partners Asset Management
Boston, Massachusetts

Chicago Equity Partners
Chicago, Illinois

Cooke & Bieler
Philadelphia, Pennsylvania

Emerald Advisors
Lancaster, Pennsylvania

Navellier & Associates
Reno, Nevada

New York Life
New York, New York

Northern Trust
Chicago, Illinois

Paradigm Asset Management
New York, New York

Turner Investment Partners
Berwyn, Pennsylvania

Wellington Management
Company, LLP
Boston, Massachusetts

Wells Capital Management
Minneapolis, Minnesota

International Equities

Fidelity Investments
Boston, Massachusetts

Mondrian Investment Partners
London, England

Northern Trust
Chicago, Illinois

Philadelphia International Advisors
Philadelphia, Pennsylvania

Portable Alphas

Bridgewater Associates, Inc.
Westport, Connecticut

First Quadrant Corp.
Pasadena, California

Global Fixed Income

Aberdeen Asset Management
Philadelphia, Pennsylvania

Fidelity Investments
Boston, Massachusetts

Northern Trust
Chicago, Illinois

Western Asset Management Co.
Pasadena, California

Relative Return Bond

AIG Global Investors Corp.
Wilton, Connecticut

Convertible

Lord Abbett & Company
Jersey City, New Jersey

Tactical Asset Allocation

Mellon Capital Management Corp.
San Francisco, California

Opportunity Fund

Capital Prospects
Stamford, Connecticut

PFM Advisors
Philadelphia, Pennsylvania

Hedge Fund

Allianz Hedge Fund Partners
San Francisco, California

Arden Asset Management
New York, New York

Attalus Multi-Strategy Fund
Philadelphia, Pennsylvania

Mesirow Non-Directional Fund
Chicago, Illinois

New Markets Capital Partners
Philadelphia, Pennsylvania

Rock Creek Potomac Fund
Washington, D.C.

Cash Management

State Street Bank
Boston, Massachusetts

Alternative Investments

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

Asian Financial Bank
Philadelphia, Pennsylvania

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

Bay Partners XI, L.P.
Cupertino, California

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

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

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

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

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

GS Capital, L.P.
Wayne, Pennsylvania

Kohlberg Investors V, L.P.
Mt. Kisco, New York

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

LLR Equity Partners, L.P., I & II
Philadelphia, Pennsylvania

Merion Investment Partners, L.P.
King of Prussia, Pennsylvania

Morgan Stanley Venture
Partners IV & 2002, L.P.
New York, New York

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

Pharos Capital Partners II, L.P.
Houston, Texas

Quaker BioVentures, L.P.
Philadelphia, Pennsylvania

State of Israel Jubilee ISS
Israel Bonds

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

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

Falcon Mezzanine Partners, L.P.
Needham, Maryland

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

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

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

Littlejohn Fund III, L.P.
Greenwich, Connecticut

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

MGIC Mortgage Marketing Corp.
Milwaukee, Wisconsin

Nogales Investors Fund I, L.P.
Los Angeles, California

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

Platinum Equity Capital Partners, L.P.
Beverly Hills, California

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

Sterling Capital Partners II, L.P.
Northbrook Illinois

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

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

Thomas Weisel Capital
Partners, LP
San Francisco, California

Veritas Capital Partners III, L.P.
New York, New York

Wicks Communications & Media
Partners III, L.P.
New York, New York

Real Estate Investments

Arsenal Real Estate Fund
Morristown, New Jersey

CIGNA Realty Corp.
Hartford, Connecticut

The Retail Initiative
New York, New York

United Bank of Philadelphia
Philadelphia, Pennsylvania

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

Beacon Capital
Boston, Massachusetts

Heitman Capital Management Corp.
Chicago, Illinois

MISSION

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

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

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

The Executive Director, aided by a staff of 72 personnel, administers the day-to-day activities of the Retirement System.

MEMBERSHIP

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

In fiscal year 2006, the Public Employees Retirement System had 29,929 active members and 33,185 retired members, including 8,694 survivors and 4,472 people receiving disability benefits.

During fiscal year 2006, the Board approved 1,572 pension applications submitted by retiring employees, surviving spouses, beneficiaries and disabled members. The Board processed 1,259 refunds of pension contributions to former employees and beneficiaries of deceased members.

FUNDING

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

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

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

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

In January 1999, the City issued \$1.29 billion of 30-year pension obligation bonds having an overall rate of 6.61% with a goal of reducing the City's unfunded pension obligation liability.

The normal cost to the Public Employees Retirement System for fiscal year 2006 was \$75,778,821. The total unfunded accrued liability for fiscal year 2006 was \$337,079,230, including \$2,024,000 for the *Dombrowski* annual payment.

Under the City's funding policy, the recommended contribution for the City for the current year amounted to \$384,530,843. The City's actual contribution was \$321,346,416. The City's contribution did meet the Minimum Municipal Obligation (MMO) as required by the Commonwealth of Pennsylvania's Acts 205 and 189.

INCOME

The City of Philadelphia is the largest single contributor to the Public Employees Retirement System. The City contributed \$321,346,416 or 38.5% of the total additions to the Retirement System's net assets in fiscal year 2006. Employees contribute a percentage of their pay, and the percentage varies with plan membership. Employee contributions totalled \$48,910,052 or 5.9% of additions. Contributions from the quasi-public agencies amounted to \$10,419,031 or 1.2% of additions.

A major source of income is the earnings of the System's investment portfolio. Interest and dividends amounted to \$65,100,546 or 7.8% of total additions, while securities lending revenue increased plan net assets by \$12,040,928 or 1.4% of additions. Normal investing activity contributed \$403,143,791 in capital gains or 48.3% of the additions. Miscellaneous sources provided \$2,157,351 or .3% towards the additions. Together the contributions and earnings added \$863,118,115 to the plan net assets.

Investment expenses of \$16,780,609 and securities lending expenses of \$11,343,244 resulted in a decrease to the plan net assets of \$28,123,853 or 3.4%. After investment expenses, the plan net assets increased by \$834,994,263 in fiscal year 2006.

INVESTMENTS

The 9-member Board of Pensions and Retirement plays an active role in the determination of investment policy and strategy. All major decisions with regard to the portfolio are approved by the Board based upon the recommendations of its investment consultant and managers and the Board's in-house investment staff. Fiduciary Investment Solutions, Inc., the Board's Investment Consultant, oversees the management of the portfolio by investment management firms (a listing of these firms is presented on Pages 2-6).

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

As part of its overall investment policy, the Board approved an asset allocation strategy which has as its goal the identification of the mix of broad asset classes that most efficiently balances the need for achieving an 8.75% rate of return with the desire to minimize the possibility of capital loss. This strategy is periodically reviewed by the Board for possible fine-tuning to ensure that it remains dynamic and reflective of market conditions.

The current portfolio structure is: 36.25% Domestic Equities; 14.77% International Equities; 17.13% Global Fixed Income; 4.41% Global TIPS; 3.02% Relative Return Bond; 1.23% Convertible Bond; 5.15% Tactical Asset Allocation (TAA) Balanced Portfolio of Stocks and Bond (Target of 60/40); 5.29% Opportunity Fund; 4.29% Hedge Fund - Non Directional; 1.31% Hedge Fund - Directional; 6.86% Alternative Investments; 0.08% Real Estate; and 0.19% Cash.

As of the fiscal year ending June 30, 2006, the total market value of Pension Fund investments was \$4,349,089,071 (an 8.1% increase over fiscal year 2005) vs. the value at cost of \$3,930,455,315 (a 10.8% increase over fiscal year 2005). Accounting principles require the recognition of the assets at fair value and the resultant unrealized gain or loss shown as an addition or deduction to plan net assets.

EXPENSES

Pension benefit payments are the Board's greatest current normal expense. Of the total deduction of \$620,196,026 from plan net assets in fiscal 2006, \$608,682,198 or 98.1% were pension payments. Other expenses included \$4,791,109 for the refund of members' contributions and \$6,722,719 for administrative expenses.

AMENDMENTS TO CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT CODE

Section 22-105 – Definitions – Bill No. 051066 (Enacted by City Council May 25, 2006)

Section 22-105(9)(b) was amended to provide that court reporter fees may be included in the calculation of compensation. The burden of proving the amount of the fees is on the employee and subject to requirements provided for in a Regulation of the Board of Pensions and Retirement.

Section 22-105 – Definitions – Bill No. 060265 (Enacted by City Council May 25, 2006)

Section 22-105(9)(a)(.4) was amended to provide that effective July 1, 2003 the definition of compensation for pension calculation purposes for members of Police Plans B and D shall include 4% stress pay.

Section 22-105(9)(a)(.5) was amended to provide that effective July 1, 2003 the definition of compensation for pension calculation purposes for members of Fire Plans A and X shall include a maximum 4% of premium pay.

PROFESSIONAL SERVICES

Professional consultants are retained by the Board of Pensions and Retirement to provide expertise and support necessary for the administration of the Public Employees Retirement System. A list of those firms rendering professional services to the Board is presented on Pages 2-6.

AUDIT

The City Controller's Office, which is independent of the City of Philadelphia Administration, audits all operational transactions of the Board of Pensions and Retirement. For the Fiscal year ending June 30, 2006, the Board elected to have the annual financial audit of the Municipal Pension Fund performed by the accounting firm of Mitchell & Titus, LLP.

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 |

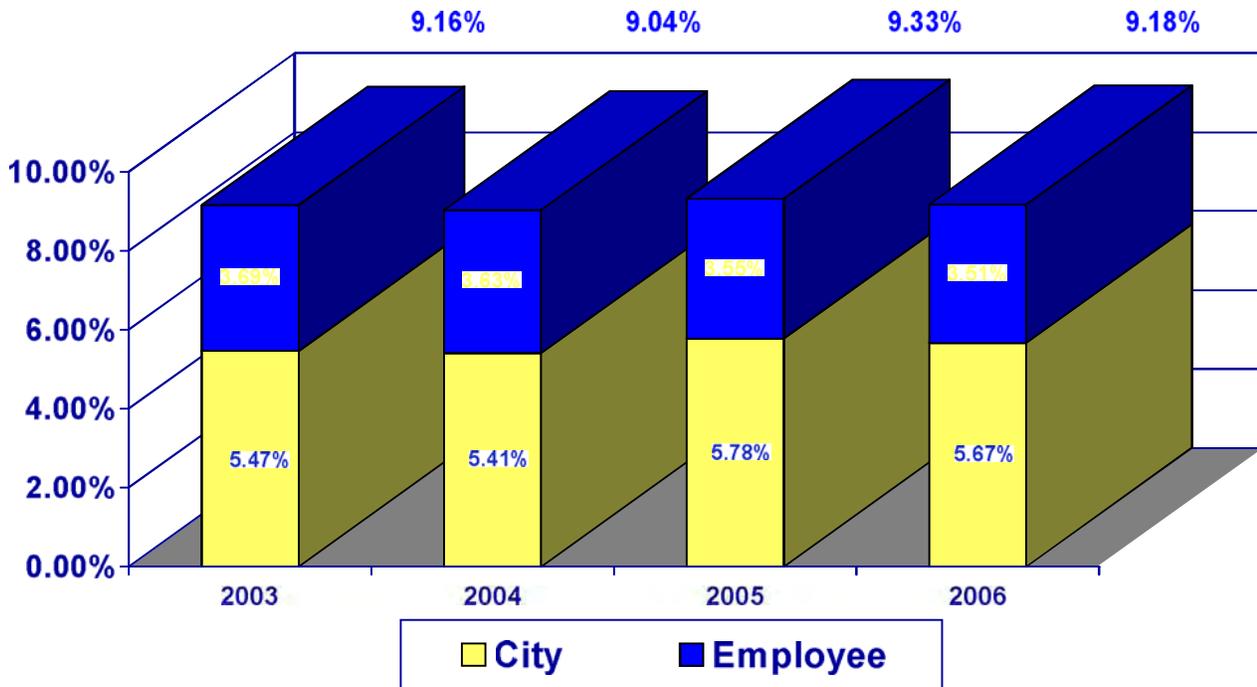
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2007, these totaled \$57,742,370 (general state assistance of \$49,650,196 and COLA reimbursements of \$5,702,535 and \$2,389,638).
- b. Determined using estimated July 1, 2007 annual payroll. 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.

EXECUTIVE SUMMARY

Normal cost

The total normal cost is the cost of one year's accrual of projected benefits plus administrative expenses. The City's normal cost equals the total normal cost *less* expected employee contributions. The 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)

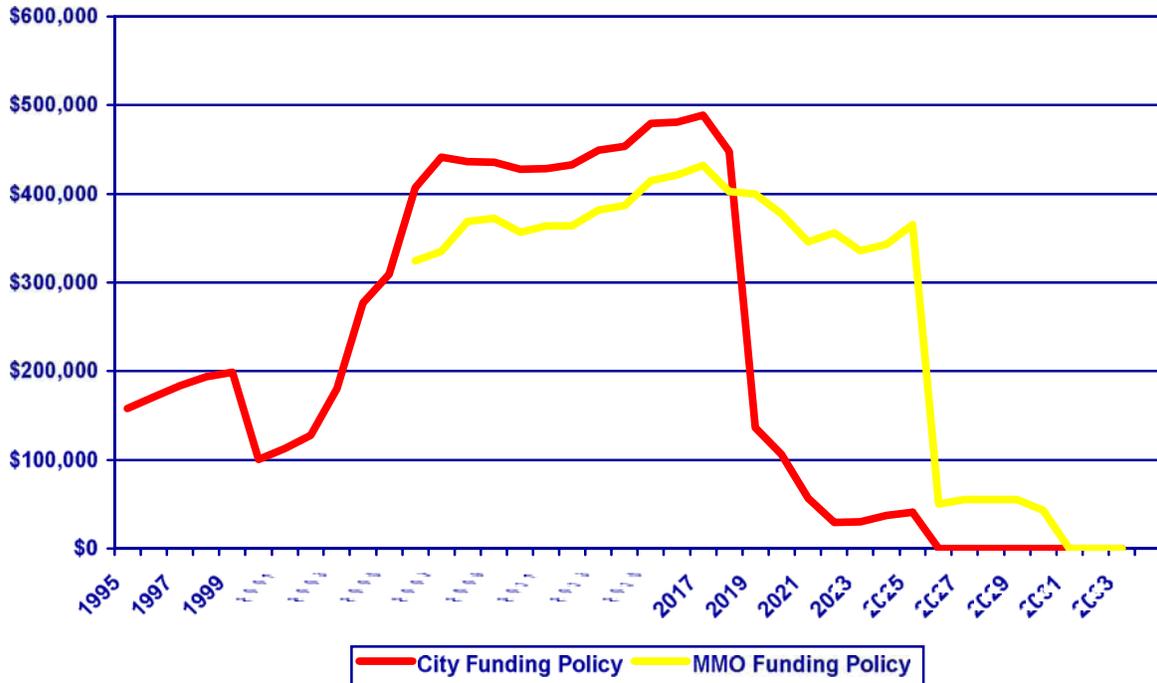
| | | |
|---------------------------------------|--------|------------|
| 2005 Unfunded liability | | \$ 3,692 |
| Change due to: | | |
| Expected change from payment schedule | \$ (7) | |
| Plan changes | 0 | |
| Salary increases | (7) | |
| Investment return | 112 | |
| Assumption changes | 0 | |
| 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.

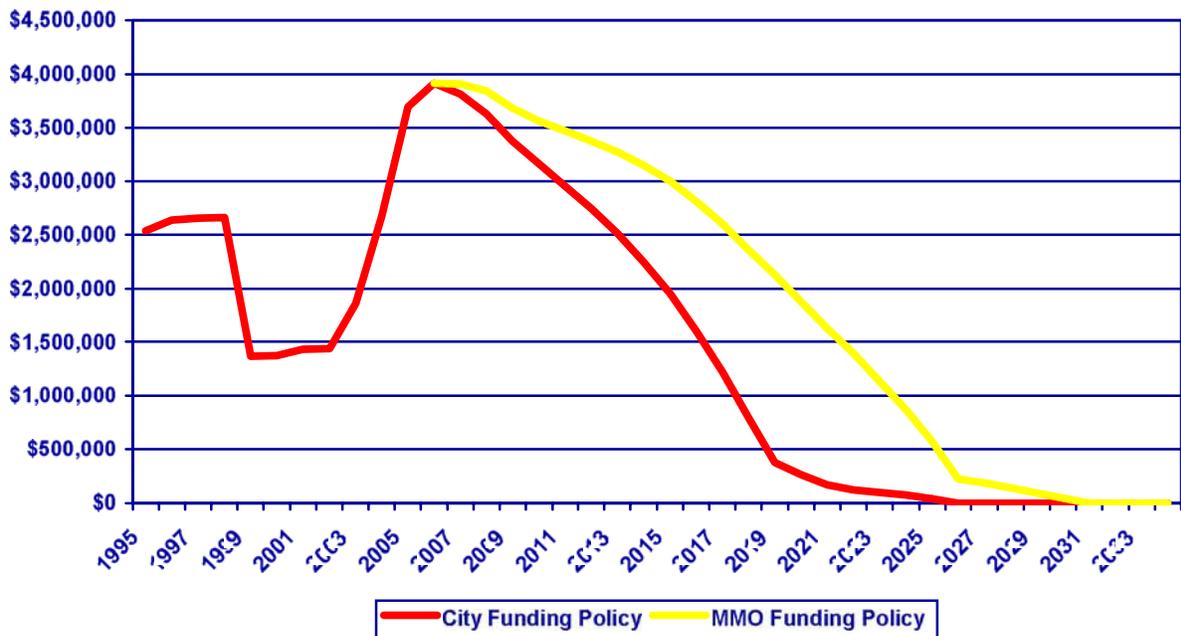
The City has contributed the MMO payment the last few years versus contributing the City's funding policy amount. While the MMO payments are lower now, these MMO payments are expected to continue for a longer time period to pay off the unfunded liability. Graph 3(A) illustrates the difference in the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

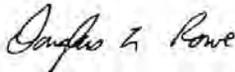


Thomas Skiavo, EA, MAAA
Enrollment Number: 05-6727

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

Mercer Human Resource Consulting
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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

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 | | | | | | | | | | Estimated Annual Payroll | Progress of Unfunded Actuarial Accrued Liability | Annual Payments as a Percent of Pay |
|----------------------------|----------------------------------|---------|--------|-----------|---------|---------|-------|---------|-----------|-----------|--------------------------|--|-------------------------------------|
| | 1967 Plan | | | | | Plan 87 | | | | | | | |
| | Municipal | Police | Fire | Municipal | Elected | Police | Fire | Total | | | | | |
| 2006 | N/A | N/A | 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.

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 | \$ 235 | 1 | \$ 235 | \$ 20 | 1 | \$ 20 | \$ 10 | 1 | \$ 10 |
| Active plan change | \$ 130 | 2 | \$ 68 | \$ 0 | | \$ 0 | \$ 0 | | \$ 0 |
| July 1, 1992 additional amounts | \$ (505) | 4 | \$ (143) | \$ (336) | 4 | \$ (95) | \$ 0 | | \$ 0 |
| Active plan change | (4,972) | 4 | (1,404) | 40 | 4 | 11 | (926) | 4 | (261) |
| Assumption change | (5,477) | | (1,546) | (296) | | (84) | (926) | | (261) |
| Subtotal ^b | \$ (1,272) | 1 | \$ (1,272) | \$ (195) | 1 | \$ (195) | \$ (754) | 1 | \$ (754) |
| July 1, 1994 additional amounts | \$ 311 | 9 | \$ 47 | \$ 0 | | \$ 0 | \$ 0 | | \$ 0 |
| Active plan change | 3,293 | 4 | 930 | 221 | 4 | 62 | (1,429) | 4 | (403) |
| Assumption change | 3,604 | | 977 | 221 | | 62 | (1,429) | | (403) |
| Subtotal ^b | \$ 2,741 | 5 | \$ 644 | \$ 1,345 | 5 | \$ 316 | \$ (1,169) | 5 | \$ (275) |
| July 1, 1996 additional amounts | \$ 36,584 | 11 | \$ 4,885 | \$ 4,477 | 11 | \$ 598 | \$ 1,886 | 11 | \$ 252 |
| Active plan change | (32,876) | 6 | (6,089) | (12,618) | 6 | (2,567) | (8,435) | 6 | (1,716) |
| Assumption change | 3,709 | | (1,804) | (8,141) | | (1,969) | (6,549) | | (1,464) |
| Subtotal ^b | \$ (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.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

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

- *A statement of plan net assets* including information about plan assets and liabilities at the reporting date. This information is shown in the Financial Experience of the Fund section of the report.
- *A statement of changes in plan net assets* including receipts and disbursements. This information is also contained in the Financial Experience of the Fund section of the report.
- *A schedule of funding progress* including historical information about the actuarially determined funded status of the plan and the progress made in accumulating sufficient assets. This information should be provided for each of the past six plan years. For the transition year and the following five years the schedules should show information for the current year and as many prior years as available. This schedule is shown in Table 54 below.
- *A schedule of employer contributions* including historical trend information about the Annual Required Contributions (ARC) and the contributions made by the employer in relation to the ARC. This information is shown in Table 55.

54. Schedule of funding progress (dollars in millions)

| Actuarial Valuation Date | Actuarial Value Of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 7/1/92 | \$1,981.8 | \$4,425.5 | \$2,443.7 | 44.78% | \$ 993.3 | 246.02% |
| 7/1/93 | 2,113.9 | 4,502.1 | 2,388.2 | 46.95% | 975.0 | 244.94% |
| 7/1/94 | 2,225.2 | 4,662.6 | 2,437.4 | 47.72% | 974.3 | 250.17% |
| 7/1/95 | 2,312.1 | 4,850.8 | 2,538.7 | 47.66% | 1,006.4 | 252.26% |
| 7/1/96 | 2,457.2 | 5,098.1 | 2,640.9 | 48.20% | 1,068.3 | 247.21% |
| 7/1/97 | 2,660.9 | 5,318.1 | 2,657.2 | 50.03% | 1,067.7 | 248.87% |
| 7/1/98 | 2,921.3 | 5,586.1 | 2,664.8 | 52.30% | 1,128.2 | 236.19% |
| 7/1/99 | 4,496.8 | 5,862.1 | 1,365.3 | 76.71% | 1,178.6 | 115.84% |
| 7/1/00 | 4,765.0 | 6,193.4 | 1,428.4 | 76.94% | 1,142.8 | 124.99% |
| 7/1/01 | 4,943.4 | 6,379.8 | 1,436.4 | 77.49% | 1,180.4 | 121.69% |
| 7/1/02 | 4,891.3 | 6,727.2 | 1,835.9 | 72.71% | 1,207.3 | 152.06% |
| 7/1/03 | 4,548.1 | 7,188.3 | 2,640.2 | 63.27% | 1,269.3 | 208.00% |
| 7/1/04 | 4,333.1 | 7,247.7 | 2,914.7 | 59.79% | 1,266.0 | 230.23% |
| 7/1/05 | 4,159.5 | 7,851.5 | 3,691.9 | 52.98% | 1,270.7 | 290.54% |
| 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 |
|--------------------------------------|------------|------------|------------|----------------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|------------|
| Interest on NPO | \$ 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 |
| Adjustment to ARC | — | (900) | (869) | (840) | (811) | (783) | (113,257) | (110,748) | (106,975) | (103,330) | (98,392) | (90,448) | (82,068) |
| 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.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2006

ASSETS

| | |
|-----------------------------------|---------------|
| Cash on Deposit and on Hand | \$ 21,931,505 |
| Investments at Fair Value | 4,349,089,071 |
| Securities Lending | 404,307,762 |
| Accounts Receivable | 4,077,069 |
| Due from Brokers | 29,625,495 |
| Interest and Dividends Receivable | 7,377,285 |
| Due from Other Governmental Units | 3,513,290 |

| | |
|---------------------|-------------------------|
| <u>Total Assets</u> | \$ <u>4,819,921,477</u> |
|---------------------|-------------------------|

LIABILITIES

| | |
|----------------------------|-------------|
| Vouchers Payable | \$ 30,238 |
| Accounts Payable | 4,290,750 |
| Salaries and Wages Payable | 109,716 |
| Due on Securities Lending | 404,307,762 |
| Due to Brokers | 90,676,821 |
| Accrued Expenses | 1,165,356 |
| Deferred Revenue | 2,227,796 |
| Other Liabilities | 526,792 |

| | |
|--------------------------|--------------------|
| <u>Total Liabilities</u> | <u>503,335,230</u> |
|--------------------------|--------------------|

| | |
|---|-------------------------|
| Net Assets Held in Trust for Pension Benefits | \$ <u>4,316,586,247</u> |
|---|-------------------------|

City Of Philadelphia
Municipal Pension Fund
Summary of Investments by Type
For the Fiscal Year Ended June 30, 2006

Schedule A-1a

| | Par | Cost | Market |
|-------------------------------------|----------------------|----------------------|----------------------|
| U.S. Government Securities | 113,745,421 | 113,742,752 | 112,195,340 |
| U.S. Government Agency Securities | 198,065,403 | 182,916,928 | 178,836,857 |
| Corporate Bonds | 229,197,495 | 230,512,287 | 251,572,567 |
| Corporate Equity | 208,840,291 | 2,883,190,326 | 3,260,069,928 |
| Collateralized Mortgage Obligations | 90,032,494 | 89,433,972 | 87,615,211 |
| Other Bonds & Investments | 94,475,663 | 61,471,824 | 61,794,183 |
| Short Term Investment Pools | 63,588,900 | 63,566,688 | 63,566,688 |
| Real Estate | 23,437,430 | 46,245,163 | 29,341,056 |
| Financial Agreements | <u>189,927,816</u> | <u>259,375,376</u> | <u>304,097,240</u> |
| | | | |
| Total | <u>1,211,310,914</u> | <u>3,930,455,315</u> | <u>4,349,089,071</u> |

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2006 AND 2005

| | June 30, 2006 | June 30, 2005 |
|--|-------------------------|-------------------------|
| Additions: | | |
| Contributions: | | |
| Employer's Contributions | \$ 331,765,447 | \$ 299,239,221 |
| Employees' Contributions | <u>48,910,052</u> | <u>49,328,140</u> |
| Total Contributions | 380,675,500 | 348,567,361 |
| Investment Income: | | |
| Interest and Dividends | 65,100,546 | 74,571,116 |
| Gain (Loss) from Sale of Investments | 403,143,791 | 321,234,088 |
| (Less) Investment Expenses | (16,780,609) | (15,012,132) |
| Securities Lending Revenue | 12,040,928 | 8,499,493 |
| (Less) Securities Lending Expenses | (11,343,244) | (7,564,803) |
| Net Investment Income | <u>452,161,412</u> | <u>381,727,762</u> |
| Miscellaneous Operating Revenues | 2,157,351 | 358,422 |
| Total Additions | <u>834,994,263</u> | <u>730,653,545</u> |
| Deductions: | | |
| Personal Services | 3,383,531 | 3,320,747 |
| Purchase of Services | 1,055,663 | 1,644,744 |
| Materials and Supplies | 101,766 | 101,580 |
| Employee Benefits | 2,034,523 | 1,507,331 |
| Pension Benefits | 608,682,198 | 590,653,605 |
| Refunds of Members' Contributions | 4,791,109 | 4,641,536 |
| Other Operating Expenses | <u>147,236</u> | <u>202,673</u> |
| Total Deductions | <u>620,196,026</u> | <u>602,072,216</u> |
| Net Increase | <u>214,798,237</u> | <u>128,581,329</u> |
| Net Assets Held in Trust for Pension Benefits - July 1, 2005 | <u>4,101,788,010</u> | <u>3,973,206,681</u> |
| Net Assets Held in Trust for Pension Benefits - June 30, 2006 | <u>\$ 4,316,586,247</u> | <u>\$ 4,101,788,010</u> |

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
ANALYSIS OF MEMBER'S CONTRIBUTION
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

| | Municipal Division - Old | Municipal Division - New | Fire Division - New | Police Division - New |
|--|--------------------------------|--------------------------------|---------------------------|-----------------------------|
| Balance July 1, 2005 | \$ 203,351 | \$ 327,313 | \$ 59,410,621 | \$ 106,234,197 |
| Additions: | | | | |
| Regular Payroll Deductions | - | 3,308 | 2,036,048 | 5,042,919 |
| Installment Repurchase Deductions | - | - | 46,484 | 58,482 |
| Payments Through City Treasurer | - | - | 196,728 | 156,601 |
| Retirees' Pension Payments | - | - | 26,575 | 8,512 |
| Net Change in Liability for Deceased Pensioners | - | - | - | (40,830) |
| Net Change in Liability for Pensioners' Unexpected Contribution | - | - | (587,776) | 138,854 |
| Adjustments to Members' Contribution Accounts | - | - | - | - |
| Unclaimed Withdrawal Checks Deposited | - | - | - | - |
| Total Additions | <u>-</u> | <u>3,308</u> | <u>1,718,059</u> | <u>5,364,537</u> |
| Deductions | | | | |
| Withdrawals | - | - | 52,190 | 154,862 |
| Retirements | - | - | 4,701,524 | 8,802,090 |
| Adjustments to Members' Contribution Accounts | - | - | - | - |
| Total Deductions | <u>-</u> | <u>-</u> | <u>4,753,714</u> | <u>8,956,952</u> |
| Net Change in Year | <u>-</u> | <u>3,308</u> | <u>(3,035,655)</u> | <u>(3,592,415)</u> |
| Balance, June 30, 2006 | <u>\$ 203,351</u> | <u>\$ 330,621</u> | <u>\$ 56,374,966</u> | <u>\$ 102,641,782</u> |

EXHIBIT A-3

| Elected Officials | Municipal Revised Plan 60 | Municipal Revised Plan 87 | Municipal Revised Plan 93 | Fire Division Old | Police Division Old | Total |
|---------------------|---------------------------|---------------------------|---------------------------|----------------------|-----------------------|-----------------------|
| <u>\$ 2,203,962</u> | <u>\$ 268,689,667</u> | <u>\$ 7,186,054</u> | <u>\$ 59,096,655</u> | <u>\$ 22,641,328</u> | <u>\$ 90,870,543</u> | <u>\$ 616,863,691</u> |
| 171,789 | 11,918,691 | 7,844 | 10,085,058 | 3,322,410 | 12,716,310 | 45,304,375 |
| 4,735 | 135,003 | - | 432,773 | 153,356 | 159,085 | 989,917 |
| 6,443 | 967,162 | 36,790 | 902,903 | 219,890 | 50,383 | 2,536,901 |
| - | 42,651 | 1,121 | - | - | - | 78,859 |
| - | 196,661 | (34,890) | 10,657 | - | 59,333 | (190,931) |
| 104,149 | 588,428 | 1775 | 131371 | (9,489) | (35,217) | 332,095 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>287,116</u> | <u>13,848,596</u> | <u>12,640</u> | <u>11,562,762</u> | <u>3,686,167</u> | <u>12,949,893</u> | <u>49,051,216</u> |
| 109,917 | 1,456,935 | 233 | 1,872,074 | 232,289 | 912,610 | 4,791,109 |
| 172,307 | 19,331,572 | 19,907 | 964,115 | 58,357 | 406,359 | 34,456,232 |
| - | - | - | - | - | - | - |
| <u>282,224</u> | <u>20,788,507</u> | <u>20,140</u> | <u>2,836,189</u> | <u>290,647</u> | <u>1,318,969</u> | <u>39,247,341</u> |
| 4,892 | (6,939,911) | (7,500) | 8,726,573 | 3,395,520 | 11,630,924 | 9,803,875 |
| <u>\$ 2,208,854</u> | <u>\$ 261,749,756</u> | <u>\$ 7,178,554</u> | <u>\$ 67,823,228</u> | <u>\$ 26,036,848</u> | <u>\$ 102,501,467</u> | <u>\$ 626,667,566</u> |

MUNICIPAL PENSION FUND
ANALYSIS OF FUND BALANCE
FOR THE PERIOD ENDED JUNE 30, 2006

Exhibit A-4

| | <u>Reserve for Member Contributions</u> | <u>Reserve for Payment of Pensions and All Other Purposes</u> | <u>Total Reserves</u> |
|--|---|---|------------------------|
| Balance, July 1, 2005 | <u>\$616,863,691</u> | <u>\$3,484,924,319</u> | <u>\$4,101,788,010</u> |
| Additions: | | | |
| Contributions: | | | |
| Employees | 48,910,052 | | |
| Quasi-Public Agencies | - | 10,419,032 | |
| City Appropriations | - | 321,346,416 | |
| Total Contributions | 48,910,052 | 331,765,447 | |
| Interest: | | | |
| Members' Reinstatements | - | 45,964 | |
| Interest on Long-Term Investments | - | 63,322,582 | |
| Interest on Short-Term Investments | - | 1,732,000 | |
| Total Interest | - | 65,100,546 | |
| Members' Contributions Transferred To Reserve for Retirements | - | 34,456,232 | |
| Adjustments for Employees Unexpended Vacation Time | - | - | |
| Adjustments to Members' Unexpended Contributions | 332,095 | - | |
| Adjustments for Accrued Death Benefits | - | - | |
| Net Appreciation Fair Value of Investment Managers | - | - | |
| Net Income (Loss) from Investment Managers | - | 403,143,791 | |
| Other Additions: | | | |
| Unclaimed Withdrawal Checks Deposited | - | - | |
| Refunds and Cancelled Checks-Prior Years' Pensions | - | 1,246,094 | |
| Miscellaneous Receipts | - | 1,477,319 | |
| Miscellaneous Fund Balance Adjustments | - | 131,622 | |
| Total Other Additions | - | 2,855,035 | |
| Total Additions | 49,242,147 | 837,321,052 | 886,563,199 |
| Deductions: | | | |
| Withdrawals | 4,791,109 | - | |
| Retirements | 34,456,232 | - | |
| Adjustments to Members' Contributions | - | - | |
| Administrative Expenses | - | 6,292,346 | |
| Payments of Pensions and Benefits | - | 608,682,198 | |
| Investment Manager Expenses | - | 16,780,609 | |
| Adjustments for Employees Unexpended Vacation Time | - | (5,295) | |
| Adjustments to Members' Unexpended Contributions | - | 332,095 | |
| Adjustments for Accrued Death Benefits | - | 244,737 | |
| Adjustments for Liability to Deceased Pensioners | 190,931 | - | |
| Miscellaneous Fund Balance Adjustments | - | - | |
| Total Deductions | 39,438,272 | 632,326,690 | 671,764,962 |
| Balance , June 30, 2006 | <u>\$626,667,566</u> | <u>\$3,484,924,319</u> | <u>\$4,316,586,247</u> |

City of Philadelphia
Municipal Pension Fund
Statement of Cash Receipts and Disbursements
For the Fiscal Year Ended June 30, 2006

EXHIBIT A-5

| | |
|------------------------------------|--------------------------|
| Balance July 1, 2005 | 111,923,987 |
| Receipts: | |
| From Members: | |
| Contributions | 48,801,448 |
| Installment Interest | 3,958 |
| Installment Penalty Fees | 13,652 |
| Total Member Receipts | <u>48,819,059</u> |
| Employer Contributions | 321,346,416 |
| Interest on Short-term Securities | 1,732,000 |
| Earnings on Security Lendings | 697,684 |
| Miscellaneous Revenue | 779,635 |
| Refunds and Canceled Checks | 1,399,458 |
| Quasi Reimbursements | 11,339,324 |
| Investment Activity-Transfers(Net) | 157,562,403 |
| Total Receipts | <u>543,675,978</u> |
| Total Available for Disbursement | <u>655,599,965</u> |
| Disbursements: | |
| Pensions and Benefits | 608,822,292 |
| Withdrawals | 4,791,109 |
| Expenditure Payments | 2,509,832 |
| Fringe Benefit Charges | 447,816 |
| Payroll Charges | 2,912,143 |
| Salaries Payable | 3,569 |
| Operating Account Activity | 13,539,182 |
| Expenditure Transfers (Net) | 642,517 |
| Total Disbursements | <u>633,668,461</u> |
| Balance June 30, 2006 | <u><u>21,931,505</u></u> |

City of Philadelphia
 Year-End Pension Contribution
 Pension Contributions By Division
 Fiscal Year Ending June 30, 2006

| | <u>Payroll Used To Determine Normal Cost</u> | <u>Normal Costs</u> | <u>Unfunded Liability</u> | <u>Less Quasi Contributions</u> | <u>Plus Total Interest Charges</u> | <u>Total Pension Contribution</u> |
|-------------------------------|--|---------------------|-------------------------------|-------------------------------------|--|---|
| Police - 1967 Plan | 83,697,973.14 | 7,499,338.39 | 121,905,600.00 | | (5,758,403.68) | 123,646,534.71 |
| Police - 1987 Plan | 253,809,183.00 | 16,974,758.16 | 1,440,980.00 | | (819,483.83) | 17,596,254.33 |
| Fire - 1967 Plan | 34,150,086.95 | 2,997,694.63 | 38,439,940.00 | | (1,843,937.57) | 39,593,697.06 |
| Fire - 1987 Plan | 66,301,752.72 | 4,794,942.76 | (111,180.00) | | (208,423.24) | 4,475,339.52 |
| Municipal - 1967 Plan | 317,446,302.42 | 16,335,786.72 | 175,385,360.00 | (8,508,990.50) | (8,152,776.61) | 175,059,379.61 |
| Municipal - 1987 Plan | 496,153,508.72 | 25,159,944.43 | (200,560.00) | | (1,110,670.22) | 23,848,714.21 |
| Municipal Elected - 1987 Plan | 2,251,466.18 | 106,314.23 | 219,090.00 | | (14,480.20) | 310,924.04 |
| Quasi-Governmental Agencies | 37,117,009.04 | 1,910,041.29 | | (1,910,041.29) | | 0.00 |
| | 1,290,927,282.18 | 75,778,820.61 | 337,079,230.00 | (10,419,031.79) | (17,908,175.34) | 384,530,843.48 |

CITY OF PHILADELPHIA
MUNICIPAL RETIREMENT SYSTEM

APPLICATIONS PROCESSED DURING JULY 2004 THROUGH JUNE 2005

| <u>DIVISION</u> | <u>WITHDRAWAL APPLICATIONS</u> | | | <u>PENSION APPLICATIONS</u> | | | | <u>GRAND TOTAL APPLICATIONS</u> |
|--------------------|--------------------------------|---------------|--------------|-----------------------------|-----------------|-------------------------------|-------------------|---------------------------------|
| | <u>Members</u> | <u>Deaths</u> | <u>Total</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors of Employees</u> | <u>Pensioners</u> | |
| MUNICIPAL | 1,105 | 40 | 1,145 | 809 | 76 | 43 | 220 | 1,148 |
| FIRE | 16 | 2 | 18 | 125 | 2 | 13 | 38 | 178 |
| POLICE | 85 | 1 | 86 | 191 | 10 | 6 | 100 | 307 |
| <u>GRAND TOTAL</u> | <u>1,206</u> | <u>43</u> | <u>1,249</u> | <u>1,125</u> | <u>88</u> | <u>62</u> | <u>358</u> | <u>1,633</u> |

APPLICATIONS PROCESSED DURING JULY 2005 THROUGH JUNE 2006

| <u>DIVISION</u> | <u>WITHDRAWAL APPLICATIONS</u> | | | <u>PENSION APPLICATIONS</u> | | | | <u>GRAND TOTAL APPLICATIONS</u> |
|--------------------|--------------------------------|---------------|--------------|-----------------------------|-----------------|-------------------------------|-------------------|---------------------------------|
| | <u>Members</u> | <u>Deaths</u> | <u>Total</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors of Employees</u> | <u>Pensioners</u> | |
| MUNICIPAL | 1,122 | 43 | 1,165 | 770 | 88 | 34 | 222 | 1,114 |
| FIRE | 23 | 0 | 23 | 91 | 1 | 4 | 40 | 136 |
| POLICE | 70 | 1 | 71 | 191 | 19 | 10 | 102 | 322 |
| <u>GRAND TOTAL</u> | <u>1,215</u> | <u>44</u> | <u>1,259</u> | <u>1,052</u> | <u>108</u> | <u>48</u> | <u>364</u> | <u>1,572</u> |

CITY OF PHILADELPHIA

MUNICIPAL RETIREMENT SYSTEM

COMPARATIVE STATEMENT OF RETIREMENT BENEFITS IN FORCE

AS OF JUNE 30, 2005 AND JUNE 30, 2006

| | <u>NUMBER RECEIVING BENEFITS</u> | | | | <u>MONTHLY RATE OF PENSION BENEFITS IN FORCE</u> | | | |
|---------------------------|----------------------------------|-----------------|------------------|---------------|--|--------------------|--------------------|---------------------|
| | <u>Retired Members</u> | | | | <u>Retired Members</u> | | | |
| | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> |
| <u>JUNE 30, 2005</u> | | | | | | | | |
| <u>MUNICIPAL DIVISION</u> | 12,213 | 2,018 | 5,532 | 19,763 | \$17,389,020 | \$2,471,293 | \$2,788,534 | \$22,648,847 |
| <u>FIRE DIVISION</u> | 1,895 | 476 | 942 | 3,313 | 4,004,798 | 737,547 | 585,284 | 5,327,629 |
| <u>POLICE DIVISION</u> | 5,571 | 2,044 | 2,198 | 9,813 | 10,454,619 | 2,866,241 | 1,361,072 | 14,681,932 |
| <u>GRAND TOTAL</u> | <u>19,679</u> | <u>4,538</u> | <u>8,672</u> | <u>32,889</u> | <u>\$31,848,437</u> | <u>\$6,075,081</u> | <u>\$4,734,890</u> | <u>\$42,658,408</u> |
| | | | | | | | | |
| | <u>Retired Members</u> | | | | <u>Retired Members</u> | | | |
| | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> | <u>Regular</u> | <u>Disabled</u> | <u>Survivors</u> | <u>TOTAL</u> |
| <u>JUNE 30, 2006</u> | | | | | | | | |
| <u>MUNICIPAL DIVISION</u> | 12,440 | 2,011 | 5,540 | 19,991 | \$18,350,612 | \$2,542,704 | \$2,876,452 | \$23,769,768 |
| <u>FIRE DIVISION</u> | 1,941 | 460 | 935 | 3,336 | 4,202,181 | 720,909 | 599,650 | 5,522,740 |
| <u>POLICE DIVISION</u> | 5,638 | 2,001 | 2,219 | 9,858 | 10,752,140 | 2,854,909 | 1,403,354 | 15,010,403 |
| <u>GRAND TOTAL</u> | <u>20,019</u> | <u>4,472</u> | <u>8,694</u> | <u>33,185</u> | <u>\$33,304,933</u> | <u>\$6,118,522</u> | <u>\$4,879,456</u> | <u>\$44,302,911</u> |

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

ACTIVE MEMBERS

| <u>DIVISION</u> | <u>6/30/05</u> | <u>6/30/06</u> |
|------------------------|-----------------------|-----------------------|
| MUNICIPAL | 21,190 | 21,027 |
| FIRE | 2,214 | 2,240 |
| POLICE | 6,702 | 6,662 |
| <u>TOTAL</u> | <u>30,106</u> | <u>29,929</u> |

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