



# ANNUAL REPORT

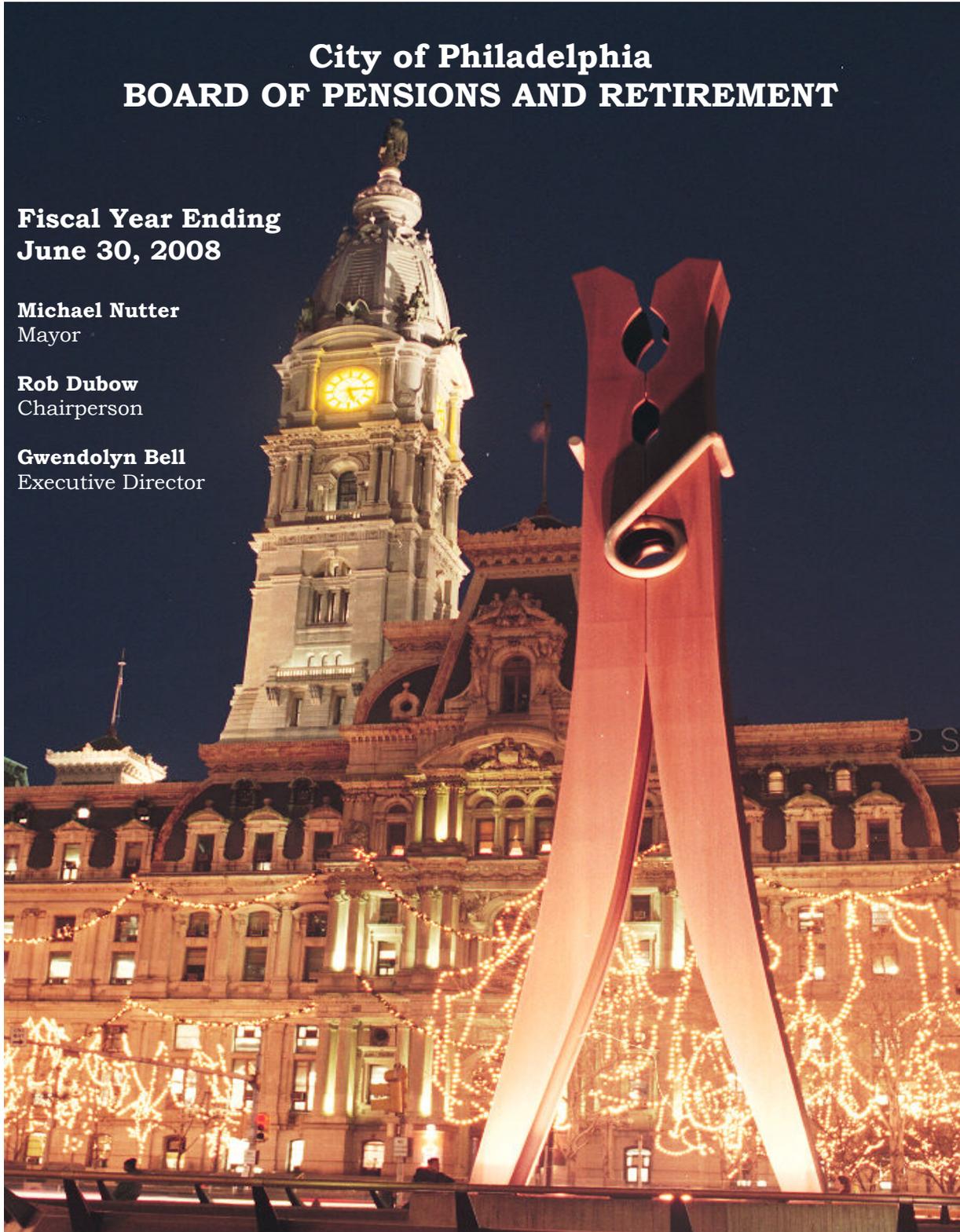
## City of Philadelphia BOARD OF PENSIONS AND RETIREMENT

**Fiscal Year Ending  
June 30, 2008**

**Michael Nutter**  
Mayor

**Rob Dubow**  
Chairperson

**Gwendolyn Bell**  
Executive Director



# City Of Philadelphia

## BOARD OF PENSIONS AND RETIREMENT

### Annual Report

Fiscal Year July 1, 2007 – June 30, 2008



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, 2008.

### **The report consists of three sections:**

- An introductory section, which contains a brief summary of the Fund and identifies the administrators, trustees, investment managers and professional consultants of the Retirement System, and
- 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 pension data, and investment statistics.



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### **NOTES:**

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

For additional copies of this report, write to: Shamika D. Taliaferro, Pension Program Administrator or call 215-496-7427 or 1-800-544-1173, or download from <http://www.phila.gov/pensions>.

## INTRODUCTORY SECTION

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### CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

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**Gwendolyn Bell**

Executive Director

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#### MEMBERS OF THE BOARD

**Rob Dubow**

Chairperson, Director of Finance  
Appointed January 7, 2008.

**Camille Cates-Barnett, Ph.D**

Managing Director  
Appointed January 7, 2008.

**Shelley Smith, Esquire**

City Solicitor  
Appointed January 7, 2008

**Albert L. D'Attilio, Esquire**

Director of Human Resources  
Appointed June 2, 2008

**Alan L. Butkovitz, Esquire**

City Controller  
Elected by voters of Philadelphia.  
Serving as Board Member since January 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 1994.

**Ronald Stagliano**

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

## **CONSULTANTS**

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### **ACTUARY**

**Cheiron**

McLean, Virginia

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### **PRE-AUDIT FUNCTIONS**

**City Controller**

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### **AUDITOR**

**Clifton Gunderson LLP**

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### **LEGAL COUNSEL**

**City Solicitor**

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### **GENERAL INVESTMENT CONSULTANT**

**Fiduciary Investment Solutions, Inc.**

Philadelphia, Pennsylvania

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### **ALTERNATIVE INVESTMENT CONSULTANTS**

**Aksia LLC**

New York, New York

**Franklin Park Associates, LLC**

Bala Cynwyd, Pennsylvania

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### **CUSTODIAN BANK**

**State Street Bank**

Boston, Massachusetts

## INVESTMENT MANAGERS

### *Domestic Equity*

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**Wells Capital Management**  
Menomonee Falls, Wisconsin

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**Aronson + Johnson + Ortiz, LLC**  
Philadelphia, Pennsylvania

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**Intech**  
Palm Beach Gardens, Florida

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**Penn Capital Management**  
Cherry Hill, New Jersey

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**Turner Investment Partners**  
Berwyn, Pennsylvania

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**Emerald Advisors**  
Lancaster, Pennsylvania

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**Wells Capital Management**  
Minneapolis, Minnesota

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**Lombardia Capital**  
Pasadena, California

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**New York Life**  
New York, New York

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**Paradigm Asset Management**  
New York, New York

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**Wellington Management Co. LLP**  
Boston, Massachusetts

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**Rhumblin Advisors**  
Boston, Massachusetts

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**Fisher Investment Management**  
Woodside, California

### *International Equity*

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**Northern Trust**  
Chicago, Illinois

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**Mondrian Investment Partners**  
London, England

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**Philadelphia International Advisers**  
Philadelphia, Pennsylvania

### *Portable Alpha*

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**Bridgewater Associates, Inc.**  
Westport, Connecticut

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**First Quadrant Corp.**  
Pasadena, California

### *Global Fixed Income*

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**Aberdeen Asset Management**  
Philadelphia, Pennsylvania

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**Pyramis Global Advisors**  
Boston, Massachusetts

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**Rhumblin Advisors**  
Boston, Massachusetts

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**Western Asset Management Co.**  
Pasadena, California

## ***Relative Return Bond***

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### **AIG Global Investors Corp.**

Wilton, Connecticut

## ***Convertible Bonds***

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### **Lord Abbett & Company**

Jersey City, New Jersey

## ***Tactical Asset Allocation***

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### **Mellon Capital Management Corp.**

San Francisco, California

## ***Opportunity Fund***

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### **Capital Prospects**

Stamford, Connecticut

### **PFM Advisors**

Philadelphia, Pennsylvania

## ***Hedge Funds***

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### **Attalus Multi-Strategy Fund**

Philadelphia, Pennsylvania

### **Arden Asset Management**

New York, New York

### **Goldman Sacks**

New York, New York

### **Mesirow Non-Directional Fund**

Chicago, Illinois

## ***Cash Management***

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### **State Street Bank**

Boston, Massachusetts

## ***Alternative Investments***

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### **Advent GPE VI, L.P.**

Boston, Massachusetts

### **AIG Altaris II, L.P.**

New York, New York

### **Ascend Ventures, L.P.**

New York, New York

### **Asian Financial Bank**

Philadelphia, Pennsylvania

### **Avenue Special Situations V, L.P.**

New York, New York

### **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

<b>Blackstone Capital Partners, IV, V, L.P.</b> New York, New York	<b>Caryle Europe III, L.P.</b> Washington, D.C.
<b>Castile Ventures, III</b> Waltham, Massachusetts	<b>Columbia Capital Equity Partners II &amp; III QP, L.P.</b> Alexandria, Virginia
<b>Court Square Capital Partners II, L.P.</b> New York, New York	<b>European Strategic Partners I &amp; II, L.P.- Standard Life of Scotland</b> Edinburgh, Scotland
<b>Fairview Capital II &amp; III, L.P.</b> Farmington, Connecticut	<b>Falcon Mezzanine Partners, L.P.</b> Needham, Maryland
<b>Fenway Partners Capital Fund II, L.P.</b> New York, New York	<b>FP Venture 2008, L.P.</b> Bala Cynwyd, Pennsylvania
<b>Green Equity Investors, IV, L.P.</b> Los Angeles, California	<b>ICV Partnership</b> New York, New York
<b>Keystone Venture V, L.P.</b> Philadelphia, Pennsylvania	<b>KKR 2006, LP</b> New York, New York
<b>Kohlberg Investors V, L.P.</b> Mt. Kisco, New York	<b>KPS III, L.P.</b> New York, New York
<b>Lindsay, Goldberg &amp; Bessemer I &amp; II, L.P.</b> New York, New York	<b>Littlejohn Fund III, L.P.</b> Greenwich, Connecticut
<b>LLR Equity Partners I, II &amp; III, L.P.</b> Philadelphia, Pennsylvania	<b>Meridian Venture Partners, L.P. &amp; MVP Distribution Partners, L.P.</b> Radnor, Pennsylvania
<b>Merion Investment Partners, L.P.</b> King of Prussia, Pennsylvania	<b>Morgan Stanley Venture Partners IV &amp; 2002, L.P.</b> New York, New York
<b>Nogales Investors Fund I &amp; II, L.P.</b> Los Angeles, California	<b>NGP IX, L.P.</b> Irving, Texas
<b>OCM Opportunities Fund III, IV &amp; VIIb, L.P.</b> Los Angeles, California	<b>PA Early Stage Partners, III, L.P.</b> Wayne, Pennsylvania
<b>Pharos Capital Partners II, L.P.</b> Houston, Texas	<b>Platinum Equity Capital Partners I &amp; II, L.P.</b> Beverly Hills, California
<b>Quaker BioVentures, L.P.</b> Philadelphia, Pennsylvania	<b>Relativity Fund, L.P.</b> New York, New York
<b>Riverside V, L.P.</b> New York, New York	<b>SCP Private Equity Partners, L.P.</b> Wayne, Pennsylvania
<b>State of Israel Jubilee ISS</b> Israel Bonds	<b>Sterling Capital Partners II &amp; III, L.P.</b> Northbrook, Illinois

<b>Summit Subordinated Debt IV, L.P.</b> Palo Alto, California	<b>TCW/ Crescent Mezzanine Partners II &amp; III, L.P.</b> Los Angeles, California
<b>Technology Leaders I, II &amp; V, L.P.</b> Wayne, Pennsylvania	<b>TGP Partners II &amp; III, L.P.</b> Fort Worth, Texas
<b>The Retail Initiative</b> New York, New York	<b>Thomas H. Lee Equity Fund IV &amp; V, L.P.</b> Boston, Massachusetts
<b>Thomas Weisel Capital Partners, LP</b> San Francisco, California	<b>United Bank of Philadelphia</b> Philadelphia, Pennsylvania
<b>Veritas Capital Partners III, L.P.</b> New York, New York	<b>Vista Equity III, L.P.</b> San Francisco, California
<b>Wellspring Capital Partners IV, L.P.</b> New York, New York	<b>Wicks Communications &amp; Media Partners III, L.P.</b> New York, New York
<b><i>Real Estate Investments</i></b>	
<b>Arsenal Real Estate Fund</b> Morristown, New Jersey	<b>Beacon Capital Strategic Partners IV &amp; V, L.P.</b> Boston, Massachusetts
<b>CIGNA Realty Corp.</b> Hartford, Connecticut	<b>CIM Urban Reit</b> Los Angeles, CA
<b>Colony Investors VIII, L.P.</b> Los Angeles, California	<b>Exeter Industrial Value Fund, L.P.</b> Plymouth Meeting, Pennsylvania
<b>Invesco Core Real Estate – U.S.A., LLC</b> Dallas, Texas	<b>JP Morgan Strategic Property Fund</b> New York, New York
<b>Tishman Speyer Euro R.E. Venture VI</b> New York, New York	

## **MISSION STATEMENT**

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 67 personnel, administers the day-to-day activities of the Retirement System, providing services to more than 64,000 members.

## **MEMBERSHIP**

The Public Employees Retirement System provides benefits to police, fire and civilian workers of the City of Philadelphia through the administration of 18 separate plans adopted from 1915 to the present. In addition, the Board of Pensions administers (but does not fund) a pension plan for the employees of quasi-public agencies (the Philadelphia Parking Authority, the Hospitals and Higher Education Facilities Authority of Philadelphia, the Philadelphia Municipal Authority, the Philadelphia Housing Development Corporation, and the Philadelphia Regional Port Authority).

In fiscal year 2008, the Public Employees Retirement System had 30,253 active members and 34,168 retired members, including 8,613 survivors and 4,384 people receiving disability benefits.

During fiscal year 2008, the Board approved 2,292 pension applications submitted by retiring employees, surviving spouses, beneficiaries and disabled members. The Board processed 1,548 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 2008 was \$88,971,971. The total unfunded accrued liability for fiscal year 2008 was \$475,287,525, 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 \$517,876,260. The City's actual contribution was \$412,448,000. 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 \$ 412,448,000 or 157 % of the total additions to the Retirement System's net assets in fiscal year 2008. Employees contribute a percentage of their pay, and the percentage varies with plan membership. Employee contributions totaled \$ 51,690.163 or 19.7 % of additions. Contributions from the quasi-public agencies amounted to \$14,486,483 or 5.5 % of additions.

A major source of income is the earnings of the System's investment portfolio. Interest and dividends amounted to \$ 97,123,132 or 37 % of total additions, while securities lending revenue increased plan net assets by \$ 34,380,021 or 13 % of additions. Miscellaneous sources provided \$1,068,455 or 0.4 % towards the additions. Together the contributions and earnings added \$611,196,254 to the plan net assets.

The worldwide credit crisis adversely affected the City's investment portfolio resulting in a capital loss of (\$304,924,395). Investment expenses of (\$17,105,121) and securities lending expenses of (\$26,980,432) resulted in a decrease to the plan net assets of (\$44,085,554). Combining the decrease from the investment activity with other deductions such as investment expenses and security lending expenses resulted in a decrease to the plan net assets of (\$349,009,948).

## **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 consultants 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 2-5).

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: 27.0% Domestic Equities; 20.0% International Equities; 24.0% Global Fixed Income; 4.0% Global TIPS; 3.0% Relative Return Bond; 1.0% Convertible Bond; 3.0% Tactical Asset Allocation (TAA) Balanced Portfolio of Stocks and Bond (Target of 60/40); 5.0% Hedge Funds; 9.0% Alternative Investments; 3.0% Real Estate; and 1.0% Cash.

As of the fiscal year ending June 30, 2008, the total market value of Pension Fund investments was \$4,482,707,328 (a 9.2% decrease over fiscal year 2007) vs. the value at cost of \$4,397,028,816 (a 1.2% decrease over fiscal year 2007). Accounting principles require the recognition of the assets at fair value and the resultant unrealized gain or loss shown as an addition or deduction to plan net assets.

## **EXPENSES**

Pension benefit payments are the Board's greatest current normal expense. Of the total deductions from plan net assets of \$737,529,072 in fiscal 2008, \$725,660,618 or 98.4% were pension payments. Other expenses included \$4,200,154 for the refund of pension contributions to employees who left City employment and \$7,668,300 for administrative expenses.

## **AMENDMENTS TO CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT CODE**

Section 22-1303 – Definitions - Bill No. 070790 (Enacted by City Council September 27, 2007)

Section 22-1303 was amended to list the designated payees to whom a member, survivor or beneficiary may direct deductions from benefits payments, all under certain terms and conditions.

## **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 7-11.

## **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, 2008, the Board elected to have the annual financial audit of the Municipal Pension Fund performed by the accounting firm of Clifton Gunderson LLP.

# ACTUARIAL SECTION

## INTRODUCTION/CERTIFICATION - CHEIRON



Classic Values, Innovative Advice

### LETTER OF TRANSMITTAL

March 26, 2009

City of Philadelphia Municipal Retirement System  
Two Penn Center Plaza – 16<sup>th</sup> Floor  
Philadelphia, PA 19102-1721

Dear Board Members:

At your request, we have performed the July 1, 2008 actuarial valuation of the City of Philadelphia Municipal Retirement System. This is Cheiron's second valuation report for the City.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. The results of this report are only applicable to the System's contribution for Fiscal Year Ending 2010, and rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results will vary accordingly.

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that as Members of the American Academy of Actuaries, we meet the Qualification Standards to render the opinion contained in this report.

Finally, in preparation of this report we have accepted the assumptions and methodologies as adopted by the Board of Pensions and Retirement as related to the experience and expectations for the City of Philadelphia Municipal Retirement System. We do not provide an opinion of the long-term return rate assumption of 8.75% being sustainable from the diversified asset portfolio.

Sincerely,  
Cheiron

A handwritten signature in blue ink, appearing to read 'K.A. Kent'.

Kenneth A. Kent, FSA, FCA, EA, MAAA  
Consulting Actuary

A handwritten signature in black ink, appearing to read 'Karen Zangara'.

Karen Zangara, FSA, EA  
Actuary

# BOARD SUMMARY – PRINCIPAL VALUATION RESULTS – JULY 1, 2008

## CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM JULY 1, 2008 ACTUARIAL VALUATION

### SECTION I BOARD SUMMARY

The primary purpose of the actuarial valuation and this report is to disclose the following as of the valuation date:

- The financial condition of the City of Philadelphia Municipal Retirement System,
- Past trends and expected future trends in the Retirement System's financial condition,
- The City's required contribution for Fiscal Year 2010, and
- Information required by the Governmental Accounting Standards Board (GASB).

In this Section, we present a summary of the principal valuation results. This includes the basis upon which the July 1, 2008 valuation was completed and an examination of the current financial condition of the System. In addition, we present a review of the key historical trends followed by the System's projected financial outlook.

#### A. Valuation Basis

The June 30, 2008 valuation results are based on the same actuarial assumptions used in the June 30, 2007 valuation.

Below we identify four key results of this valuation:

- ***Unfunded Actuarial Liability (UAL)***: The UAL is the excess of the System's actuarial liability (AL) over the actuarial value of assets (AVA). The UAL increased slightly from \$3.775 billion as of July 1, 2007 to **\$3.779 billion as of July 1, 2008**.
- ***Funding Ratio***: This is the ratio of the System's AVA to AL. The funding ratio increased from 53.9% as of July 1, 2007 to **55.0% as of July 1, 2008**.
- ***Contribution under the City's Funding Policy***: The recommended beginning-of-year contribution under the City's funding policy increased from \$516.3\* million for FY 2009 to an estimated **\$548.8 million for FY 2010**.
- ***Minimum Municipal Obligation (MMO)***: The MMO is the required minimum amount the City must contribute under Pennsylvania state law. The MMO increased from \$438.5 million for FY 2009 to **\$447.4 million for FY 2010**.

\* Note the City's funding contribution for FY 2009 was finalized to be \$516.3 million based upon final payroll and contribution information. In last year's report this was estimated to be \$514.5 million.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
 JULY 1, 2008 ACTUARIAL VALUATION

**SECTION I  
 BOARD SUMMARY**

**B. Current Financial Condition**

On the following pages, we summarize the key results of the July 1, 2008 valuation and how they compare to the results from the July 1, 2007 valuation.

1. City Membership:

As shown in Table I-2 below, total membership in the Retirement System increased by 1.1% from 2007 to 2008

<b>Table I-2</b>				
<b>Membership Total</b>				
	<b>July 1, 2008</b>	<b>July 1, 2007</b>	<b>% Change</b>	
Actives	29,215	28,354	3.0%	
Terminated Vesteds	1,263	1,301	-2.9%	
Disabled	4,349	4,384	-0.8%	
Retirees	20,898	20,448	2.2%	
Beneficiaries	8,510	8,593	-1.0%	
DROP	1,648	2,102	-21.6%	
Total City Members	65,883	65,182	1.1%	
Annual Salaries	\$ 1,456,520,491	\$ 1,351,826,215	7.7%	
Average Salary per Active Member	49,855	47,677	4.6%	
Annual Retirement Allowances	\$ 585,670,639	\$ 559,777,176	4.6%	
Average Retirement Allowance	17,350	16,747	3.6%	

A significant result is that the average salary per active member increased by 4.6% during the 2007-2008 plan year, which is below the assumed 5.0% salary scale. Two other significant changes in plan membership should be noted. First is the continued decrease in DROP membership, which is an expected reflection of demographics; similar declines are expected going forward. Second, total payroll growth was higher than expected, due to the increase in the active participant population.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

**SECTION I  
BOARD SUMMARY**

**2. City Assets and Liabilities**

Table I-3 presents a comparison between the July 1, 2008 and July 1, 2007 System assets, liabilities, UAL, and funding ratios. Of note is the increase in the Funding Ratio from 53.9% as of July 1, 2007 to 55.0% as of July 1, 2008.

<b>Table I-3 Assets and Liabilities (\$ thousands)</b>			
	<b>July 1, 2008</b>	<b>July 1, 2007</b>	<b>% Change</b>
<b>Actuarial Liabilities by Membership:</b>			
Actives	\$ 2,946,645	\$ 2,761,320	6.7%
Terminated Vesteds	100,163	104,467	-4.1%
Disabled	610,402	605,573	0.8%
Retirees	3,627,513	3,443,250	5.4%
Beneficiaries	460,275	451,236	2.0%
DROP	652,392	825,910	-21.0%
Non-Vested Refunds	4,829	5,453	-11.5%
<b>Total Actuarial Liability</b>	<b>\$ 8,402,219</b>	<b>\$ 8,197,209</b>	<b>2.5%</b>
Market Value of Assets (net of PAF)	\$ 4,383,545	\$ 4,850,884	-9.6%
Actuarial Value of Assets (net of PAF)	4,623,562	4,421,734	4.6%
Unfunded Actuarial Liability	\$ 3,778,657	\$ 3,775,476	0.1%
Funding Ratio	55.0%	53.9%	1.1%

\*The PAF is available for distribution under title §22-311 of the Philadelphia Code. In general, the PAF provides for enhanced benefit distribution to retirees and beneficiaries through the use of excess earnings. For more details on the PAF, see Section II – E.

While the market value of assets (net of the Pension Adjustment Fund\* (PAF)) decreased by 9.6%, the actuarial value of assets increased by 4.6% because the experience gains and losses from investments are spread over a five-year period, delaying the recognition of the market loss in the smoothed assets.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

**SECTION I  
BOARD SUMMARY**

**3. Components of UAL Change between July 1, 2007 and July 1, 2008:**

The Retirement System's unfunded actuarial liability increased by only \$3.2 million, from \$3,775.5 million as of July 1, 2007 to \$3,778.7 million as of July 1, 2008. Table I-4 below presents the specific components of this change in the UAL for the City's funding policy.

The System experienced a \$45.1 million investment gain and a \$98.3 million liability loss. There was a \$99.4 million loss due to FY 2008 contributions being less than expected under the City's funding policy.

<b>Table I-4</b>	
<b>Change in Unfunded Actuarial Liability - Funding Policy</b>	
<b>(\$ millions)</b>	
<b>Experience</b>	
1. UAL change due to investment (gain)/loss	\$ (45.1)
2. UAL change due to overall liability (gain)/loss	98.3
<b>Contributions</b>	
3. UAL change to difference in benefit accruals, contributions, and timing	\$ 99.4
<b>Total</b>	
4. Total net overall (gain)/loss: sum 1 through 3	\$ 152.6
5. Expected change in UAL	(149.4)
6. Total change in UAL: 4 + 5	3.2

Table I-5 shows the components of the change in the UAL based upon the expected MMO contributions during the year.

<b>Table I-5</b>	
<b>Change in Unfunded Actuarial Liability - MMO</b>	
<b>(\$ millions)</b>	
<b>Experience</b>	
1. UAL change due to investment (gain)/loss	\$ (45.1)
2. UAL change due to overall liability (gain)/loss	98.3
<b>Contributions</b>	
3. UAL change to difference in benefit accruals, contributions, and timing	\$ (16.5)
4. UAL change due to one-year delay in contributions	27.1
<b>Total</b>	
5. Total net overall (gain)/loss: sum 1 through 4	\$ 63.8
6. Expected change in UAL	(60.6)
7. Total change in UAL: 5 + 6	3.2

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In terms of both the MMO and funding policy, the \$98.3 million liability loss is attributable to the following:

- While the overall payroll growth was below expected, there was approximately \$23 million loss attributable to some of the active participant payroll growth above expected and changes in participation status relative to the assumptions.
- \$29 million loss is attributable to new entrants, either entering the System or re-entering the system with prior service credits.
- \$29 million is attributable to nonactive participants including retirees, beneficiaries and terminated vested where most of this loss is directly attributable to participants living longer than expected.
- The balance or approximately \$17 million is due to other demographic changes that were different from expected according to the current set of actuarial assumptions.

4. City Contributions:

The contribution under the City's Funding Policy for Fiscal Year 2010, measured as of the beginning of the year, increased by 0.78% of payroll, from 35.45% (based upon the final FY 2009 payroll) to 36.23% based upon the estimated FY 2010 payroll. In dollar terms, the required beginning of the year contribution increased from \$516.3 million (the final FY 2009 contribution) to \$548.8 million (the estimated FY 2010 contribution).

The Minimum Municipal Obligation for Fiscal Year 2010 measured as of the beginning of the year, decreased by 1.65% of payroll, from 31.19% to 29.54%. In dollar terms, the required beginning of year contribution increased from \$438.5 million to \$447.4 million.

In Section IV of this report, we provide more detail on the development of these contributions.

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<b>Table I-6 Contributions</b>				
<b>Fiscal Year</b>	<b>2010</b>	<b>% of Pay</b>	<b>2009</b>	<b>% of Pay</b>
<b>City's Funding Policy*</b>				
Estimated FY Payroll	\$ 1,514,781		\$ 1,456,520	**
Normal Cost (with Expenses)	\$ 135,724	8.96%	\$ 131,473	9.03%
Employee Contributions	<u>(51,558)</u>	3.40%	<u>(50,654)</u>	3.48%
City Normal Cost	84,166	5.56%	80,819	5.55%
Amortization Payment	464,619	30.67%	435,530	29.90%
City's Funding Policy	\$ 548,785	36.23%	\$ 516,349	35.45%
<b>Minimum Municipal Obligation</b>				
Estimated FY Payroll	\$ 1,514,781		\$ 1,405,899	
Normal Cost (with Expenses)	\$ 135,724	8.96%	\$ 127,858	9.09%
Employee Contributions	<u>(51,558)</u>	3.40%	<u>(48,894)</u>	3.48%
City Normal Cost	84,166	5.56%	78,964	5.62%
Amortization Payment	<u>363,280</u>	23.98%	<u>359,558</u>	25.57%
Minimum Municipal Obligation	\$ 447,446	29.54%	\$ 438,522	31.19%

\* Assuming beginning-of-year payment.

\*\* FY 2009 Payroll for the City's Final Policy is the final payroll for the year. All other payroll is estimated based upon the prior year's data used for the actuarial valuation.

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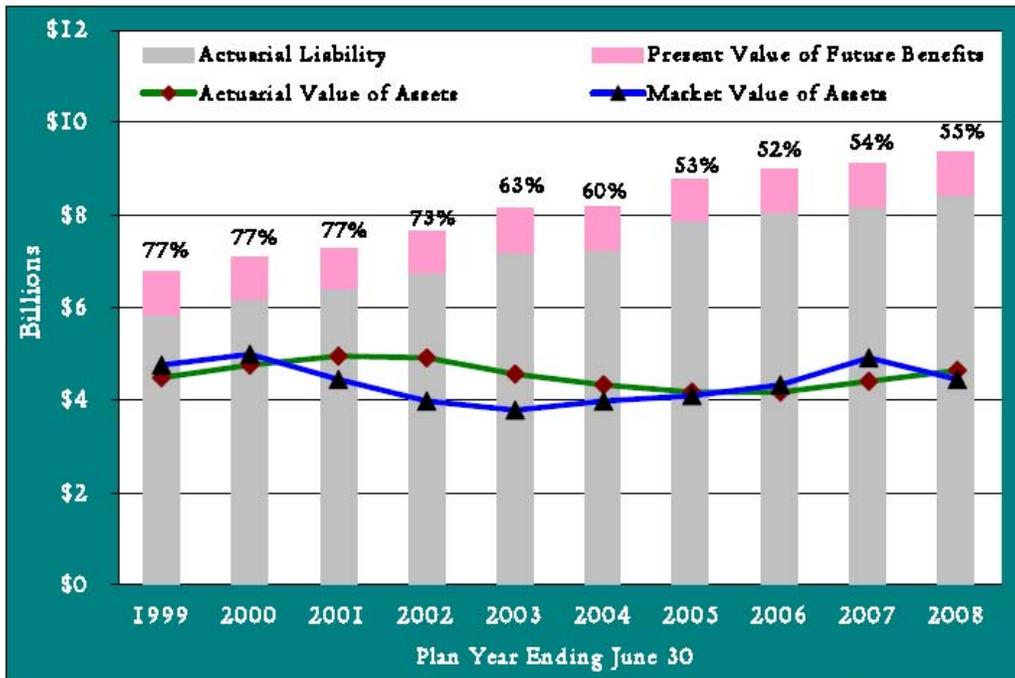
SECTION I  
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C. Historical Trends

Although most of the attention given to the valuation reflects the most recently computed unfunded actuarial liability, funding ratio, and contribution amount, it is important to remember that each valuation is merely a snapshot of the long-term progress of a pension fund. It is equally important to judge a current year's valuation result relative to historical trends, as well as trends expected into the future.

In the chart below, we present the historical trends for the market and actuarial value of assets compared to the actuarial liabilities and present value of future benefits, and we also show the progress of the Retirement System's funding ratios since 1999.

City of Philadelphia Assets\* and Liabilities – 1999 to 2008



\* Market value of assets includes the PAF, which is not available for funding purposes.

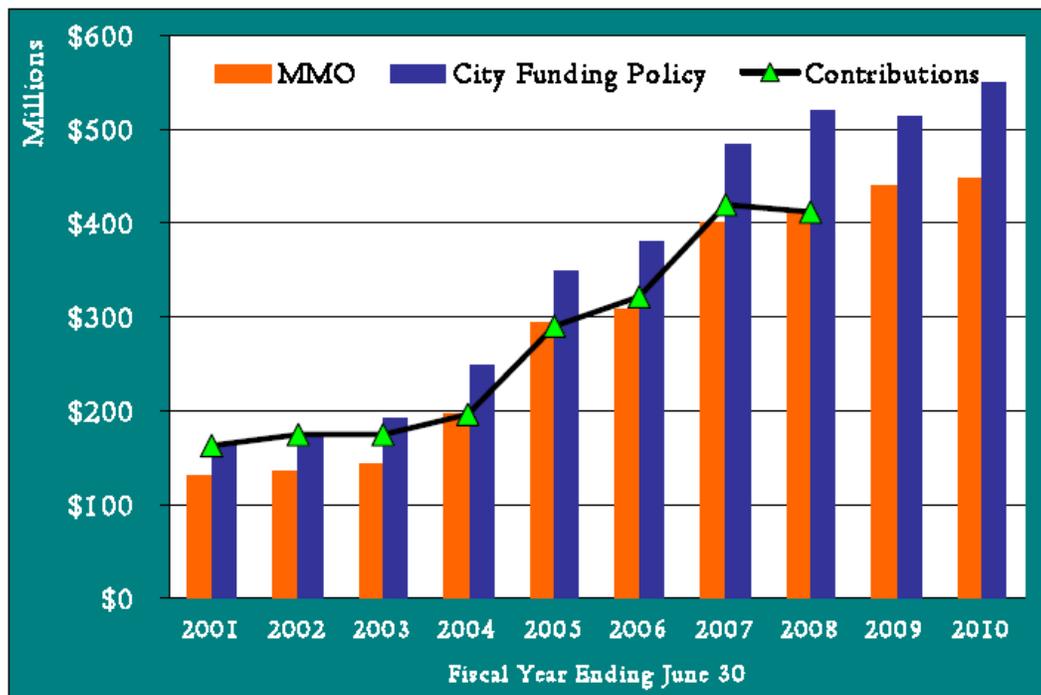
The System's funding ratio has declined significantly since 1999. In 2007, the funding ratio increased for the first time since 1999, primarily due to strong asset performance. The funding ratio increased again in 2008 due to the delayed asset loss recognition methodology used for the actuarial value of assets.

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In this next chart we present historical trends for the Minimum Municipal Obligation (MMO), the contribution under the City's funding policy, and the actual contribution made for fiscal years since 2001. Because there is a two-year lag in the determination of the City funding policy and MMO requirements, we show the contributions to date and the estimated amounts for fiscal years 2009 and 2010.

**City of Philadelphia Contributions for Fiscal Years 2001-2010**



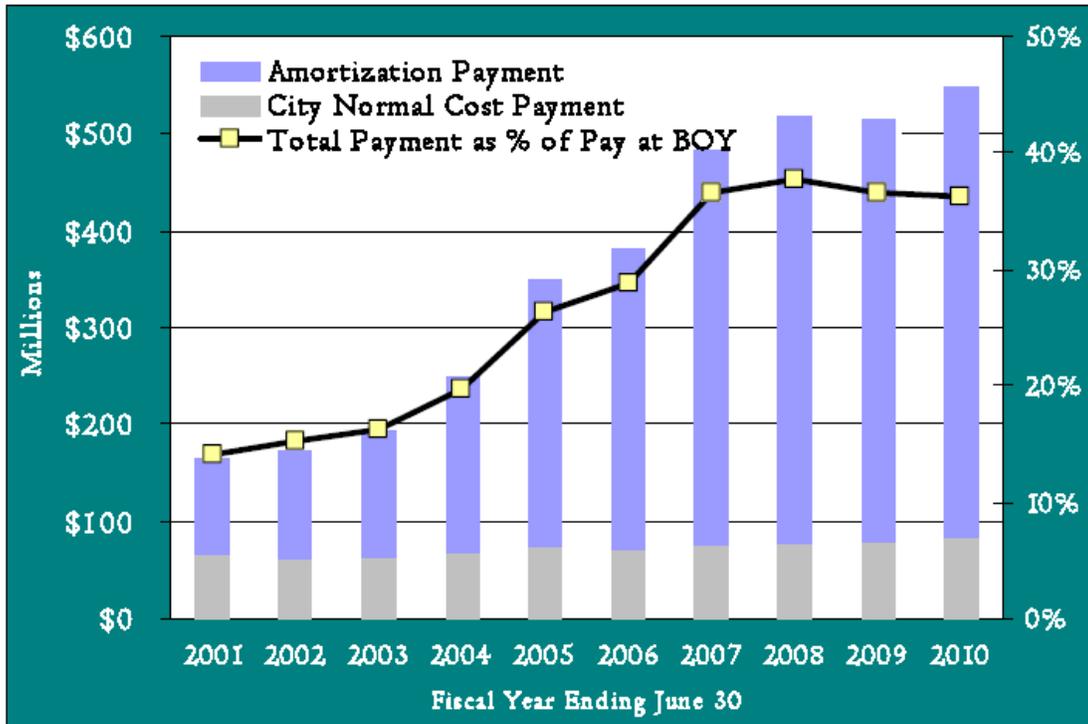
The key trend illustrated in this chart is the rapid escalation in all three measures starting in FY 2004 due in part to investment results and in part to the City's decision. Since 2004 the City began to make contributions based more on the MMO rather than on its traditional funding policy which has resulted in the funding policy amounts diverging more from the MMO.

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The chart below shows historical amortization payments and City normal cost payments under the City’s funding policy, as well as the total beginning-of-year payment as a percentage of payroll based on the values in the legend on the right versus the line graph.

**Funding Policy Contributions by Source for Fiscal Years 2001-2010**



The chart illustrates that the City normal cost payment has remained relatively level over the period shown, but the amortization payment to pay off the unfunded actuarial liability has increased from just over \$100 million for FY 2001 to over \$450 million for FY 2010. Furthermore, the total payment as a percentage of payroll is now nearly 40%, up from less than 15% in FY 2001. Both the amortization payment and the total payment as a percentage of payroll increased from the amount due in FY 2009 to the amount due in FY 2010.

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**D. Projected Financial Trends**

Our analysis of the City of Philadelphia Municipal Retirement System’s projected financial trends is an important part of this valuation. In this section, we present our assessment of the implications of the July 1, 2008 valuation results on the future outlook in terms of benefit security (assets over liabilities) and the City’s expected cost progression.

In the charts that follow, we project the Retirement System’s assets and liabilities, and the City’s contributions as a percent of payroll. Unless otherwise noted we assume the Funding Policy contributions are made each year and the System does not switch to rolling amortization when it reaches 70% funded. The projections are provided on two different asset return assumption bases:

- 1) Assuming 8.75% returns each and every year, and
- 2) Assuming returns shown in the table below. These are rates of return which vary each year but over the projection period equal on average the assumed 8.75% return. We do this because the City’s return will never be level from year to year.

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Return	3.0%	8.0%	12.0%	16.0%	14.0%	11.0%	8.0%	6.0%	1.0%	-4.0%
Fiscal Year	2018	2019	2020	2021	2022	2023	2024	2025	2026	
Return	0.0%	4.0%	7.0%	8.0%	12.0%	16.0%	20.0%	16.0%	11.5%	

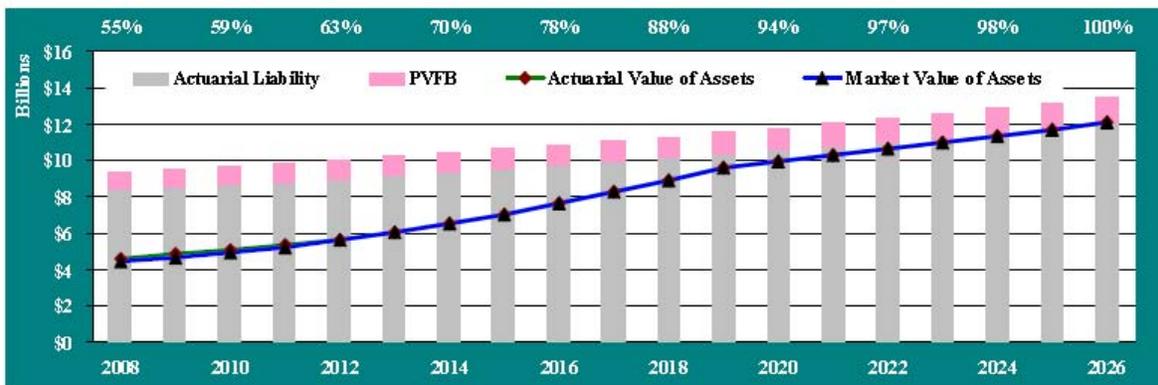
In reviewing each of these projections, it is the future trends versus the actual values that are important to consider in your deliberation of the risks of the System and the potential volatility of future funding ratios and City contribution levels.

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Projection Set 1: Assets\* and Liabilities

The two charts below show asset measures (green and blue lines) compared to liabilities (grey and pink bars). At the top of each chart is the progression of the System's funding ratio which compares the actuarial value of assets (green lines) to the actuarial liability (grey bars). The most revealing insight from these two charts is how varying investment returns impact the System's funding ratio.

**Chart 1: Projection of Assets and Liabilities, 8.75% return each year**



**Chart 2: Projection of Assets and Liabilities, varying returns averaging 8.75%**

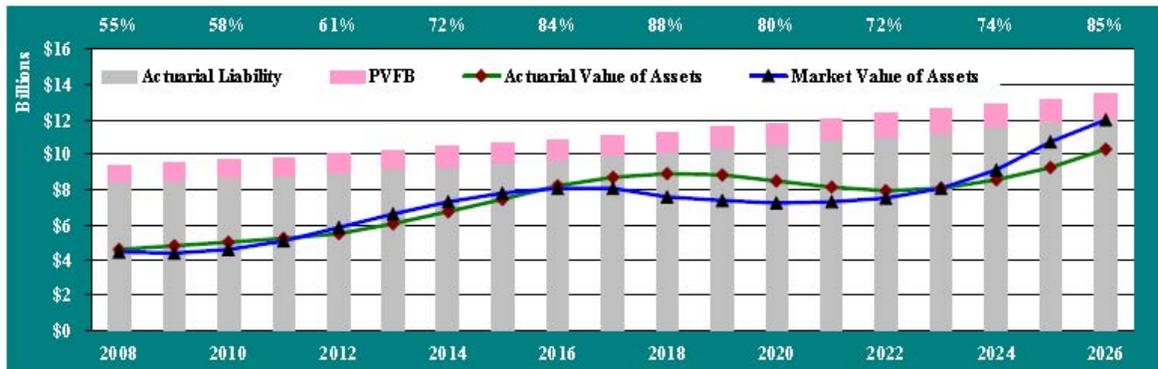


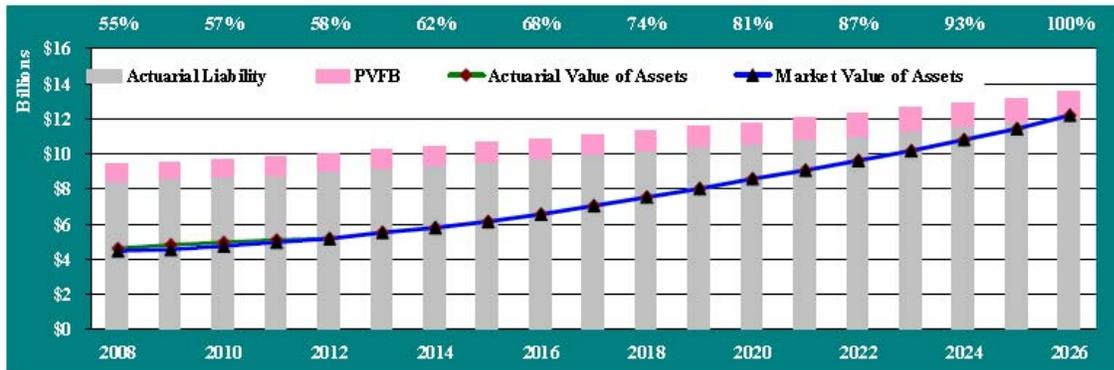
Chart 2 demonstrates that if the fund can achieve a long-term return rate of 8.75%, the funding ratio can be adversely impacted by volatile returns year by year. This component of funding risk is driven by negative cash flows (where benefit payments and expenses are greater than contributions). When a mature fund pays out more than it receives in a year when returns are below the assumption, the assets that get paid out are no longer in the fund during subsequent years of market recovery.

\*Market value of assets includes the PAF, which is not available for funding purposes.

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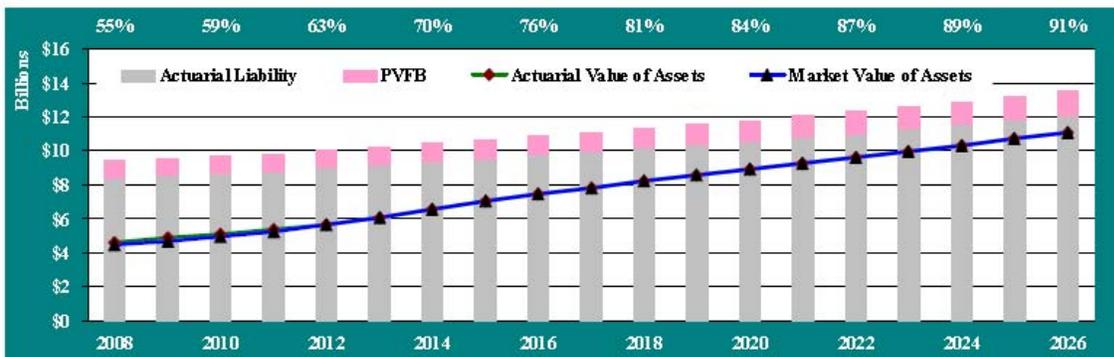
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**Chart 3: Projection of Assets and Liabilities, 8.75% return each year, and the City makes contributions based on the MMO**



In the above scenario where the MMO is contributed every year, the System reaches full funding at the end of the projection period (similar to the projections on the prior page in Chart 1). However, prior to 2026 the funding ratio is lower than the ratio achieved each year if the Funding Policy contributions are made.

**Chart 4: Projection of Assets and Liabilities, under the Funding Policy, 8.75% return each year, and application of rolling 10 year amortization once the Fund is 70% funded**



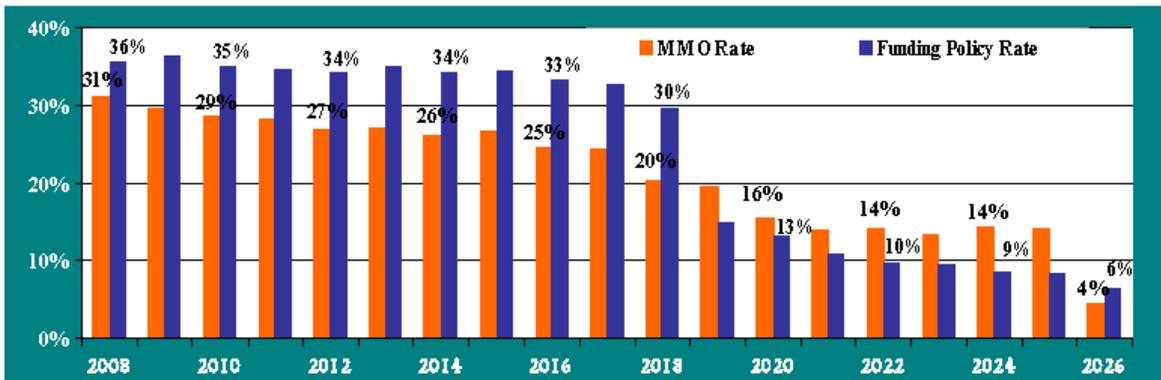
Under Act 205, which states that if the plan is 70% funded or higher, the City can adopt the policy of annually re-amortizing the unfunded liability over 10 years. Chart 4 is similar to Chart 1, except that once the fund is 70% funded, contributions are made on the basis of 10-year rolling amortization. The resulting funding ratio at the end of the projection period is lower than if the City's funding policy was contributed for the entire period (91% versus 100%).

SECTION I  
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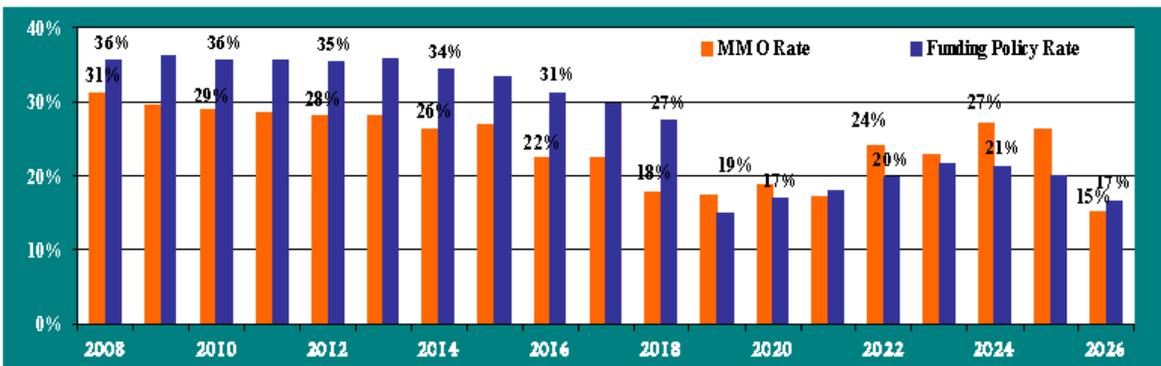
Projection Set 2: Projected City Contribution Rate

The chart below shows that the City’s composite contribution rate is projected to decline slowly as a percent of payroll until the initial unfunded actuarial liability base gets paid off, after which the cost quickly reverts to the normal cost rate. This assumes all actuarial assumptions are met, including the 8.75% anticipated investment return assumption, and the Funding Policy contributions are made each year.

**Chart 5: Projection of City Contributions, 8.75% return each year**



**Chart 6: Projection of City Contributions, varying returns averaging 8.75%**



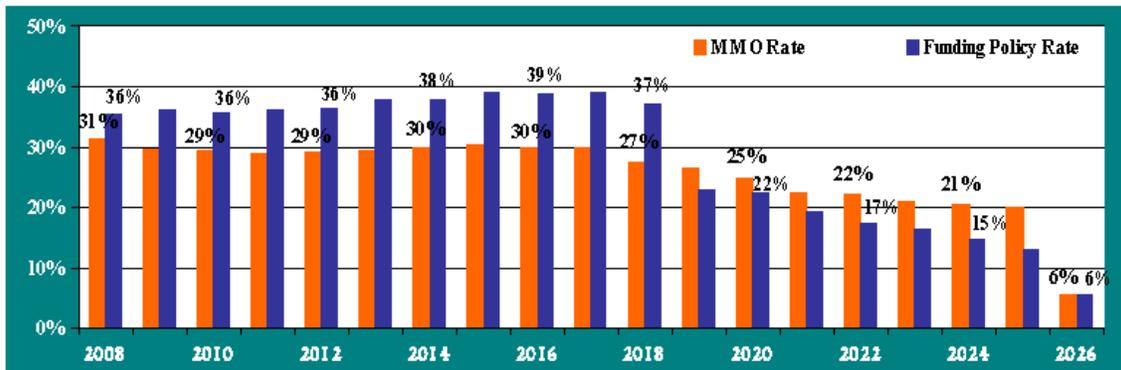
As shown above, varying returns have a significant impact on the computed City contribution rate. This illustrates that the UAL may not disappear even if the anticipated return is achieved over the period of amortization of the current UAL. Thus, the market volatility can prolong the period of paying down the unfunded when coupled with the impact of negative cash flows in down markets.

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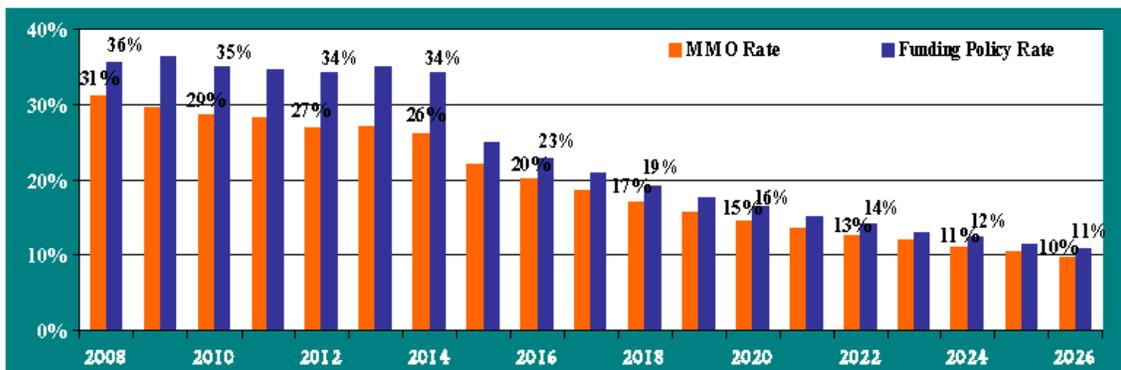
**Chart 7: Projection of City Contributions, 8.75% return each year, and the City makes contributions based on the MMO**

This chart shows the expected future contribution if only the MMO is contributed each year.



**Chart 8: Projection of City Contributions, 8.75% return each year, and application of rolling 10-year amortization once the Fund is 70% funded**

Chart 8 is similar to Chart 7, except that once the fund is 70% funded; contributions are made on the basis of 10-year rolling amortization (as permitted under Act 205). This creates a smoother funding requirement than continued funding using the various amortization bases. The following chart illustrates how this provision could affect the future funding requirements.



# ASSETS

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
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## SECTION II ASSETS

### G. Asset Gain/(Loss)

There was a \$642.6 million investment loss on market value of assets when compared to the expected as of July 1, 2008. Table II-8 reconciles the 2008 asset loss (expected versus actual) for the market value of assets both net of the PAF and in total. This investment loss is smoothed over a 5-year period to determine the actuarial value of assets (see Table II – 4). Also provided below is a reconciliation of the PAF which includes the current year transfer amount.

<b>Table II-8 Calculation of Asset Gain/(Loss)</b>			
	<b>Market Value (Net of PAF)</b>	<b>PAF</b>	<b>Total Market Value</b>
1. Market Value of Assets as of July 1, 2007	\$ 4,850,883,531	\$ 48,471,590	\$ 4,899,355,121
2. Transactions During Plan Year July 1, 2007 to June 30, 2008			
a. Contributions			
City and Commonwealth	\$ 412,448,000	\$ -	\$ 412,448,000
Employees	51,690,163	-	51,690,163
Quasi-Public Agencies	14,486,483	-	14,486,483
b. Benefit Payments	(700,926,051)	(24,734,567) <sup>1</sup>	(725,660,618)
c. Withdrawals	(4,200,154)	-	(4,200,154)
d. Administrative Expenses	(7,605,307)	-	(7,605,307)
e. Net Transactions	\$ (234,106,866)	\$ (24,734,567)	\$ (258,841,433)
3. Expected Investment Income From July 1, 2007 to June 30, 2008	\$ 428,398,628	\$ (2,199,425) <sup>2</sup>	\$ 426,199,203
4. PAF transfer at July 1, 2008	\$ (18,993,015)	\$ 18,993,015	\$ 0
5. Expected Market Value of Assets as of July 1, 2008 [1. + 2.e. + 3. + 4]	\$ 5,026,182,278	\$ 40,530,613	\$ 5,066,712,891
6. Market Value of Assets as of July 1, 2008	\$ 4,383,544,734	\$ 40,530,613	\$ 4,424,075,347
7. Investment Gain/(Loss) [6. - 5.]	\$ (642,637,544)	\$ 0	\$ (642,637,544)

<sup>1</sup> This is the amount of distributions made out of the Pension Adjustment Fund during the Plan Year

<sup>2</sup> The PAF is credited with investment income at the market rate of return earned by plan assets.

# LIABILITIES

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
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## SECTION III LIABILITIES

Table III-3 shows the derivation of the City normal cost as a percent of pay for each Plan in the System.

	1967 Plan			1987 Plan			Total	
	Municipal	Police	Fire	Municipal	Elected	Police		Fire
Retirement	\$ 15,617	\$ 8,739	\$ 3,643	\$ 21,194	\$ 99	\$ 27,176	\$ 8,928	\$ 85,396
Death	958	372	172	1,989	11	1,184	413	5,099
Disability	2,260	777	298	4,436	14	3,011	850	11,646
Termination	5,558	741	292	11,138	74	2,413	646	20,862
Administrative Expenses	3,063	1,244	442	1,890	4	657	200	7,500
<b>Total Normal Cost</b>	<b>\$ 27,456</b>	<b>\$ 11,873</b>	<b>\$ 4,847</b>	<b>\$ 40,647</b>	<b>\$ 202</b>	<b>\$ 34,441</b>	<b>\$ 11,037</b>	<b>\$ 130,503</b>
Expected Employee Contributions	\$ 10,963	\$ 4,561	\$ 1,882	\$ 12,165	\$ 130	\$ 15,306	\$ 4,568	\$ 49,575
<b>City Normal Cost</b>	<b>\$ 16,493</b>	<b>\$ 7,312</b>	<b>\$ 2,965</b>	<b>\$ 28,482</b>	<b>\$ 72</b>	<b>\$ 19,135</b>	<b>\$ 6,469</b>	<b>\$ 80,928</b>
Current Annual Payroll	\$ 292,349	\$ 76,022	\$ 31,375	\$ 657,550	\$ 1,756	\$ 306,114	\$ 91,354	\$ 1,456,520
City Normal Cost as % of Pay, Beginning of Year Payment	5.642%	9.618%	9.449%	4.332%	4.095%	6.251%	7.082%	5.556%
City Normal Cost as % of Pay, End of Year Payment	6.135%	10.459%	10.275%	4.711%	4.454%	6.798%	7.701%	6.042%

Table III-4 shows changes in the unfunded actuarial liability from July 1, 2007 to July 1, 2008 due to actuarial experience; there were no assumption or plan changes. It also shows the development of the expected unfunded actuarial liability from July 1, 2008 to July 1, 2009. The actuarial experience of each of the plans is calculated based on the plans, actual asset and liability values compared to the expected values.

	1967 Plan			1987 Plan			Total	
	Municipal	Police	Fire	Municipal	Elected	Police		Fire
1. Expected Unfunded Actuarial Liability (UAL) as of July 1, 2008 Based on July 1, 2007 Valuation	\$ 1,960,118	\$ 1,111,437	\$ 427,542	\$ 63,287	\$ 3,462	\$ 48,129	\$ 12,056	\$ 3,626,031
2. Changes in UAL due to								
a. Actuarial Experience	\$ 86,665	\$ 21,515	\$ 11,991	\$ 22,879	\$ 895	\$ 1,470	\$ 7,211	\$ 152,626
b. Assumption Changes	-	-	-	-	-	-	-	-
c. Active Plan Changes	-	-	-	-	-	-	-	-
d. Inactive Plan Changes	-	-	-	-	-	-	-	-
e. Subtotal	\$ 86,665	\$ 21,515	\$ 11,991	\$ 22,879	\$ 895	\$ 1,470	\$ 7,211	\$ 152,626
3. Actual UAL as of July 1, 2008 [1. + 2e.]	\$ 2,046,783	\$ 1,132,952	\$ 439,533	\$ 86,166	\$ 4,357	\$ 49,599	\$ 19,267	\$ 3,778,657
4. Expected Changes in UAL from July 1, 2008 to July 1, 2009 due to								
a. Interest on Changes in UAL	\$ 7,583	\$ 1,883	\$ 1,049	\$ 2,002	\$ 78	\$ 129	\$ 631	\$ 13,355
b. FY 2009 Amortization Contribution	(84,492)	(55,206)	(16,966)	(222)	(64)	299	291	(156,360)
c. Subtotal	\$ (76,909)	\$ (53,323)	\$ (15,917)	\$ 1,780	\$ 14	\$ 428	\$ 922	\$ (143,005)
5. Expected UAL as of July 1, 2009 [3. + 4c.]	\$ 1,969,874	\$ 1,079,629	\$ 423,616	\$ 87,946	\$ 4,371	\$ 50,027	\$ 20,189	\$ 3,635,652

## CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

### SECTION IV CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contribution is needed to achieve and maintain an appropriate funded status of a plan. Typically, the actuarial process will use an actuarial funding method that will result in a pattern of contributions that is both stable and predictable.

The actuarial funding methodology for the July 1, 2008 actuarial valuation is the Entry Age Normal (EAN) actuarial funding method. Under this method, there are two components to the total contribution: the normal cost, and the unfunded actuarial liability contribution. The normal cost rate is determined by taking the value, as of entry age into the plan, of each member's projected future benefits. This value is then divided by the value, also at entry age, of the each member's expected future salary producing a normal cost rate that should remain relatively constant over a participant's career. The normal cost rate is multiplied by current salary to determine each member's normal cost. Finally, the normal cost is reduced by the member contribution to produce the employer normal cost. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability.

In Table IV-1 we provide the employee contribution rates as a percent of pay effective for the plan year starting July 1, 2009. Table IV-2 shows the quasi-agency funding rates as a percent of payroll.

<b>Table IV-1</b>				
<b>Employee Contribution Rates</b>				
<b>for the Plan Year Beginning July 1, 2009</b>				
	<b>Municipal</b>	<b>Elected</b>	<b>Police</b>	<b>Fire</b>
1967 Plan	3.75%	N/A	6.00%	6.00%
Plan 87	1.85%	7.41%	5.00%	5.00%

This table isolates the MMO funding requirements for the Quasi Agencies that participate in the System based upon rates used to determine the 1967 Municipal cost.

<b>Table IV-2</b>		
<b>Quasi Agency Funding Rate as a Percent of Payroll</b>		
<b>Valuation Date</b>	<b>July 1, 2007</b>	<b>July 1, 2008</b>
<b>Fiscal Year</b>	<b>2009</b>	<b>2010</b>
1. Normal Cost Rate	6.186%	6.135%
2. Amortization Rate under the City's Funding Policy	<u>85.398%</u>	<u>93.492%</u>
3. Total Year-End Rate [1. + 2.]	91.584%	99.627%
4. Adjusted for Quarterly Payments [3. x 0.96877]	88.724%	96.516%

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

**SECTION IV  
CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION**

Table IV-3 below shows the development of the FY 2010 Minimum Municipal Obligation (MMO) for each division. Table IV-4 on the following page shows a schedule of amortization payments toward the MMO. The differences between the MMO and the City's funding policy are:

- The City's funding policy amortizes the initial July 1, 1985 unfunded actuarial liability over 34 years, whereas the MMO is determined based on a 40-year amortization schedule.
- A July 2004 amendment to Act 205 allowed for 2001 and 2002 calendar year investment losses to be amortized over 30 years, rather than the usual 15.
- The normal cost portion of the City's funding policy payment is based on actual fiscal year payroll, whereas the MMO is based on the prior year's estimated payroll for that year.
- Interest does not accumulate on the MMO, as long as the payment is made by the end of the fiscal year.
- Both the City's funding policy and the MMO utilize valuation results developed in the previous year (e.g., the July 1, 2008 valuation report will determine FY 2010 contribution amounts). However, no interest is added to the MMO for this delay.
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.
- Starting with FY 2007-2008, the MMO will recognize actuarial gains and losses every other year, in order to coincide with the filing of the Act 205 forms.

<b>Table IV-3</b>				
<b>Development of the Minimum Municipal Obligation for Fiscal Year 2010</b>				
<b>(\$ thousands)</b>				
	<b>Non-Uniformed</b>	<b>Police</b>	<b>Fire</b>	<b>Total</b>
Estimated FY 2009-2010 Payroll	\$ 989,722	\$ 397,422	\$ 127,637	\$ 1,514,781
Normal Cost %	6.657%	11.622%	12.420%	8.445%
Normal Cost	\$ 65,882	\$ 46,190	\$ 15,852	\$ 127,924
Amortization Payment	201,606	120,827	40,847	363,280
Administrative Expenses	5,155	1,977	668	7,800
Subtotal	\$ 272,643	\$ 168,994	\$ 57,367	\$ 499,004
Expected Employee Contributions	(24,188)	(20,662)	(6,708)	(51,558)
Minimum Municipal Obligation	\$ 248,455	\$ 148,332	\$ 50,659	\$ 447,446

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

SECTION IV  
CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

**Table IV-4**  
**Unfunded Liability Payments toward the MMO for Fiscal Year 2010**  
**(\$ thousands)**

Type of Base	7/1/2008 Balance	Municipal Remaining Years	FY 2010 Payment	7/1/2008 Balance	Police Remaining Years	FY 2010 Payment	7/1/2008 Balance	Fire Remaining Years	FY 2010 Payment
<b>Original July 1, 1985 Unfunded Liability</b>	\$ 941,457	17	\$ 77,300	\$ 604,368	17	\$ 49,624	\$ 241,011	17	\$ 19,786
<b>Dombrowski</b>	-	-	-	-	-	-	-	-	-
<b>July 1, 1992</b>									
Active Plan Change	-	-	-	-	-	-	-	-	-
<b>July 1, 1993</b>									
Active Plan Change	\$ (274)	2	\$ (143)	\$ (182)	2	\$ (95)	\$ -	-	\$ -
Assumption Change	(2,694)	2	(1,404)	22	2	11	(502)	2	(261)
Subtotal	\$ (2,968)		\$ (1,547)	\$ (160)		\$ (84)	\$ (502)		\$ (261)
<b>July 1, 1995</b>									
Experience (Gain)/Loss	\$ 1,784	2	\$ 930	\$ 120	2	\$ 62	\$ (774)	2	\$ (403)
Active Plan Change	261	7	47	-	-	-	-	-	-
Subtotal	\$ 2,045		\$ 977	\$ 120		\$ 62	\$ (774)		\$ (403)
<b>July 1, 1996</b>									
Experience (Gain)/Loss	\$ 1,780	3	\$ 644	\$ 874	3	\$ 316	\$ (759)	3	\$ (275)
<b>July 1, 1997</b>									
Experience (Gain)/Loss	\$ (23,696)	4	\$ (6,689)	\$ (9,095)	4	\$ (2,567)	\$ (6,080)	4	\$ (1,716)
Assumption Change	32,177	9	4,885	3,938	9	598	1,658	9	252
Subtotal	\$ 8,481		\$ (1,804)	\$ (5,157)		\$ (1,969)	\$ (4,422)		\$ (1,464)

**Table IV-4**  
**Unfunded Liability Payments toward the MMO for Fiscal Year 2010 (continued)**  
**(\$ thousands)**

Type of Base	7/1/2008 Balance	Municipal Remaining Years	FY 2010 Payment	7/1/2008 Balance	Police Remaining Years	FY 2010 Payment	7/1/2008 Balance	Fire Remaining Years	FY 2010 Payment
<b>July 1, 1998</b>									
Experience (Gain)/Loss	\$ (8,058)	5	\$ (1,893)	\$ (6,577)	5	\$ (1,545)	\$ (5,912)	5	\$ (1,389)
<b>July 1, 1999</b>									
Experience (Gain)/Loss	\$ (76,012)	6	\$ (15,465)	\$ 559	6	\$ 114	\$ (27,993)	6	\$ (5,614)
Active Plan Change	11,183	11	1,493	-	-	-	-	-	-
Inactive Plan Change	6,233	1	6,233	2,774	1	2,774	1,030	1	1,030
Subtotal	\$ (58,596)		\$ (7,739)	\$ 3,333		\$ 2,888	\$ (26,563)		\$ (4,584)
<b>July 1, 2000</b>									
Experience (Gain)/Loss	\$ (16,697)	7	\$ (3,025)	\$ 23,223	7	\$ 4,207	\$ 476	7	\$ 86
<b>July 1, 2001</b>									
Experience (Gain)/Loss	\$ (13,403)		\$ (2,206)	\$ (16,049)	8	\$ (2,642)	\$ 8,019	8	\$ 1,320
Assumption Change	(3,374)	13	(409)	(1,924)	13	(233)	(4,377)	13	(530)
Subtotal	\$ (16,777)		\$ (2,615)	\$ (17,973)		\$ (2,875)	\$ 3,642		\$ 790
<b>July 1, 2002</b>									
Asset (Gain)/Loss	\$ 19,079	25	\$ 1,750	\$ 10,171	25	\$ 933	\$ 4,335	25	\$ 398
Liability (Gain)/Loss	113,037	9	17,162	75,139	9	11,408	21,017	9	3,191
Assumption Change	13,451	14	1,566	8,919	14	1,039	7,021	14	818
Subtotal	\$ 145,567		\$ 20,478	\$ 94,229		\$ 13,380	\$ 32,373		\$ 4,407

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

SECTION IV  
CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

**Table IV-4**  
**Unfunded Liability Payments toward the MMO for Fiscal Year 2010 (continued)**  
**(\$ thousands)**

Type of Base	7/1/2008 Balance	Municipal Remaining Years	FY 2010 Payment	7/1/2008 Balance	Police Remaining Years	FY 2010 Payment	7/1/2008 Balance	Fire Remaining Years	FY 2010 Payment
<b>July 1, 2003</b>									
Asset (Gain)/Loss	\$ 326,033	25	\$ 29,906	\$ 172,045	25	\$ 15,781	\$ 73,959	25	\$ 6,784
Liability (Gain)/Loss	64,097	10	9,083	9,167	10	1,299	6,820	10	966
Active Plan Change	-	-	-	20,805	15	2,338	8,320	15	935
Inactive Plan Change	-	-	-	21,185	5	4,976	6,334	5	1,488
Subtotal	\$ 390,130		\$ 38,989	\$ 223,202		\$ 24,394	\$ 95,433		\$ 10,173
<b>July 1, 2004</b>									
Experience (Gain)/Loss	\$ 123,630	11	\$ 16,508	\$ 74,682	11	\$ 9,972	\$ 21,963	11	\$ 2,933
<b>July 1, 2005</b>									
Experience (Gain)/Loss	\$ 200,187	12	\$ 25,384	\$ 85,369	12	\$ 10,825	\$ 36,532	12	\$ 4,632
Assumption Change	226,067	17	23,942	109,389	17	11,585	43,917	17	4,651
Plan Change	1,982	17	210	250	17	26	-	-	-
Subtotal	\$ 428,236		\$ 49,536	\$ 195,008		\$ 22,436	\$ 80,449		\$ 9,283
<b>July 1, 2007</b>									
Experience (Gain)/Loss	\$ 135,660	14	\$ 15,797	\$ 181	14	\$ 21	\$ 15,155	14	\$ 1,765
<b>Total</b>	<b>\$ 2,073,890</b>		<b>\$ 201,606</b>	<b>\$ 1,189,353</b>		<b>\$ 120,827</b>	<b>\$ 451,570</b>		<b>\$ 40,847</b>

# **GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)**

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

## **SECTION V ACCOUNTING STATEMENT INFORMATION**

The Governmental Accounting Standards Board's Statement No. 25 (GASB 25) is effective for plan years beginning after June 15, 1996, and supersedes Statement No. 5. GASB No. 25 establishes standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information. The disclosure presents the actuarial liability computed for funding purposes to the actuarial value of assets to determine a funding ratio (i.e., the EAN liability). The actuarial liability is determined assuming that participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 8.75% per annum. GASB Statement No. 25 requires the actuarial liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of July 1, 2007 and July 1, 2008 are presented in Table V-1 and Table V-2.

GASB 25 also requires for the disclosure of two financial statements and two schedules of historical information:

- Statement of Plan Net Assets – includes information about System assets and liabilities at the valuation date. This statement can be found at the beginning of the Assets section of this report, in Table II-1.
- Statement of Changes in Plan Net Assets – shows receipts and disbursements from the Fund for the most recent plan year. This statement can also be found in the Assets section of this report, in Table II-2.
- Schedule of Funding Progress – discloses historical information about the funded status of the plan. This schedule can be found in Table V-3.
- Schedule of Employer Contributions – discloses historical information about the Annual Required Contribution (ARC) and the actual contributions made by the employer. This schedule can be found in Table V-4.

GASB Statement No. 27 requires that financial statements must include additional disclosures for pension expenditures/expenses. It is effective for the period beginning after June 15, 1997. Table V-5 summarizes the results of this valuation according to our interpretation of GASB 27. The interpretation of the statements is subject to your auditor's review. The required disclosures are:

- Annual Required Contribution (ARC) – this is the expected contribution required based on statement-specific valuation methods and assumptions, with the unfunded liability amortized over an initial period not to exceed 40 years and thereafter 30 years, either as a level-dollar amount or as a level percentage of pay, and with amortization of contributions less than or in excess of the required amount. Historically, the ARC has been shown as the contribution required under the City's funding policy.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

**SECTION V**  
**ACCOUNTING STATEMENT INFORMATION**

- Equivalent Single Amortization Period – this is the number of years incorporated in a weighted average amortization factor for all amortization components combined. The weighted average amortization factor is equal to the total unfunded actuarial liability divided by the sum of the amortization provisions for each of the separately amortized components. This weighted average produces 8.5 years.
- Net Pension Obligation (NPO) – the accumulated value of contribution deficiencies (or excesses) over required contributions from July 1, 1987 to July 1, 2008 between the annual pension cost and the employer’s contribution. During the 1994 fiscal year, the City contributed \$10 million more than the ARC. Therefore, the initial NPO value at the effective date is (\$9,012,000) as shown in Table V-5.
- Annual Pension Cost – is equal to the ARC plus one year’s interest on NPO and ARC adjustment.

<b>Table V-1</b>			
<b>Funding Status Under GASB Statement No. 25</b>			
(\$ thousands)			
	July 1, 2008	July 1, 2007	% Change
<b>Actuarial Liabilities</b>			
a. Members Currently Receiving Payments	\$ 5,350,582	\$ 5,325,969	0.5%
b. Vested Terminated and Inactive Members	104,992	109,920	-4.5%
c. Active Members	<u>2,946,645</u>	<u>2,761,320</u>	6.7%
d. Total Actuarial Liability	\$ 8,402,219	\$ 8,197,209	2.5%
Actuarial Value of Assets	\$ 4,623,562	\$ 4,421,734	4.6%
Unfunded Actuarial Liability	\$ 3,778,657	\$ 3,775,476	0.1%
Ratio of Actuarial Value of Assets to Actuarial Liability (2)/(1)(d)	55.03%	53.94%	1.1%

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2008 ACTUARIAL VALUATION

**SECTION V**  
**ACCOUNTING STATEMENT INFORMATION**

<b>Table V-2</b>	
<b>Statement of Changes in Liabilities - GASB No. 25 Basis</b>	
<b>(\$ thousands)</b>	
<b>Actuarial Liability as of July 1, 2007</b>	<b>\$ 8,197,209</b>
<b>Increase (Decrease) During Year Attributable to:</b>	
Passage of Time	686,407
Benefits Paid	(705,126)
Assumption Change	-
Plan Amendment	-
Benefits Accrued, Other Gains/Losses	<u>223,729</u>
<b>Net Increase (Decrease)</b>	<b>\$ 205,010</b>
<b>Actuarial Liability as of July 1, 2008</b>	<b>\$ 8,402,219</b>

<b>Table V-3</b>						
<b>Schedule of Funding Progress</b>						
<b>(\$ millions)</b>						
Actuarial Valuation Date *	Actuarial Value of Assets (a)	Actuarial Liability (b)	Unfunded Actuarial Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll [(b-a)/c]
7/1/1992	\$ 1,981.8	\$ 4,425.5	\$ 2,443.7	44.8%	\$ 993.3	246.0%
7/1/1993	2,113.9	4,502.1	2,388.2	47.0%	975.0	244.9%
7/1/1994	2,225.2	4,662.6	2,437.4	47.7%	974.3	250.2%
7/1/1995	2,312.1	4,850.8	2,538.7	47.7%	1,006.4	252.3%
7/1/1996	2,457.2	5,098.1	2,640.9	48.2%	1,068.3	247.2%
7/1/1997	2,660.9	5,318.1	2,657.2	50.0%	1,067.7	248.9%
7/1/1998	2,921.3	5,586.1	2,664.8	52.3%	1,128.2	236.2%
7/1/1999	4,496.8	5,862.1	1,365.3	76.7%	1,178.6	115.8%
7/1/2000	4,765.0	6,193.4	1,428.4	76.9%	1,142.8	125.0%
7/1/2001	4,943.4	6,379.8	1,436.4	77.5%	1,180.4	121.7%
7/1/2002	4,891.3	6,727.2	1,835.9	72.7%	1,207.3	152.1%
7/1/2003	4,548.1	7,188.3	2,640.2	63.3%	1,269.3	208.0%
7/1/2004	4,333.1	7,247.7	2,914.6	59.8%	1,266.0	230.2%
7/1/2005	4,159.5	7,851.5	3,692.0	53.0%	1,270.7	290.5%
7/1/2006	4,168.5	8,083.7	3,915.2	51.6%	1,319.4	296.7%
7/1/2007	4,421.7	8,197.2	3,775.5	53.9%	1,351.8	279.3%
7/1/2008	4,623.6	8,402.2	3,778.7	55.0%	1,456.5	259.4%

\* The actuarial valuation reports need to be referenced in comparison of these values to ascertain when and if the values reflect assumption, benefit or method changes.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
 JULY 1, 2008 ACTUARIAL VALUATION

SECTION V  
 ACCOUNTING STATEMENT INFORMATION

**Table V-4**  
**Schedule of Employer Contributions**  
 (\$ millions)

Fiscal Year Ended June 30	Annual Required Contribution (ARC)	Percentage of ARC Contributed
1993	\$ 209.4	100.0%
1994	223.8	104.5%
1995	212.8	100.0%
1996	222.5	100.0%
1997	237.0	100.0%
1998	252.1	100.0%
1999	256.7	586.9%*
2000	168.9	108.9%
2001	167.6	100.0%
2002	178.2	100.0%
2003	195.5	91.9%
2004	253.8	79.9%
2005	358.1	83.6%
2006	395.0	84.0%
2007	527.9	81.9%
2008	536.9	79.5%

\* Due to the Pension Obligation Bond worth \$1,250,000,000 deposited on February 2, 1999.

# FINANCIAL SECTION

EXHIBIT A-1

## CITY OF PHILADELPHIA MUNICIPAL PENSION FUND STATEMENT OF PLAN NET ASSETS – June 30, 2008

### ASSETS

Cash on Deposit and on Hand	\$	24,069,063
Investments at Fair Value		4,458,339,485
Securities Lending		776,255,428
Accounts Receivable		4,456,969
Due from Brokers		93,212,478
Interest and Dividends Receivable		8,573,166
Due from Other Governmental Units		<u>4,797,893</u>
<b><u>Total Assets</u></b>	<b>\$</b>	<b><u><u>5,369,704,482</u></u></b>

### LIABILITIES

Vouchers Payable	\$	288,683
Accounts Payable		3,492,879
Salaries and Wages Payable		118,394
Due on Securities Lending		776,255,428
Due to Brokers		161,302,676
Accrued Expenses		974,220
Deferred Revenue		2,475,207
Monies Held in Escrow		377,392
Other Liabilities		<u>344,256</u>
<b><u>Total Liabilities</u></b>		<b><u><u>945,629,135</u></u></b>

**Net Assets Held in Trust for Pension Benefits** \$ **4,424,075,347**

**CITY OF PHILADELPHIA** **Schedule A-1a**  
**MUNICIPAL PENSION FUND**  
**SUMMARY OF INVESTMENT TYPE FOR THE FISCAL YEAR ENDED JUNE**  
**30, 2008**

	<u>Par</u>	<u>Cost</u>	<u>Market</u>
U.S. Government Securities	82,102,283	83,608,214	84,395,263
U.S. Government Agency Securities	216,638,266	192,344,254	192,275,947
Corporate Bonds	257,723,875	257,166,016	252,495,612
Corporate Equity	373,085,425	3,120,151,612	3,166,094,357
Collateralized Mortgage Obligations	307,189,339	120,815,748	113,191,755
Other Bonds & Investments	193,117,112	58,346,788	55,645,270
Short Term Investment Pools	131,056,002	131,056,002	131,056,002
Real Estate	12,486,152	29,385,994	17,999,212
Financial Agreements	<u>331,039,148</u>	<u>404,154,188</u>	<u>469,553,910</u>
<b>Total</b>	<b><u>\$ 1,904,437,602</u></b>	<b><u>\$ 4,397,028,816</u></b>	<b><u>\$ 4,482,707,328</u></b>

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE FISCAL  
YEARS ENDED JUNE 30, 2008 AND 2007**

	June 30, 2008	June 30, 2007
<b>Additions:</b>		
<b>Contributions:</b>		
Employer's Contributions	\$ 426,934,483	\$ 432,267,154
Employees' Contributions	<u>51,690,163</u>	<u>49,179,796</u>
<b>Total Contributions</b>	<b>478,624,646</b>	<b>481,446,951</b>
<b>Investment Income:</b>		
Interest and Dividends	97,123,132	80,310,939
Gain (Loss) from Sale of Investments	(304,924,395)	701,730,084
(Less) Investment Expenses	(17,105,121)	(17,126,785)
Securities Lending Revenue	34,380,021	21,836,851
(Less) Securities Lending Expenses	(26,980,432)	(20,758,342)
Net Investment Income	<u>(217,506,796)</u>	<u>765,992,747</u>
Miscellaneous Operating Revenues	1,068,455	1,963,034
<b>Total Additions</b>	<b><u>262,186,305</u></b>	<b><u>1,249,402,733</u></b>
<b>Deductions:</b>		
Personal Services	3,592,678	3,626,245
Purchase of Services	1,909,785	1,183,273
Materials and Supplies	108,203	104,065
Employee Benefits	1,886,284	1,562,070
Pension Benefits	725,660,618	655,629,079
Refunds of Members' Contributions	4,200,154	4,474,385
Indemnities	10,760	-
Other Operating Expenses	97,597	54,742
<b>Total Deductions</b>	<b><u>737,466,079</u></b>	<b><u>666,633,859</u></b>
<b>Net Increase</b>	<b><u>(475,279,774)</u></b>	<b><u>582,768,874</u></b>
Net Assets Held in Trust for <b>Pension Benefits - July 1, 2007</b>	<b><u>4,899,355,121</u></b>	<b><u>4,316,586,247</u></b>
Prior Period Adjustment <b>Pension Benefits - June 30, 2008</b>	<b><u>4,424,075,347</u></b>	<b><u>4,899,355,121</u></b>

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
ANALYSIS OF MEMBER'S CONTRIBUTION FOR THE PERIOD ENDED JUNE  
30, 2008**

	Municipal Division Old	Municipal Divison New	Fire Division New	Police Division New
Balance, July 1, 2007	\$ 203,351	\$ 328,276	\$ 53,494,295	\$ 97,930,056
<b>Additions</b>				
Regular Payroll Deductions	-	651	1,862,402	4,558,961
Installment Repurchase Deductions	-	-	20,265	28,865
Payment Through City Treasurer	-	-	388,238	257,957
Retirees' Pension Payment	-	-	-	-
Net Change in Liability for Deceased Pensions	-	-	-	-
Net Change in Liability for Pensioner's Unexpected Contribution	-	-	491,868	1,451,449
Adjustments to Member's Contribution Accounts	-	-	-	-
Unclaimed Withdrawal Checks Deposited	-	-	-	-
Total Additions	<u>-</u>	<u>651</u>	<u>2,762,773</u>	<u>6,297,232</u>
<b>Deductions</b>				
Withdrawals	-	360	150,538	243,081
Retirements	-	-	7,481,519	12,673,355
Adjustments to Member's Contribution Accounts	-	-	-	-
Total Deductions	<u>-</u>	<u>360</u>	<u>7,632,058</u>	<u>12,916,437</u>
Net Change in Year	<u>-</u>	<u>291</u>	<u>(4,869,284)</u>	<u>(6,619,205)</u>
Balance, June 30, 2008	<u>\$ 203,351</u>	<u>\$ 328,567</u>	<u>\$ 48,625,011</u>	<u>\$ 91,310,851</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
\$ 2,288,958	\$ 250,719,631	\$ 7,539,572	\$ 76,347,178	\$ 29,723,929	\$ 114,741,867	\$ 633,317,113
157,163	10,750,021	296	11,483,563	4,300,376	14,565,370	47,678,802
7,140	114,303	-	366,133	144,481	156,423	837,611
30,373	1,138,445	2,634	979,152	149,195	172,868	3,118,863
47,773	6,926	-	188	-	-	54,887
-	38,394	-	(15,963)	(25,555)	(25,737)	(28,861)
(57,983)	(713,131)	8,882	251,483	81,108	3,594	1,517,270
-	-	-	-	-	-	-
-	-	-	-	-	-	-
184,466	11,334,959	11,812	13,064,556	4,649,605	14,872,518	53,178,572
930	744,135	386,234	1,427,803	165,789	1,081,283	4,200,154
311,006	24,183,876	16,188	1,945,915	443,087	850,466	47,905,414
-	-	-	-	-	-	-
311,936	24,928,012	402,423	3,373,718	608,876	1,931,750	52,105,568
(127,470)	(13,593,053)	(390,611)	9,690,838	4,040,729	12,940,768	1,073,003
\$ 2,161,488	\$ 237,126,578	\$ 7,148,961	\$ 86,038,016	\$ 33,764,658	\$ 127,682,635	\$ 634,390,117

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
ANALYSIS OF FUND BALANCE FOR THE PERIOD ENDED JUNE 30, 2008**

	<u>Reserve for Member Contributions</u>	<u>Reserve for Payment of Pensions and All Other Purposes</u>	<u>Total Reserves</u>
<b>Balance, July 1, 2007</b>	<b><u>\$633,317,113</u></b>	<b><u>\$4,266,038,008</u></b>	<b><u>\$4,899,355,121</u></b>
<b>Additions:</b>			
Contributions:			
Employees	51,690,163	-	
Quasi-Public Agencies Net Accrual	-	14,486,483	
City Appropriations	-	<u>412,448,000</u>	
<b>Total Contributions</b>	<b>51,690,163</b>	<b>426,934,483</b>	
Interest:			
Members' Reinstatements	-	281	
Interest on Long-Term Investments	-	94,345,155	
Interest on Short-Term Investments	-	<u>2,777,696</u>	
<b>Total Interest</b>	<b>-</b>	<b>97,123,132</b>	
Net Appreciation (Depreciation) Fair Value of Investments	-	(401,772,989)	
Net Income (Loss) from Investment Managers	-	96,848,997	
Members' Contributions Transferred to Reserve for Retirements	-	47,905,414	
Adjustments for Liability to Deceased Pensioners	(28,861)	-	
Adjustments to Members' Unexpended Contributions	1,517,270	-	
Adjustments for Accrued Death Benefits	-	(74,758)	
Adjustment for Employees Unexpended Vacation Time	-	-	
Other Additions:			
Unclaimed Withdrawal Checks Deposited	-	-	
Refunds and Cancelled Checks - Prior Years' Pensions	-	318,177	
Miscellaneous Receipts	-	7,824,091	
Miscellaneous Fund Balance Adjustments	-	-	
<b>Total Other Additions</b>	<b>1,488,409</b>	<b>(248,951,069)</b>	
<b>Total Additions</b>	<b><u>53,178,572</u></b>	<b><u>275,106,547</u></b>	<b><u>328,285,118</u></b>
<b>Deductions</b>			
Withdrawals	4,200,154		
Retirements	47,905,414		
Administrative Expenses	-	7,553,544	
Payments of Pensions and Benefits	-	725,660,618	
Investment Manager Expenses	-	17,105,121	
Monies Held In Escrow	-	377,391.83	
Adjustments for Liability to Deceased Pensioners	-		
Adjustments to Members' Unexpended Contributions	-	1,517,270	
Adjustments for Accrued Death Benefits	-	(74,758)	
Adjustment for Employees Unexpended Vacation Time	-	(7,250)	
Reversal of Prior Year Accruals	-	(376,989)	
Miscellaneous Fund Balance Adjustments	-	<u>(295,624)</u>	
<b>Total Deductions</b>	<b><u>52,105,568</u></b>	<b><u>751,459,324</u></b>	<b><u>803,564,892</u></b>
<b>Balance, June 30, 2008</b>	<b><u>\$634,390,117</u></b>	<b><u>\$3,789,685,230</u></b>	<b><u>\$4,424,075,347</u></b>

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS BY DIVISION FOR THE  
FISCAL YEAR ENDED JUNE 30, 2008**

**RECEIPTS AND DISBURSEMENTS BY DIVISION**

	<u>Employee Contributions</u>	<u>Pension Benefits</u>	<u>Withdrawals</u>	<u>Miscellaneous Revenue</u>	<u>Operating Expenses</u>
Police Division - Old	14,894,661	6,864,628	1,081,283	10,252	-
Police Division - New	4,845,784	220,302,870	243,081	61,665	-
Fire Division - Old	4,594,052	1,883,016	165,789	2,039	-
Fire Division - New	2,270,905	93,872,025	150,538	31,020	-
Municipal Revised - Plan 60	12,009,695	391,675,420	744,135	208,879	-
Municipal Revised - Plan 87	2,930	277,110	386,234	426	-
Municipal Revised - Plan 93	12,829,036	8,929,462	1,427,803	2,703	-
Municipal Division - New	651	366,832	360	1,192	-
Civilian - Elected Officials	242,449	1,489,256	930	-	-
Operating Fund	-	-	-	<u>750,279</u>	<u>7,668,300</u>
<b>TOTAL</b>	<b><u>51,690,163</u></b>	<b><u>725,660,618</u></b>	<b><u>4,200,154</u></b>	<b><u>1,068,455</u></b>	<b><u>7,668,300</u></b>

**CITY OF PHILADELPHIA  
YEAR-END PENSION CONTRIBUTION  
PENSION CONTRIBUTIONS BY DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

	<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	78,952,309.76	8,157,352.64	164,984,625.00		(10,045,358.30)	163,096,619.34
Police - 1987 Plan	300,339,279.55	20,408,054.05	7,256,887.50		(1,605,065.70)	26,059,875.85
Fire - 1967 Plan	31,905,403.26	3,254,670.19	54,651,225.00		(3,359,586.58)	54,546,308.61
Fire - 1987 Plan	87,974,265.26	6,512,734.86	1,185,375.00		(446,629.25)	7,251,480.61
Municipal - 1967 Plan	295,732,563.86	18,592,706.29	242,413,537.50	(11,863,250.08)	(14,454,788.33)	234,688,205.38
Municipal - 1987 Plan	622,842,293.40	29,310,958.33	4,639,275.00		(1,969,726.02)	31,980,507.31
Municipal Elected - 1987 Plan	2,169,312.74	112,261.93	156,600.00		(15,598.84)	253,263.09
Quasi-Governmental Agencies	41,724,716.56	2,623,232.93		(2,623,232.93)		0.00
	<u>1,461,640,144.39</u>	<u>88,971,971.22</u>	<u>475,287,525.00</u>	<u>(14,486,483.01)</u>	<u>(31,896,753.02)</u>	<u>517,876,260.19</u>

**MUNICIPAL PENSION FUND  
FISCAL 2008 INFORMATION**

**Cash and Accrued Contributions from the City - Fiscal 2008 \***

<u>Category</u>	-	-	<u>Amount</u>
Cash received		\$	412,448,000
Accrued 6/30/08		-	-
		\$	<u>412,448,000</u>

**Cash and Accrued Contributions from Quasi-Agencies - Fiscal 2008**

Cash received		14,573,204	
Accrued 6/30/2008		(86,721)	<u>14,486,483</u>
<b>Total City &amp; Quasi Agencies</b>			<b>\$ <u>426,934,483</u></b>
Contribution from the Commonwealth			<u>-</u>
<b>Total Contribution requirement</b>			<b>\$ <u>426,934,483</u></b>

**\* Analysis of Contributions from the City - Fiscal 2008**

<u>Date</u>		<u>Amount</u>
08/09/2007	\$	<u>412,448,000</u>
	<b>\$</b>	<b>412,448,000</b>

# STATISTICAL INFORMATION

CITY OF PHILADELPHIA

MUNICIPAL RETIREMENT SYSTEM

## APPLICATIONS PROCESSED DURING JULY 2006 THROUGH JUNE 2007

<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>SURVIVORS OF</u>		<u>EMPLOYEES</u>	<u>PENSIONERS</u>	<u>TOTAL</u>	
				<u>REGULAR</u>	<u>DISABLED</u>				
Municipal	1,019	38	1,057	866	81	71	225	1,243	2,300
Fire	26	1	27	107	2	1	40	150	177
Police	81	6	87	221	13	13	91	338	425
<b>Grand Total</b>	<b><u>1,126</u></b>	<b><u>45</u></b>	<b><u>1,171</u></b>	<b><u>1,194</u></b>	<b><u>96</u></b>	<b><u>85</u></b>	<b><u>356</u></b>	<b><u>1,731</u></b>	<b><u>2,902</u></b>

## APPLICATIONS PROCESSED DURING JULY 2007 THROUGH JUNE 2008

<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>SURVIVORS OF</u>		<u>EMPLOYEES</u>	<u>PENSIONERS</u>	<u>TOTAL</u>	
				<u>REGULAR</u>	<u>DISABLED</u>				
Municipal	1,369	26	1,395	1,354	53	36	194	1,637	3,032
Fire	55	0	55	165	13	2	35	215	270
Police	96	2	98	302	31	9	98	440	538
<b>Grand Total</b>	<b><u>1,520</u></b>	<b><u>28</u></b>	<b><u>1,548</u></b>	<b><u>1,821</u></b>	<b><u>97</u></b>	<b><u>47</u></b>	<b><u>327</u></b>	<b><u>2,292</u></b>	<b><u>3,840</u></b>

**CITY OF PHILADELPHIA  
MUNICIPAL RETIREMENT SYSTEM  
COMPARATIVE STATEMENT OF RETIREMENT BENEFITS IN FORCE AS OF JUNE 30, 2007 AND JUNE  
30, 2008**

	<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>
<i><u>June 30, 2007</u></i>								
<u>MUNICIPAL</u>	12,802	2,002	5,489	20,293	\$ 19,607,062	\$ 2,619,786	\$ 2,938,499	\$ 25,165,347
<u>FIRE</u>	1,997	442	910	3,349	\$ 4,461,876	\$ 695,905	\$ 613,179	\$ 5,770,960
<u>POLICE</u>	5,740	1,978	2,238	9,956	\$ 11,123,274	\$ 2,861,546	\$ 1,453,245	\$ 15,438,065
<u>GRAND TOTAL</u>	<u>20,539</u>	<u>4,422</u>	<u>8,637</u>	<u>33,598</u>	<u>\$ 35,192,212</u>	<u>\$ 6,177,237</u>	<u>\$ 5,004,923</u>	<u>\$ 46,374,372</u>

	<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>
<i><u>June 30, 2008</u></i>								
<u>MUNICIPAL</u>	13,224	2,004	5,475	20,703	\$ 20,974,153	\$ 2,654,722	\$ 3,027,595	\$ 26,656,470
<u>FIRE</u>	2,069	443	883	3,395	\$ 11,662,424	\$ 2,869,725	\$ 1,494,480	\$ 16,026,629
<u>POLICE</u>	5,878	1,937	2,255	10,070	\$ 4,814,149	\$ 719,881	\$ 617,716	\$ 6,151,747
<u>GRAND TOTAL</u>	<u>21,171</u>	<u>4,384</u>	<u>8,613</u>	<u>34,168</u>	<u>\$ 37,450,726</u>	<u>\$ 6,244,329</u>	<u>\$ 5,139,791</u>	<u>\$ 48,834,846</u>

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

**ACTIVE MEMBERS**

<b>DIVISION</b>	<b>6/30/07</b>	<b>6/30/08</b>
MUNICIPAL	21,005	21,185
FIRE	2,365	2,295
POLICE	6,805	6,773
<b>TOTAL</b>	<b>30,175</b>	<b>30,253</b>

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