



# ANNUAL REPORT

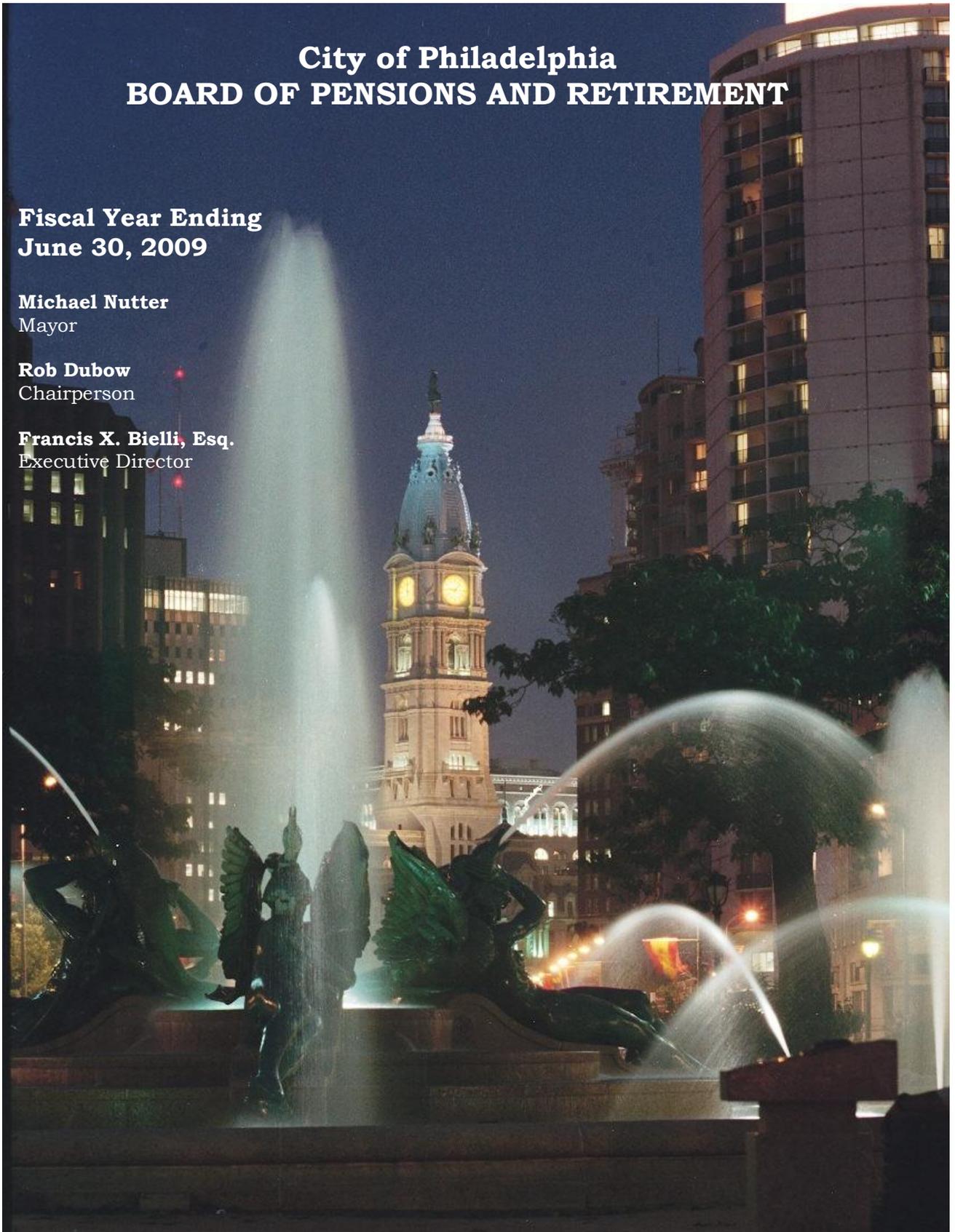
## City of Philadelphia BOARD OF PENSIONS AND RETIREMENT

**Fiscal Year Ending  
June 30, 2009**

**Michael Nutter**  
Mayor

**Rob Dubow**  
Chairperson

**Francis X. Bielli, Esq.**  
Executive Director



**City Of Philadelphia**  
**BOARD OF PENSIONS AND RETIREMENT**

**Annual Report**

Fiscal Year July 1, 2008 – June 30, 2009



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, 2009.

### **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.



## TABLE OF CONTENTS

<b>Introductory Section</b>	6
City Of Philadelphia Public Employees Retirement System	6
Members Of The Board	6
Consultants	7
Investment Managers	8
Mission Statement	12
Membership	12
Funding	12
Income	13
Investments	13
Expenses	14
Amendments To City Of Philadelphia Public Employees Retirement Code	14
Professional Services	14
Audit	14
<b>Actuarial Section</b>	15
Introduction/Certification - Cheiron	15
Board Summary – Principal Valuation Results – July 1, 2009	16
Assets	30
Liabilities	31
Contributions And Minimum Municipal Obligation	32
Governmental Accounting Standards Board (GASB)	36
<b>Financial Section</b>	38
Statement Of Plan Net Assets- June 30, 2009	38
Summary Of Investment Type For The Fiscal Year Ended June 30, 2009	39
Statement Of Changes In Plan Net Assets For The Fiscal Years Ended June 30, 2009 And 2008	40
Analysis Of Member’s Contributions For The Period Ended- June 30, 2009	41
Analysis Of Fund Balance For The Period Ended June 30, 2009	43
Statement Of Cash Receipts And Disbursements By Division For The Fiscal Year Ended June 30, 2009	44
Pension Contributions By Division For The Fiscal Year Ended June 30, 2009	45
Fiscal 2009 Information	46
<b>Statistical Information</b>	47
Applications Processed During July 2007 Through June 2008	47
Comparative Statement Of Retirement Benefits In Force As Of June 30, 2008 And June 30, 2009	48
Analysis Of Membership	49

### NOTES:

If you require more detailed information on the Board’s Investment Portfolio, please write to Francis X. Bielli, Esq., 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

---

### CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

---

**Francis X. Bielli, Esquire**

Executive Director

---

#### 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**

---

### **ACTUARY**

**Cheiron, Inc.**

McLean, Virginia

---

### **PRE-AUDIT FUNCTIONS**

**City of Philadelphia - Office of the City Controller**

---

### **AUDITOR**

**Clifton Gunderson LLP**

Timonium, Maryland

---

### **LEGAL COUNSEL**

**City of Philadelphia Law Department**

---

### **GENERAL INVESTMENT CONSULTANT**

**FIS Group, Inc.**

Philadelphia, Pennsylvania

---

### **ALTERNATIVE INVESTMENT CONSULTANTS**

**Aksia LLC** (Hedge Funds)

New York, New York

**Courtland Partners, Ltd.** (Private Real Estate)

Cleveland, Ohio

**Franklin Park Associates LLC** (Private Markets)

Bala Cynwyd, Pennsylvania

---

### **CUSTODIAN BANK**

**State Street Bank**

Boston, Massachusetts

## INVESTMENT MANAGERS

### *Domestic Equity*

<b>Aronson + Johnson + Ortiz, LLC</b> Philadelphia, Pennsylvania	<b>Robeco Investment Partners</b> Greenbrae, California
<b>Emerald Advisors</b> Lancaster, Pennsylvania	<b>Rhumblin Advisors</b> Boston, Massachusetts
<b>Fisher Investment Management</b> Woodside, California	<b>Turner Investment Partners</b> Berwyn, Pennsylvania
<b>Intech</b> Palm Beach Gardens, Florida	<b>Wellington Management Co. LLP</b> Boston, Massachusetts
<b>Lombardia Capital</b> Pasadena, California	<b>Wells Capital Management</b> Menomonee Falls, Wisconsin
<b>New York Life</b> New York, New York	<b>Wells Capital Management</b> Minneapolis, Minnesota
<b>Penn Capital Management</b> Philadelphia, Pennsylvania	

### *International Equity*

<b>Northern Trust</b> Chicago, Illinois	<b>McKinley Capital Management</b> Darien, Connecticut
<b>Mondrian Investment Partners</b> London, England	<b>Morgan Stanley Investment Management</b> West Conshohocken, Pennsylvania

### *Emerging Markets Equity*

<b>Eaton Vance Management</b> Boston, Massachusetts	<b>Trilogy Global Advisors</b> Winter Park, Florida
--	--

### *Portable Alpha*

<b>Bridgewater Associates, Inc.</b> Westport, Connecticut	<b>First Quadrant Corp.</b> Pasadena, California
--	---

### *Core Bond & Core Bond Plus Fixed Income*

<b>Rhumblin Advisors</b> Boston, Massachusetts	<b>Pyramis Global Advisors</b> Boston, Massachusetts
<b>Western Asset Management Co.</b> Pasadena, California	

## ***Global Fixed Income***

---

**Brandywine Global Management**  
Philadelphia, Pennsylvania

## ***Global Tips***

---

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

## ***High Yield***

---

**Artio Asset Management**  
New York, New York

## ***Convertible Bonds***

---

**Lord Abbett & Company**  
Jersey City, New Jersey

## ***Domestic Mortgages***

---

**Brandywine Global Management**  
Philadelphia, Pennsylvania

## ***Currency***

---

**A.G. Bisset**  
Rowayton, Connecticut

**J.P. Morgan Asset Management**  
New York, New York

## ***Opportunity Fund***

---

**Capital Prospects**  
Stamford, Connecticut

**PFM Advisors**  
Philadelphia, Pennsylvania

## ***Hedge Funds***

---

**Attalus Multi-Strategy Fund**  
Philadelphia, Pennsylvania

**Arden Asset Management**  
New York, New York

**DiamondBack**  
Stamford, Connecticut

**K2 Overseas**  
Stamford, Connecticut

**Karsch**  
New York, New York

**Lighthouse**  
Palm Beach Gardens, Florida

**Mesirow Non-Directional**  
Chicago, Illinois

**Paulson & Co.**  
New York, New York

**Taconic**  
New York, New York

## **Cash Management**

---

### **State Street Bank**

Boston, Massachusetts

### **Private Markets**

---

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

Boston, Massachusetts

#### **Altaris Healthcare Partners II, L.P.**

New York, New York

---

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

New York, New York

#### **Bachow Investment Partners, III, L.P.**

Bala Cynwyd, Pennsylvania

---

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

New York, New York

#### **Bay Partners XI, L.P.**

Cupertino, California

---

#### **Behrman Capital, III, L.P.**

New York, New York

#### **Blackstone Capital Partners, IV, V, & VI L.P.**

New York, New York

---

#### **Carlyle Europe Partners III, L.P.**

Washington, D.C.

#### **Castile Ventures III, L.P.**

Waltham, Massachusetts

---

#### **Columbia Capital Equity Partners II & III (QP), L.P.**

Alexandria, Virginia

#### **Court Square Capital Partners II, L.P.**

New York, New York

---

#### **European Strategic Partners I & II, L.P.- Standard Life of Scotland**

Edinburgh, Scotland

#### **Fairview Capital II & III, L.P.**

Farmington, Connecticut

---

#### **Falcon Mezzanine Partners, L.P.**

Needham, Maryland

#### **Fenway Partners Capital Fund II, L.P.**

New York, New York

---

#### **Franklin Park Venture Fund Series 2008, L.P.**

Bala Cynwyd, Pennsylvania

#### **Green Equity Investors, IV, L.P.**

Los Angeles, California

---

#### **ICV Partners II, L.P.**

New York, New York

#### **Keystone Venture V, L.P.**

Philadelphia, Pennsylvania

---

#### **KKR 2006 Fund, L.P.**

New York, New York

#### **Kohlberg Investors V, L.P.**

Mt. Kisco, New York

---

#### **KPS Special Situations Fund III, L.P.**

New York, New York

#### **Levine Leichtman Capital Partners IV, L.P.**

Los Angeles, California

---

#### **Lindsay, Goldberg & Bessemer I & II, L.P.**

New York, New York

#### **Littlejohn Fund III, L.P.**

Greenwich, Connecticut

---

#### **LLR Equity Partners I, II & III, L.P.**

Philadelphia, Pennsylvania

#### **Meridian Venture Partners, L.P. & MVP Distribution Partners, L.P.**

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>Natural Gas Partners IX, L.P.</b> Irving, Texas
<b>OCM Opportunities Fund III, IV &amp; VIIb, L.P.</b> Los Angeles, California	<b>Novitas Capital III, L.P. (formerly: PA Early Stage)</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 Capital Appreciation Fund V, L.P.</b> New York, New York	<b>SCP Private Equity Partners I &amp; II, L.P.</b> Wayne, Pennsylvania
<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>Thomas H. Lee Equity Fund IV &amp; V, L.P.</b> Boston, Massachusetts
<b>TWCP, L.P. (formerly: Thomas Weisel)</b> San Francisco, California	<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	

### ***Private Real Estate Investments***

<b>Arsenal Real Estate Fund IA, LP</b> Morristown, New Jersey	<b>Beacon Capital Strategic Partners IV &amp; V, LP</b> Boston, Massachusetts
<b>CIM Urban REIT, LLC</b> Los Angeles, California	<b>Colony Investors VIII, LP</b> Los Angeles, California
<b>Exeter Industrial Value Fund, LP</b> Plymouth Meeting, Pennsylvania	<b>Invesco Core Real Estate – U.S.A., LLC</b> Dallas, Texas
<b>Tishman Speyer European Real Estate Venture VI Scots B, LP</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 75 personnel, administers the day-to-day activities of the Retirement System, providing services to over 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 2009, the Public Employees Retirement System had 29,817 active members and 34,214 retired members, including 8,580 survivors and 4,344 people receiving disability benefits.

During fiscal year 2009, the Board approved 2,310 pension applications submitted by retiring employees, surviving spouses, beneficiaries and disabled members. The Board processed 1,299 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 2009 was \$88,715,633. The total unfunded accrued liability for fiscal year 2009 was \$473,638,875, including \$2,015,000 for the *Dombrowski* annual payment.

Under the City's funding policy, the recommended contribution for the City for the current year amounted to \$524,079,305. The City's actual contribution was \$440,003,000. 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 \$ 440,003,000 or 73.5 % of the total additions to the Retirement System's net assets in fiscal year 2009. Employees contribute a percentage of their pay, and the percentage varies with plan membership. Employee contributions totaled \$ 54,022,578 or 9 % of additions. Contributions from the quasi-public agencies amounted to \$15,386,006 or 2.6 % of additions.

A major source of income is the earnings of the System's investment portfolio. Interest and dividends amounted to \$ 75,635,329 or 12.6 % of total additions, while securities lending revenue increased plan net assets by \$ 12,342,274 or 2.1 % of additions. Miscellaneous sources provided \$1,014,880 or 0.2 % towards the additions. Together the contributions and earnings added \$598,404,067 to the plan net assets.

The worldwide credit crisis adversely affected the City's investment portfolio resulting in a capital loss of (\$912,254,505). Investment expenses of (\$12,758,521), securities lending unrealized loss (20,581,763) and securities lending expenses of (\$6,662,875) resulted in a decrease to the plan net assets of (\$40,003,159). 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 (\$952,257,664).

## **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 7-11).

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 8.25% 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: 24.0% Domestic Equities; 21.0% Non-US Equities; 33.0% Global Fixed Income; 6.0% Hedge Funds; 12.0% Private Markets; 3.0% Real Estate; and 1.0% Cash.

As of the fiscal year ending June 30, 2009, the total market value of Pension Fund investments was \$3,409,835,089 (a 24% decrease over fiscal year 2008) vs. the value at cost of \$3,685,103,502 (a 16% decrease over fiscal year 2008). 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 \$694,454,674 in fiscal 2009, \$681,086,661 or 98.1% were pension payments. Other expenses included \$4,786,213 for the refund of pension contributions to employees who left City employment and \$8,581,800 for administrative expenses.

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

Section 22-2202 – Definitions - Bill No. 080930 (Enacted by City Council April 23, 2009)

Section 22-2202 was amended to allow any police or fire employee, appointed to the position of Commissioner or Deputy Commissioner of the Police or Fire Departments, to retain membership in the retirement plan covering such member's prior employment, 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 Page 7.

## **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, 2009, 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 24, 2010

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, 2009 actuarial valuation of the City of Philadelphia Municipal Retirement System.

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 2011, 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.

This report reflects the funding requirements and determination of the City's Minimum Municipal Obligation (MMO) before recognition of the amendments made under Act 44 to the Act 205 funding requirements through the addition of Chapter 10. A separate report will be prepared as required under Act 205 Section 1002(b)(1) to reflect the MMO as amended.

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 we meet the Qualification Standards, as defined by the American Academy of Actuaries, 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 for the City of Philadelphia Municipal Retirement System.

Sincerely,  
Cheiron

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

Karen Zangara, FSA, EA  
Consulting Actuary

# BOARD SUMMARY – PRINCIPAL VALUATION RESULTS – JULY 1, 2009

## CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM JULY 1, 2009 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 (FY) 2011 before application of the alternative funding under Chapter 10 of Act 205 pertaining to Cities of the First Class,
- The Retirement Board's Funding Policy recommended City contribution, 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, 2009 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, 2009 valuation results are based on the same actuarial assumptions and methods used in the June 30, 2008 valuation except as follows:

- **Interest Rate:** The interest rate decreased **from 8.75% to 8.25%**.
- **Asset Valuation Method:** Investment gains and losses are smoothed **over a ten year** period prospectively beginning with investment returns from July 1, 2008 through June 30, 2009.
- **Actuarial Funding Method:** Amortization period of actuarial **gains and losses** was extended from 15 years to **20 years**.
- **Administrative Expenses:** Expense assumption was increased from \$7.5 million to **\$8.0 million**.

Below we highlight significant outcomes of this valuation. Table I-1 summarizes these results:

- **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 from \$3.779 billion as of July 1, 2008 to **\$4.933 billion as of July 1, 2009** primarily due to asset losses from July 1, 2008 through June 30, 2009 as well as the increase in the AL due to the 50 basis point decrease in the interest rate.

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

- **Funding Ratio:** This is the ratio of the System's AVA to AL. The funding ratio decreased from 55.0% as of July 1, 2008 to **45.0% as of July 1, 2009** due to the asset losses and the interest rate assumption change.
- **Minimum Municipal Obligation (MMO):** The MMO is the required minimum amount the City must contribute under Pennsylvania State law **before application of amendments** specific to the System. The MMO provided in this report does not reflect possible deferrals of a portion of the MMO, as permitted per Act 44. The MMO increased from \$447.4 million for FY 2010 to **\$569.3 million for FY 2011**.
- **Contribution under the City's Funding Policy:** The recommended beginning-of-year contribution under the City's Funding Policy increased from \$545.6 million for FY 2010\* based upon actual FY 2010 payroll to an estimated **\$682.3 million for FY 2011**.

<b>Table I-1 Key Results (\$ thousands)</b>		
Valuation Date	7/1/2009	7/1/2008
Unfunded Actuarial Liability	\$ 4,932,932	\$ 3,778,657
Funding Ratio	45.0%	55.0%
Fiscal Year	2011	2010
Minimum Municipal Obligation	\$ 569,290	\$ 447,446
City's Funding Policy Contribution	\$ 682,335	\$ 545,641

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

**B. Current Financial Condition**

On the following pages, we summarize the key results of the July 1, 2009 valuation and how they compare to the results from the July 1, 2008 valuation.

1. City Membership:

As shown in Table I-2 below, total membership in the Retirement System decreased by 0.3% from 2008 to 2009

<b>Table I-2</b>				
<b>Membership Total</b>				
	<b>July 1, 2009</b>	<b>July 1, 2008</b>	<b>% Change</b>	
Actives	28,632	29,215	-2.0%	
Terminated Vesteds	1,336	1,263	5.8%	
Disabled	4,288	4,349	-1.4%	
Retirees	21,214	20,898	1.5%	
Beneficiaries	8,554	8,510	0.5%	
DROP	1,638	1,648	-0.6%	
<b>Total City Members</b>	<b>65,662</b>	<b>65,883</b>	<b>-0.3%</b>	
Annual Salaries	\$ 1,463,259,769	\$ 1,456,520,491	0.5%	
Average Salary per Active Member	\$ 51,106	\$ 49,855	2.5%	
Annual Retirement Allowances	\$ 605,992,742	\$ 585,670,639	3.5%	
Average Retirement Allowance	\$ 17,794	\$ 17,350	2.6%	

A significant result is that the active participant population decreased 2.0% during the 2008 – 2009 plan years while the inactive population (excluding the DROP participants) increased 1%. Furthermore, the average salary per active member increased by only 2.5% during the plan year, which is significantly below the assumed 5.0% salary scale. Due to the decrease in the active participant population, the total payroll growth was lower than expected at 0.5% versus the 4% payroll growth assumption. Annual retirement allowances continued to increase by 3.5% this year.

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

2. City Assets and Liabilities

Table I-3 presents a comparison between the July 1, 2009 and July 1, 2008 System assets, liabilities, UAL, and funding ratios. The Funding Ratio decreased materially from 55.0% as of July 1, 2008 to **45.0%** as of July 1, 2009 due to the decline in assets and increase in liabilities as a function of the change in the interest assumption from 8.75% to 8.25% effective July 1, 2009.

<b>Table I-3 Assets and Liabilities (\$ thousands)</b>			
	<b>July 1, 2009</b>	<b>July 1, 2008</b>	<b>% Change</b>
<b>Actuarial Liabilities by Membership:</b>			
Actives	\$ 3,164,583	\$ 2,946,646	7.4%
Terminated Vesteds	111,107	100,163	10.9%
Disabled	642,177	610,402	5.2%
Retirees	3,868,581	3,627,513	6.6%
Beneficiaries	493,044	460,275	7.1%
DROP	689,988	652,392	5.8%
Non-Vested Refunds	5,565	4,829	15.3%
Total Actuarial Liability	\$ 8,975,045	\$ 8,402,219	6.8%
Market Value of Assets (net of PAF)*	\$ 3,368,427	\$ 4,383,545	-23.2%
Actuarial Value of Assets (net of PAF)*	\$ 4,042,113	\$ 4,623,562	-12.6%
Unfunded Actuarial Liability	\$ 4,932,932	\$ 3,778,657	30.5%
Funding Ratio	45.0%	55.0%	-10.0%

*\*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.*

The market value of assets (net of the Pension Adjustment Fund (PAF)) decreased by 23.2%. For the actuarial value of assets, the experience gains and losses are smoothed over future years, which yielded an initial increase in the preliminary actuarial value of assets of 1.5%. However, the final actuarial of assets is limited by the 20% corridor around the market value of assets, prohibiting the use of an actuarial asset value that is 20% more or less than the market value, which caused the final actuarial value of assets to decrease by 12.6% over the prior year.

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

3. Components of UAL Change between July 1, 2008 and July 1, 2009:

The Retirement System's unfunded actuarial liability increased by \$1,154.2 million, from \$3,778.7 million as of July 1, 2008 to \$4,932.9 million as of July 1, 2009. Table I-4 below presents the specific components of this change in the UAL based upon expected MMO contributions.

The System experienced an \$822.4 million investment loss based upon the actuarial value of assets and a \$10.2 million liability loss. There was also a \$384.4 million liability increase due to the assumption change of decreasing the interest rate from 8.75% to 8.25%. Actual FY 2009 contributions created a \$2.4 million gain when compared to the MMO expected contributions which was offset by a \$4.0 million loss due to the one year deferral of gains and losses under the MMO contribution method.

<b>Table I-4 Change in Unfunded Actuarial Liability (\$ millions)</b>	
<b>Experience</b>	
1. UAL change due to investment (gain)/loss	\$ 822.4
2. UAL change due to overall liability (gain)/loss	10.2
<b>Contributions</b>	
3. UAL change to difference in benefit accruals, MMO contributions, and timing	\$ (2.4)
4. UAL change due to one-year delay in MMO contributions	4.0
<b>Assumption Change</b>	
5. UAL change due to assumption change	\$ 384.4
<b>Total</b>	
6. Total net overall change: sum 1 through 5	\$ 1,218.6
7. Expected change in UAL	(64.4)
8. Total unexpected increase/(decrease) in UAL: 6 + 7	\$ 1,154.2

The \$10.2 million liability loss is attributable to the following:

- \$4.3 million demographic gain due to the decreased active population and average pay increasing less than expected.
- \$14.5 million loss due to retirees

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

**4. Contributions:**

The contribution under the City's Funding Policy for Fiscal Year (FY) 2010 was originally estimated to be \$548.8 million based upon estimated FY 2010 payroll. Using updated payroll the FY 2010 contribution is \$545.6. For Fiscal Year 2011, contributions increased by 7.55% of payroll, from 37.29% to 44.84%. In dollar terms, the contributions under the City's Funding Policy increased from \$545.6 million to \$682.3 million, a \$136.7 million increase. The FY 2011 contributions under the City's Funding Policy will be updated next year when the FY 2011 payroll is available. All contributions for the City's Funding Policy are provided as of the beginning of the year.

The Minimum Municipal Obligation for Fiscal Year 2011 measured as of the beginning of the year increased by 7.87% of payroll, from 29.54% to 37.41%. In dollar terms, the required beginning of year contribution increased from \$447.4 million to \$569.3 million, a \$121.9 million increase.

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

<b>Table I-5 Contributions (\$ thousands)</b>				
<b>Fiscal Year</b>	<b>2011</b>	<b>% of Pay</b>	<b>2010</b>	<b>% of Pay</b>
<b>City's Funding Policy*</b>				
Estimated FY Payroll	\$ 1,521,790		\$ 1,463,260	**
Normal Cost (with Expenses)	\$ 149,473	9.82%	\$ 130,827	8.94%
Employee Contributions	(52,840)	3.47%	(49,804)	3.40%
City Normal Cost	\$ 96,633	6.35%	\$ 81,023	5.54%
Amortization Payment	585,702	38.49%	464,619	31.75%
City's Funding Policy	\$ 682,335	44.84%	\$ 545,642	37.29%
<b>Minimum Municipal Obligation</b>				
Estimated FY Payroll	\$ 1,521,790		\$ 1,514,781	
Normal Cost (with Expenses)	\$ 149,473	9.82%	\$ 135,724	8.96%
Employee Contributions	(52,840)	3.47%	(51,558)	3.40%
City Normal Cost	\$ 96,633	6.35%	\$ 84,166	5.56%
Amortization Payment	472,657	31.06%	363,280	23.98%
Minimum Municipal Obligation	\$ 569,290	37.41%	\$ 447,446	29.54%

\* Assuming beginning-of-year payment.

\*\* FY 2010 payroll for the City's Funding Policy reflects based the July 1, 2009 pay rates and will be finalized when the FY 2010 payroll is available. All other payroll is estimated based upon the prior year's data used for the actuarial valuation.

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

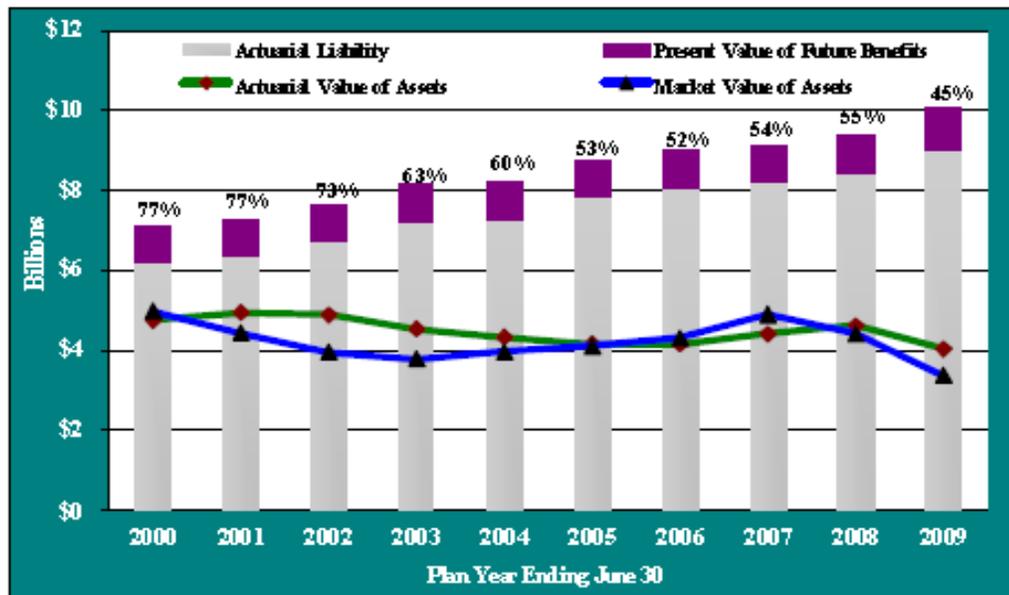
**SECTION I  
BOARD SUMMARY**

**C. Historical Trends**

Although most of the attention given to the valuation reflects the most recently computed unfunded actuarial liability, funding ratio, and contribution amounts, 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, we also show the progress of the Retirement System's funding ratios (provided above each bar) since 2000.

**City of Philadelphia Assets\* and Liabilities – 2000 to 2009**



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

The System's funding ratio has declined significantly since 2000. In 2007 and 2008, the funding ratio increased for the first time since 2000, primarily due to strong asset performance and the delayed asset loss recognition methodology used for the actuarial value of assets. In 2009, the funding ratio declined by 10% due to the investment losses during the year and the change in the actuarial liability interest rate assumption.

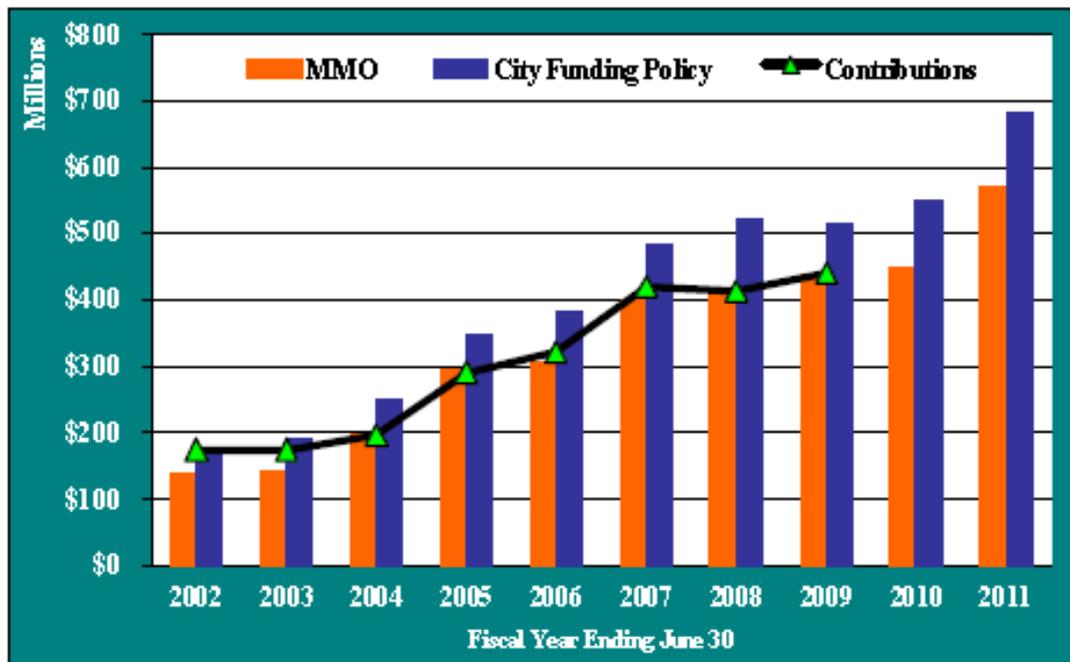
**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

This historic trend emphasizing the funded status has continued to decline increasing the risk of insolvency if contributions coupled with more stable and favorable returns relative to the long term assumption are not realized in the near future.

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 2002. 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 2010 and 2011.

**City of Philadelphia Contributions for Fiscal Years 2002-2011**



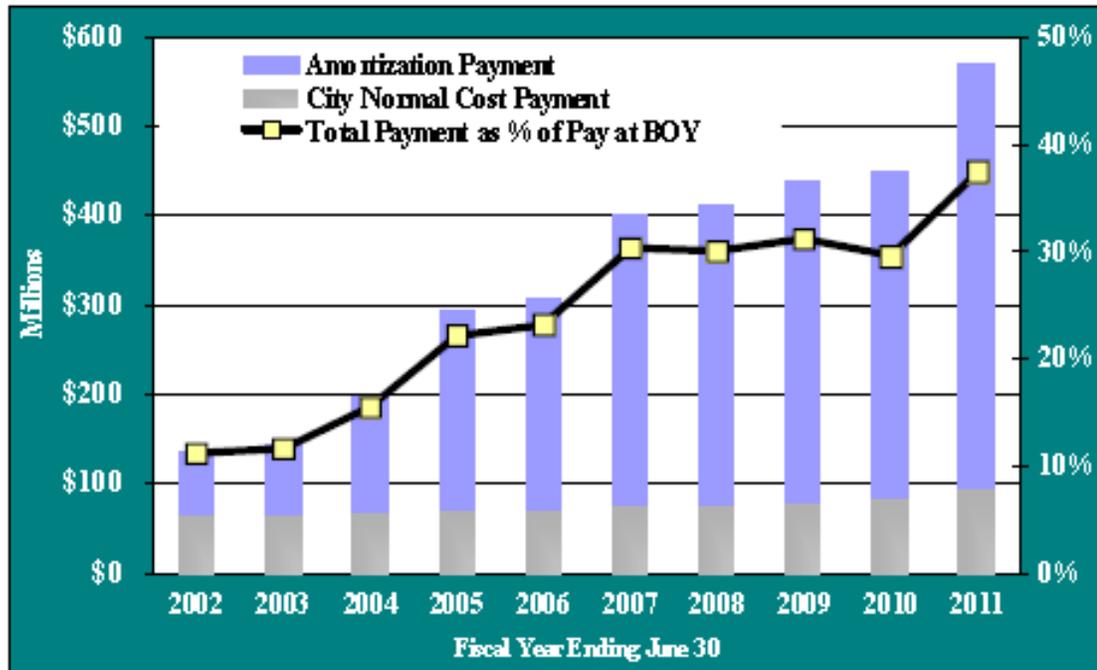
The key trend illustrated in this chart is the rapid escalation in all three measures starting in FY 2004 due in part to investment losses and in part to the City's funding decision. Since 2004 the City began to make contributions based on the MMO rather than the Funding Policy which has resulted in the Funding Policy amounts diverging more from the MMO. This is especially evident for FY 2011 contributions, where the City's Funding Policy contributions increased about \$137 million. In addition, the MMO and City's Funding Policy amounts for FY 2011 increased significantly due to the investment losses and the change in the actuarial liability investment rate assumption. Possible contribution deferrals provided for under Act 44 for FY 2010 are not reflected above.

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

The chart below shows historical amortization and City normal cost payments under the MMO. Also shown is 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, for example in 2011 the City cost is expected to be just under 40% of payroll.

**MMO Contributions by Source for Fiscal Years 2002-2010**



The chart illustrates that the City normal cost payment has remained relatively level over the period shown except for FY 2011 where there is a small increase due to the change in the investment rate assumptions. The amortization payment to pay off the unfunded actuarial liability has increased from just under \$100 million for FY 2002 to just under \$500 million for FY 2011. The total payment as a percentage of payroll is now nearly 37%, up from about 11% in FY 2002. Both the amortization payment and the total payment as a percentage of payroll increased from the amount due in FY 2010 to the amount due in FY 2011.

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

**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, 2009 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 MIMO contributions are made each year and the implications to the System with and without the application of the permitted rolling amortization when the funded status reaches 70%. Our illustrations assume the provisions of Act 205 as amended by Act 44 remain in force during the projection period without consideration of the sunset provisions. Possible deferred contributions are not reflected in these projections based on the understanding that the City will be obligated to contribute interest on the outstanding deferrals, making the transaction relatively cost neutral as measured against the actuarial assumption.

The projections are provided on two different asset return assumption bases:

- 1) Assuming 8.25% 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 8.25% return. We do this because the City's return will never be level from year to year and the System must anticipate the implications of asset return volatility to the funded status and contribution requirements.

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return	2.5%	7.5%	11.5%	15.5%	13.5%	10.5%	7.5%	5.5%	0.5%	-4.5%
Fiscal Year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Return	-0.5%	3.5%	6.5%	7.5%	11.5%	15.5%	19.5%	15.5%	11.0%	8.30%

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.

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

**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. In both projections you can see that we applied the 10 year asset smoothing method adopted by the Board. This has significant influence on the smoothing of assets against market value volatility.

**Chart 1: Projection of Assets and Liabilities, 8.25% return each year and City makes contributions based on MMO**



**Chart 2: Projection of Assets and Liabilities, varying returns averaging 8.25% and City makes contributions based on MMO**



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

Chart 2 demonstrates that if the fund can achieve a long-term return rate of 8.25%, 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

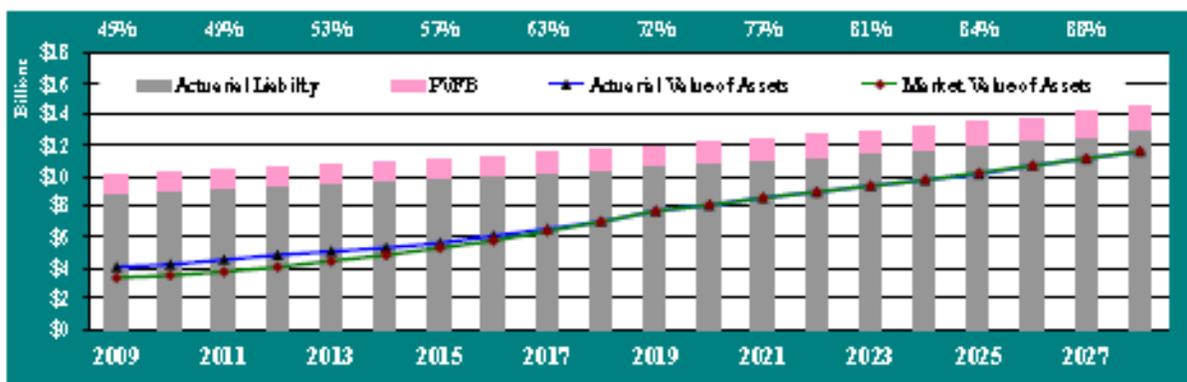
**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

below the assumption, the assets that get paid out are no longer in the fund during subsequent years of market recovery.

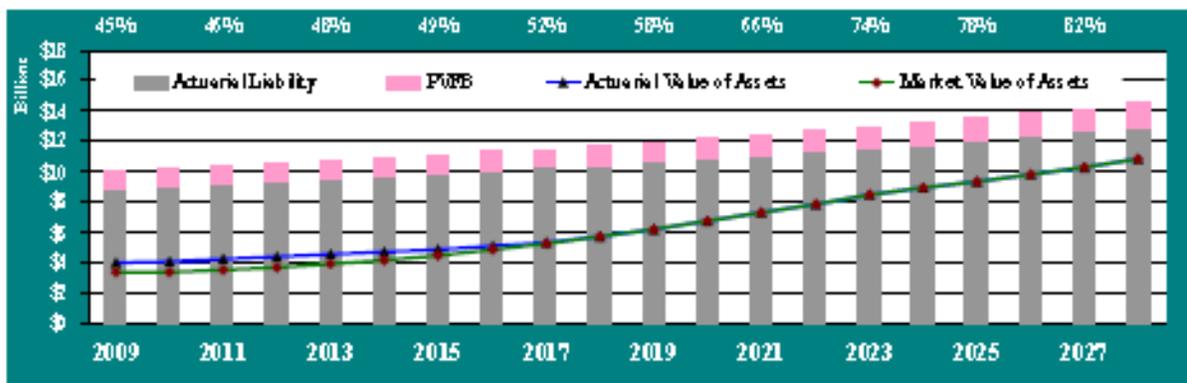
It is also important to consider the fact that as long as the System is significantly underfunded, the financial burden on the City will remain relatively high and the only reason both of these projections show gradual improvement is because the contributions will be adjusted to cover any cost volatility.

**Chart 3: Projection of Assets and Liabilities, 8.25% return each year, and the City makes contributions based on the City's Funding Policy**



In the above scenario where the City's Funding Policy is contributed every year, the System reaches a funded ratio of 88% at the end of the projection period (similar to the projections on the prior page in Chart 1). Also, prior to 2027 the funding ratio is higher than the ratio achieved each year if the MMO contributions are made, because of the higher assumed contributions.

**Chart 4: Projection of Assets and Liabilities, under the MMO, 8.25% 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

**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

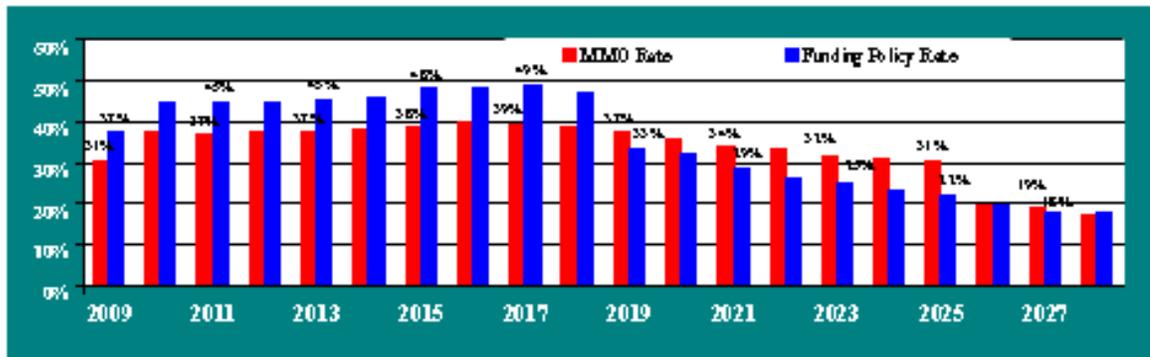
**SECTION I  
BOARD SUMMARY**

rolling amortization. The resulting funding ratio at the end of the projection period is lower than if the MIMO was contributed for the entire period (82% versus 88%).

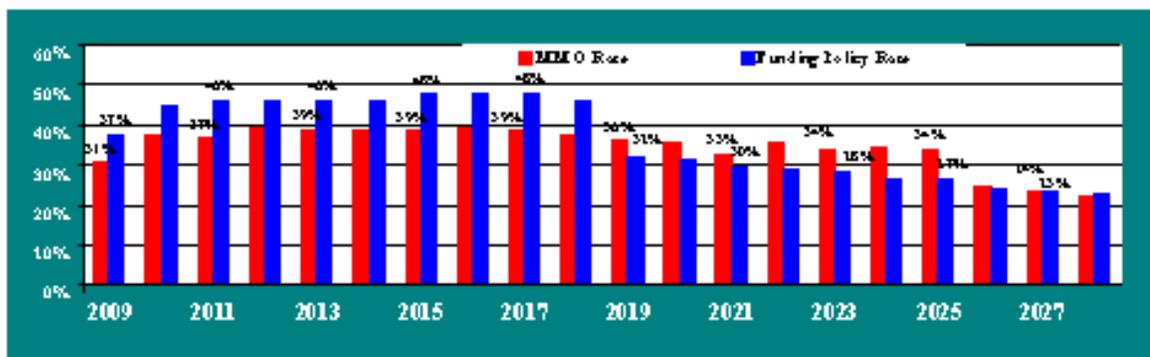
**Projection Set 2: Projected City Contribution Rate**

The chart below shows that the City's composite contribution rate under the MIMO which increases slowly until 2017 after which the MIMO decreases slightly until 2026 when the initial unfunded is paid off and the contribution rate drops to less than 20% of pay roll. The unfunded actuarial liability is not paid off during this projection period; thus the projected contributions never revert to the normal cost rate. The decrease in 2019 for the City's Funding Policy rate is due to the payment in full of the initial unfunded liability. This projection assumes all actuarial assumptions are met, including the 8.25% anticipated investment return assumption, and the MIMO contributions are made each year.

**Chart 5: Projection of City Contributions, 8.25% return each year**



**Chart 6: Projection of City Contributions, varying returns averaging 8.25%**



As shown above, varying returns have an impact on the computed City contribution rate, especially in the later projection years. However the volatility is mitigated for two reasons, the 10 year smoothing of assets and 20 year amortization of experience gains and losses. This

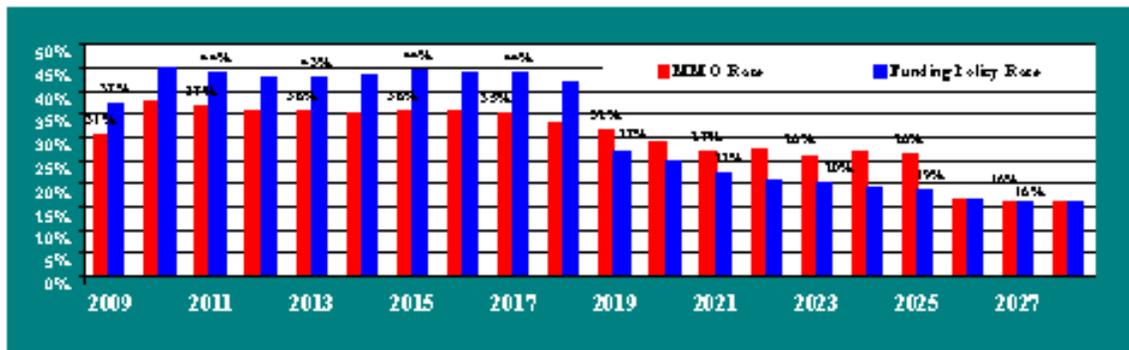
**CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION**

**SECTION I  
BOARD SUMMARY**

illustrates that the future contributions should be anticipated to be higher to adjust for the market volatility. 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.

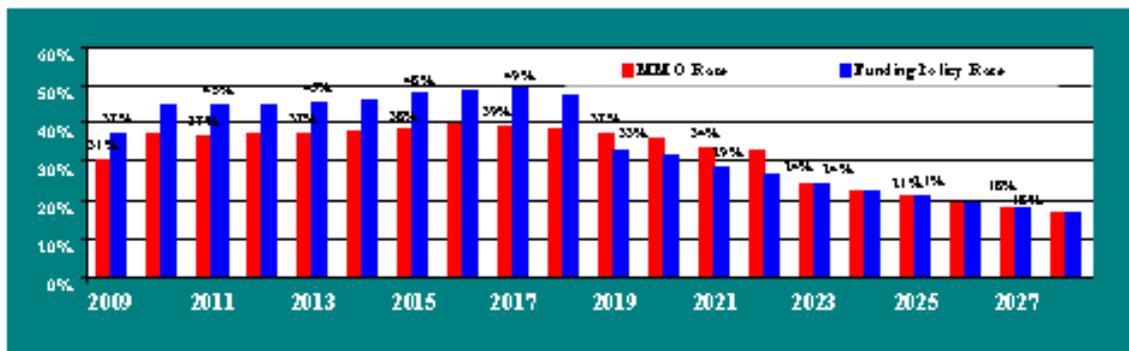
**Chart 7: Projection of City Contributions, 8.25% return each year, and the City makes contributions based on the City's Funding Policy**

This chart shows the expected future contribution if the City's Funding Policy contributions are made each year. Since larger contributions are assumed to be made each year up front, projected contributions are expected to steadily decline when compared to Chart 5.



**Chart 8: Projection of City Contributions, 8.25% return each year, and application of rolling 10-year amortization once the Fund is 70% funded**

Chart 8 is similar to Chart 5, except that once the fund is 70% funded contributions are made using a 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 JULY 1, 2009 ACTUARIAL VALUATION

#### SECTION II ASSETS

#### G. Asset Gain/(Loss)

There was a \$1,235.1 million investment loss on market value of assets when compared to the expected as of July 1, 2009. Table II-8 reconciles the 2009 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 ten-year period to determine the actuarial value of assets (see Table II - 4). Also provided below is a reconciliation of the PAF. There was no PAF transfer amount as of July 1, 2009.

<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, 2008	\$ 4,383,544,734	\$ 40,530,613	\$ 4,424,075,347
2. Transactions During Plan Year July 1, 2008 to June 30, 2009			
a. Contributions			
City and Commonwealth	\$ 440,003,000	\$ -	\$ 440,003,000
Employees	54,022,578	-	54,022,578
Quasi-Public Agencies	15,386,006	-	15,386,006
b. Benefit Payments	(655,973,491)	(25,113,170) <sup>1</sup>	(681,086,661)
c. Withdrawals	(4,786,213)	-	(4,786,213)
d. Administrative Expenses	(8,581,800)	-	(8,581,800)
e. Net Transactions	\$ (159,929,920)	\$ (25,113,170)	\$ (185,043,090)
3. Expected Investment Income From July 1, 2008 to June 30, 2009	\$ 379,885,856	\$ (8,077,625) <sup>2</sup>	\$ 371,808,231
4. PAF transfer at July 1, 2009	\$ -	\$ -	\$ -
5. Expected Market Value of Assets as of July 1, 2009 [1. + 2.e. + 3. + 4.]	\$ 4,603,500,670	\$ 7,339,818	\$ 4,610,840,488
6. Market Value of Assets as of July 1, 2009	\$ 3,368,427,258	\$ 7,339,818	\$ 3,375,767,076
7. Investment Gain/(Loss) [6. - 5.]	\$ (1,235,073,412)	\$ -	\$ (1,235,073,412)

<sup>1</sup> This is the amount of distributions made out of the Pensions 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  
JULY 1, 2009 ACTUARIAL VALUATION**

**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	\$ 15,515	\$ 9,214	\$ 3,630	\$ 23,653	\$ 111	\$ 32,720	\$ 10,583	\$ 95,426
Death	934	377	163	2,092	13	1,361	465	5,405
Disability	2,159	775	281	4,757	17	3,430	959	12,377
Termination	5,396	753	275	12,517	92	2,753	730	22,517
Administrative Expenses	3,212	1,311	463	2,063	5	730	216	8,000
Total Normal Cost	27,217	12,429	4,812	45,082	237	40,993	12,953	143,724
Expected Employee Contributions	\$ 9,729	\$ 4,302	\$ 1,677	\$ 13,552	\$ 145	\$ 16,535	\$ 4,868	\$ 50,808
City Normal Cost	\$ 17,488	\$ 8,127	\$ 3,135	\$ 31,530	\$ 92	\$ 24,458	\$ 8,085	\$ 92,915
Current Annual Payroll	\$ 259,441	\$ 71,698	\$ 27,953	\$ 674,228	\$ 1,892	\$ 330,694	\$ 97,353	\$ 1,463,260
City Normal Cost as % of Pay, Beginning of Year Payment	6.741%	11.336%	11.215%	4.676%	4.862%	7.396%	8.305%	6.350%
City Normal Cost as % of Pay, End of Year Payment	7.297%	12.271%	12.141%	5.062%	5.263%	8.006%	8.990%	6.874%

Note: Numbers may not add due to rounding.

Table III-4 shows changes in the unfunded actuarial liability from July 1, 2008 to July 1, 2009 due to actuarial experience and the interest rate assumption change; there were no plan changes. It also shows the development of the expected unfunded actuarial liability from July 1, 2009 to July 1, 2010 based upon the City's Funding Policy, which is used to develop the end of year amortization amounts for the City's Funding Policy in Table IV - 10 and in Appendix D. 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, 2009 Based on July 1, 2008 Valuation	\$ 1,969,874	\$1,079,629	\$ 423,616	\$ 87,946	\$ 4,371	\$ 50,026	\$ 20,189	\$3,635,652
2. Changes in UAL due to								
a. Actuarial Experience	\$ 385,427	\$ 194,806	\$ 85,935	\$ 98,213	\$ 4,269	\$ 112,331	\$ 31,859	\$ 912,840
b. Assumption Changes	163,785	75,074	29,915	55,132	717	47,173	12,645	384,442
c. Active Plan Changes	-	-	-	-	-	-	-	-
d. Inactive Plan Changes	-	-	-	-	-	-	-	-
e. Subtotal	\$ 549,212	\$ 269,880	\$ 115,850	\$ 153,345	\$ 4,986	\$ 159,504	\$ 44,504	\$1,297,281
3. Actual UAL as of July 1, 2009 [1. + 2e.]	\$ 2,519,086	\$1,349,509	\$ 539,466	\$ 241,291	\$ 9,357	\$ 209,530	\$ 64,693	\$4,932,932
4. Expected Changes in UAL from July 1, 2009 to July 1, 2010 due to								
a. Interest on Changes in UAL	\$ 45,310	\$ 22,265	\$ 9,558	\$ 12,651	\$ 411	\$ 13,159	\$ 3,672	\$ 107,026
b. FY 2010 Amortization Contribution	(104,177)	(66,491)	(21,154)	(1,309)	(121)	119	8	(193,125)
c. Subtotal	\$ (58,867)	\$ (44,225)	\$ (11,597)	\$ 11,342	\$ 291	\$ 13,278	\$ 3,680	\$ (86,099)
5. Expected UAL as of July 1, 2010 [3. + 4c.]	\$ 2,460,219	\$1,305,284	\$ 527,869	\$ 252,633	\$ 9,648	\$ 222,808	\$ 68,373	\$4,846,833

Note: Numbers may not add due to rounding.

# CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

## CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM JULY 1, 2009 ACTUARIAL VALUATION

### SECTION IV CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

In Table IV-1 we provide the employee contribution rates as a percent of pay effective for the plan year starting July 1, 2010. 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, 2010</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	2.01%	7.68%	5.00%	5.00%	

\* For Municipal 1967 plan, employee contributions are 6% for pay in excess of the social security wage base

This table isolates the City Funding Policy 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, 2009</b>	<b>July 1, 2008</b>
<b>Fiscal Year</b>	<b>2011</b>	<b>2010</b>
1. Normal Cost Rate	7.297%	6.135%
2. Amortization Rate under the City's Funding Policy	125.124%	93.492%
3. Total Year-End Rate [1. + 2.]	132.421%	99.627%
4. Adjusted for Quarterly Payments [3. x 0.96877]	128.285%	96.516%

Table IV-3 below shows the development of the FY 2011 Minimum Municipal Obligation (MMO) for each division. Table IV-4 on the following page shows a schedule of amortization payments toward the MMO based upon the MMO amortization periods and the new interest rate.

<b>Table IV-3</b>				
<b>Development of the Minimum Municipal Obligation for Fiscal Year 2011</b>				
<b>(\$ thousands)</b>				
	<b>Non-Uniformed</b>	<b>Police</b>	<b>Fire</b>	<b>Total</b>
Estimated FY 2010-2011 Payroll	\$ 972,984	\$ 418,488	\$ 130,318	\$ 1,521,790
Normal Cost %	7.189%	12.769%	13.635%	9.275%
Normal Cost	\$ 69,947	\$ 53,438	\$ 17,768	\$ 141,153
Amortization Payment	263,206	154,975	54,476	472,657
Administrative Expenses	5,491	2,122	707	8,320
Subtotal	\$ 338,644	\$ 210,535	\$ 72,951	\$ 622,130
Expected Employee Contributions	(24,363)	(21,670)	(6,807)	(52,840)
Minimum Municipal Obligation	\$ 314,281	\$ 188,865	\$ 66,144	\$ 569,290

Note: Numbers may not add due to rounding.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION

SECTION IV  
CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

Table IV-4 Unfunded Liability Payments toward the MMO for Fiscal Year 2011 (\$ thousands)											
Type of Base	7/1/2009 Balance	Municipal Remaining Years	FY 2011 Payment	7/1/2009 Balance	Police Remaining Years	FY 2011 Payment	7/1/2009 Balance	Fire Remaining Years	FY 2011 Payment	7/1/2009 Balance	Total Remaining Years
<b>Original July 1, 1985 Unfunded Liability</b>	\$ 939,772	16	\$ 77,980	\$ 603,286	16	\$ 50,059	\$ 240,580	16	\$ 19,963	\$ 1,783,638	16
<b>July 1, 1993</b>											
Active Plan Change	\$ (143)	1	\$ (143)	\$ (95)	1	\$ (95)	\$ -	-	\$ -	\$ (237)	1
Assumption Change	(1,404)	1	(1,404)	11	1	11	(261)	1	(261)	(1,654)	1
Subtotal	\$ (1,546)		\$ (1,546)	\$ (84)		\$ (84)	\$ (261)		\$ (261)	\$ (1,891)	
<b>July 1, 1995</b>											
Experience (Gain)/Loss	\$ 930	1	\$ 930	\$ 62	1	\$ 62	\$ (403)	1	\$ (403)	\$ 589	1
Active Plan Change	232	6	47	-	-	-	-	-	-	232	6
Subtotal	\$ 1,162		\$ 976	\$ 62		\$ 62	\$ (403)		\$ (403)	\$ 821	
<b>July 1, 1996</b>											
Experience (Gain)/Loss	\$ 1,236	2	\$ 642	\$ 606	2	\$ 315	\$ (527)	2	\$ (274)	\$ 1,315	2
<b>July 1, 1997</b>											
Experience (Gain)/Loss	\$ (18,495)	3	\$ (6,660)	\$ (7,099)	3	\$ (2,556)	\$ (4,745)	3	\$ (1,709)	\$ (30,339)	3
Assumption Change	29,680	8	4,816	3,632	8	589	1,530	8	248	34,841	8
Subtotal	\$ 11,184		\$ (1,843)	\$ (3,466)		\$ (1,967)	\$ (3,216)		\$ (1,460)	\$ 4,502	
<b>July 1, 1998</b>											
Experience (Gain)/Loss	\$ (6,705)	4	\$ (1,880)	\$ (5,473)	4	\$ (1,535)	\$ (4,919)	4	\$ (1,380)	\$ (17,097)	4
<b>July 1, 1999</b>											
Experience (Gain)/Loss	\$ (65,845)	5	\$ (15,335)	\$ 484	5	\$ 113	\$ (23,902)	5	\$ (5,567)	\$ (89,262)	5
Active Plan Change	10,538	10	1,467	-	-	-	-	-	-	10,538	10
Subtotal	\$ (55,307)		\$ (13,868)	\$ 484		\$ 113	\$ (23,902)		\$ (5,567)	\$ (78,725)	
<b>July 1, 2000</b>											
Experience (Gain)/Loss	\$ (14,868)	6	\$ (2,994)	\$ 20,679	6	\$ 4,164	\$ 423	6	\$ 85	\$ 6,234	6

Note: Numbers may not add due to rounding.

Table IV-4 Unfunded Liability Payments toward the MMO for Fiscal Year 2011 (continued) (\$ thousands)											
Type of Base	7/1/2009 Balance	Municipal Remaining Years	FY 2011 Payment	7/1/2009 Balance	Police Remaining Years	FY 2011 Payment	7/1/2009 Balance	Fire Remaining Years	FY 2011 Payment	7/1/2009 Balance	Total Remaining Years
<b>July 1, 2001</b>											
Experience (Gain)/Loss	\$ (12,176)	7	\$ (2,179)	\$ (14,581)	7	\$ (2,609)	\$ 7,285	7	\$ 1,304	\$ (19,472)	7
Assumption Change	(3,225)	12	(400)	(1,839)	12	(228)	(4,183)	12	(519)	(9,247)	12
Subtotal	\$ (15,401)		\$ (2,579)	\$ (16,420)		\$ (2,838)	\$ 3,103		\$ 784	\$ (28,718)	
<b>July 1, 2002</b>											
Asset (Gain)/Loss	\$ 18,845	24	\$ 1,688	\$ 10,047	24	\$ 900	\$ 4,282	24	\$ 384	\$ 33,174	24
Liability (Gain)/Loss	104,264	8	16,920	69,308	8	11,247	19,386	8	3,146	192,959	8
Assumption Change	\$ 12,925	13	\$ 1,531	\$ 8,570	13	\$ 1,015	\$ 6,746	13	\$ 799	\$ 28,241	13
Subtotal	\$ 136,034		\$ 20,140	\$ 87,925		\$ 13,163	\$ 30,414		\$ 4,329	\$ 254,373	
<b>July 1, 2003</b>											
Asset (Gain)/Loss	\$ 322,038	24	\$ 28,847	\$ 169,937	24	\$ 15,222	\$ 73,053	24	\$ 6,544	\$ 565,029	24
Liability (Gain)/Loss	59,828	9	8,940	8,556	9	1,278	6,365	9	951	74,750	9
Active Plan Change	-	-	-	20,082	14	2,283	8,031	14	913	28,113	14
Inactive Plan Change	-	-	-	17,627	4	4,944	5,270	4	1,478	22,897	4
Subtotal	\$ 381,866		\$ 37,786	\$ 216,203		\$ 23,728	\$ 92,720		\$ 9,886	\$ 690,789	
<b>July 1, 2004</b>											
Experience (Gain)/Loss	\$ 116,494	10	\$ 16,219	\$ 70,372	10	\$ 9,798	\$ 20,695	10	\$ 2,881	\$ 207,561	10
<b>July 1, 2005</b>											
Experience (Gain)/Loss	\$ 190,098	11	\$ 24,898	\$ 81,067	11	\$ 10,618	\$ 34,691	11	\$ 4,544	\$ 305,856	11
Assumption Change	219,811	16	23,309	106,362	16	11,279	42,701	16	4,528	368,874	16
Plan Change	1,927	16	204	243	16	26	-	-	-	2,170	16
Subtotal	\$ 411,836		\$ 48,411	\$ 187,671		\$ 21,922	\$ 77,392		\$ 9,072	\$ 676,899	
<b>July 1, 2007</b>											
Experience (Gain)/Loss	\$ 130,351	13	\$ 15,445	\$ 174	13	\$ 21	\$ 14,562	13	\$ 1,725	\$ 145,087	13

Note: Numbers may not add due to rounding.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION

SECTION IV  
CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

Table IV-4 Unfunded Liability Payments toward the MMO for Fiscal Year 2011 (continued) (\$ thousands)											
Type of Base	7/1/2009 Balance	Municipal Remaining Years	FY 2011 Payment	7/1/2009 Balance	Police Remaining Years	FY 2011 Payment	7/1/2009 Balance	Fire Remaining Years	FY 2011 Payment	7/1/2009 Balance	Total Remaining Years
<b>July 1, 2009</b>											
Experience (Gain)/Loss	\$ 513,991	20	\$ 49,264	\$ 274,773	20	\$ 26,336	\$ 114,937	20	\$ 11,016	\$ 903,701	20
Assumption Change	219,634	20	21,051	122,247	20	11,717	42,560	20	4,079	384,442	20
Subtotal	\$ 733,625		\$ 70,316	\$ 397,020		\$ 38,053	\$ 157,498		\$ 15,096	\$ 1,288,143	
<b>Total</b>	<b>\$ 2,769,734</b>		<b>\$ 263,206</b>	<b>\$ 1,559,040</b>		<b>\$ 154,975</b>	<b>\$ 604,158</b>		<b>\$ 54,476</b>	<b>\$ 4,932,932</b>	

Note: Numbers may not add due to rounding.

CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM  
JULY 1, 2009 ACTUARIAL VALUATION

SECTION IV  
CONTRIBUTIONS AND MINIMUM MUNICIPAL OBLIGATION

Table IV- 9a provides the market value of assets *excluding* the Bond issue assets and excluding the PAF.

	Municipal	Police	Fire	Total
Assets as of July 1, 2008	\$ 2,134,544,636	\$ 1,231,483,993	\$ 368,478,027	\$ 3,734,506,656
<b>Receipts</b>				
Employer Contributions	\$ 252,748,034	\$ 118,794,942	\$ 55,211,943	\$ 426,754,919
Employee Contributions	25,358,172	21,411,006	7,253,400	54,022,578
State Aid	32,154,743	20,316,547	7,087,796	59,559,086
Supplemental State Assistance	-	-	-	-
Investment Income (includes investment expenses)	(442,989,018)	(252,778,357)	(77,163,613)	(772,930,988)
Other Receipts	-	-	-	-
<b>Total Receipts</b>	<b>\$ (132,728,069)</b>	<b>\$ (92,255,863)</b>	<b>\$ (7,610,473)</b>	<b>\$ (232,594,405)</b>
<b>Disbursements</b>				
Benefit Payments	\$ 371,584,295	\$ 199,341,420	\$ 85,047,777	\$ 655,973,492
Refund of Contributions	2,591,965	1,486,420	707,827	4,786,212
Administrative Expenses	5,671,962	2,174,921	734,917	8,581,800
PAF Transfer at Year End	-	-	-	-
Other Disbursements	-	-	-	-
<b>Total Disbursements</b>	<b>\$ 379,848,222</b>	<b>\$ 203,002,761</b>	<b>\$ 86,490,521</b>	<b>\$ 669,341,504</b>
Assets as of July 1, 2009	\$ 1,621,968,345	\$ 936,225,370	\$ 274,377,033	\$ 2,832,570,748

Note: Numbers may not add due to rounding

Table IV- 9b provides the market value of assets *including* the Bond issue assets but excluding the PAF.

	Municipal	Police	Fire	Total
Assets as of July 1, 2008	\$ 2,538,219,338	\$ 1,341,828,086	\$ 503,497,310	\$ 4,383,544,734
<b>Receipts</b>				
Employer Contributions	\$ 220,779,962	\$ 129,775,437	\$ 45,274,520	\$ 395,829,920
Employee Contributions	25,358,172	21,411,006	7,253,400	54,022,578
State Aid	32,154,743	20,316,547	7,087,796	59,559,086
Supplemental State Assistance	-	-	-	-
Investment Income (includes investment expenses)	(492,606,067)	(265,828,679)	(96,752,810)	(855,187,556)
Other Receipts	-	-	-	-
<b>Total Receipts</b>	<b>\$ (214,313,189)</b>	<b>\$ (94,325,689)</b>	<b>\$ (37,137,094)</b>	<b>\$ (345,775,972)</b>
<b>Disbursements</b>				
Benefit Payments	\$ 371,584,295	\$ 199,341,420	\$ 85,047,777	\$ 655,973,492
Refund of Contributions	2,591,965	1,486,420	707,827	4,786,212
Administrative Expenses	5,671,962	2,174,921	734,917	8,581,800
PAF Transfer at Year End	-	-	-	-
Other Disbursements	-	-	-	-
<b>Total Disbursements</b>	<b>\$ 379,848,222</b>	<b>\$ 203,002,761</b>	<b>\$ 86,490,521</b>	<b>\$ 669,341,504</b>
Assets as of July 1, 2009	\$ 1,944,057,927	\$ 1,044,499,636	\$ 379,869,695	\$ 3,368,427,258

Note: Numbers may not add due to rounding

# GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

## CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM JULY 1, 2009 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 for Fiscal Year 2009. For Fiscal Year 2010, the assumed interest rate will change to 8.25% based upon July 1, 2009 liabilities valued at this interest rate. 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, 2008 and July 1, 2009 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, 2009 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 12.6 years.
- Net Pension Obligation (NPO) – the accumulated value of contribution deficiencies (or excesses) over required contributions from July 1, 1987 to July 1, 2009 between the annual pension cost and the employer’s contribution.
- 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>			
<b>(\$ thousands)</b>			
	<b>July 1, 2009</b>	<b>July 1, 2008</b>	<b>% Change</b>
1. Actuarial Liabilities			
a. Members Currently Receiving Payments	\$ 5,693,789	\$ 5,350,582	6.4%
b. Vested Terminated and Inactive Members	116,672	104,992	11.1%
c. Active Members	3,164,583	2,946,645	7.4%
d. Total Actuarial Liability	\$ 8,975,045	\$ 8,402,219	6.8%
2. Actuarial Value of Assets	\$ 4,042,113	\$ 4,623,562	-12.6%
3. Unfunded Actuarial Liability	\$ 4,932,932	\$ 3,778,657	30.5%
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2)/(1)(d)	45.0%	55.0%	-10.0%

**FINANCIAL SECTION**  
**Exhibit A-1**

**CITY OF PHILADELPHIA**  
**MUNICIPAL PENSION FUND**  
**STATEMENT OF PLAN NET ASSETS- June 30, 2009**

**ASSETS**

Cash on Deposit and on Hand	\$	33,500,864
Investments at Fair Value		3,375,757,790
Securities Lending		420,344,216
Allowance for Unrealized Loss		(20,581,763)
Accounts Receivable		5,126,834
Due from Brokers		732,359,181
Interest and Dividends Receivable		8,133,823
Due from Other Governmental Units		4,756,950
		<hr/>
<b><u>Total Assets</u></b>	<b>\$</b>	<b><u><u>4,559,397,895</u></u></b>

**LIABILITIES**

Vouchers Payable	\$	20,182
Accounts Payable		3,084,833
Salaries and Wages Payable		152,111
Due on Securities Lending		420,344,216
Due to Brokers		754,826,242
Accrued Expenses		1,621,250
Deferred Revenue		2,644,542
Monies Held in Escrow		372,708
Other Liabilities		564,735
		<hr/>
<b><u>Total Liabilities</u></b>		<b><u><u>1,183,630,819</u></u></b>

<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$</b>	<b>3,375,767,076</b>
--	-----------	----------------------

**CITY OF PHILADELPHIA** **Schedule A-1a**  
**MUNICIPAL PENSION FUND**  
**SUMMARY OF INVESTMENT TYPE FOR THE FISCAL YEAR ENDED JUNE 30,**  
**2009**

	<u>Par</u>	<u>Cost</u>	<u>Market</u>
U.S. Government Securities	52,103,026	54,730,349	53,579,112
U.S. Government Agency Securities	432,320,267	201,189,896	208,981,139
Corporate Bonds	156,954,475	150,233,073	143,079,607
Corporate Equity	503,152,921	2,551,290,850	2,377,553,735
Collateralized Mortgage Obligations	278,692,536	62,380,479	64,469,278
Other Bonds & Investments	205,516,566	31,240,733	27,180,539
Short Term Investment Pools	143,865,456	143,865,456	143,865,456
Real Estate	12,709,922	25,659,420	14,029,304
Financial Agreements	<u>415,323,464</u>	<u>464,513,246</u>	<u>377,096,919</u>
<b>Total</b>	<b><u><u>\$ 2,200,638,634</u></u></b>	<b><u><u>\$ 3,685,103,502</u></u></b>	<b><u><u>\$ 3,409,835,089</u></u></b>

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE FISCAL YEARS  
ENDED JUNE 30, 2009 AND 2008**

	June 30, 2009	June 30, 2008
Additions:		
Contributions:		
Employer's Contributions	\$ 455,389,006	\$ 426,934,483
Employees' Contributions	54,022,578	51,690,163
<b>Total Contributions</b>	<b>509,411,584</b>	<b>478,624,646</b>
Investment Income:		
Interest and Dividends	75,635,329	97,123,132
Gain (Loss) from Sale of Investments	(912,254,505)	(304,924,395)
(Less) Investment Expenses	(12,758,521)	(17,105,121)
Securities Lending Revenue	12,342,274	34,380,021
Securities Lending Unrealized Loss	(20,581,763)	
(Less) Securities Lending Expenses	(6,662,875)	(26,980,432)
Net Investment Income	(864,280,061)	(217,506,796)
Miscellaneous Operating Revenues	1,014,880	1,068,455
<b>Total Additions</b>	<b>(353,853,597)</b>	<b>262,186,305</b>
Deductions:		
Personal Services	3,795,061	3,592,678
Purchase of Services	2,147,116	1,909,785
Materials and Supplies	89,446	108,203
Employee Benefits	2,395,631	1,886,284
Pension Benefits	681,086,661	725,660,618
Refunds of Members' Contributions	4,786,213	4,200,154
Indemnities	-	10,760
Other Operating Expenses	154,546	97,597
<b>Total Deductions</b>	<b>694,454,674</b>	<b>737,466,079</b>
<b>Net Decrease</b>	<b>(1,048,308,271)</b>	<b>(475,279,774)</b>
Net Assets Held in Trust for		
<b>Pension Benefits - July 1, 2008</b>	<b>4,424,075,347</b>	<b>4,899,355,121</b>
Prior Period Adjustment		
<b>Pension Benefits - June 30, 2009</b>	<b>\$ 3,375,767,076</b>	<b>\$ 4,424,075,347</b>

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
ANALYSIS OF MEMBER'S CONTRIBUTIONS FOR THE PERIOD ENDED- JUNE 30, 2009**

	Municipal Division Old	Municipal Division New	Fire Division New	Police Division New
Balance, July 1, 2008	<u>\$ 203,351</u>	<u>\$ 328,567</u>	<u>\$ 48,625,011</u>	<u>\$ 91,310,851</u>
Additions				
Regular Payroll Deductions	-	-	1,801,201	4,577,389
Installment Repurchase Deductions	-	-	20,370	23,602
Payment Through City Treasurer	-	-	331,688	144,257
Retirees' Pension Payment	-	-	13	-
Net Change in Liability for Deceased Pensions		(21,061)	(61,285)	(62,941)
Net Change in Liability for Pensioner's Unexpected Contribution	-	-	(1,872,128)	(4,527,122)
Adjustments to Member's Contribution Accounts	-	-	-	-
Unclaimed Withdrawal Checks Deposited	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Additions	<u>-</u>	<u>(21,061)</u>	<u>219,859</u>	<u>155,186</u>
Deductions				
Withdrawals	-		471,630	373,457
Retirements	-	-	3,968,320	4,238,589
Adjustments to Member's Contribution Accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deductions	<u>-</u>	<u>-</u>	<u>4,439,950</u>	<u>4,612,046</u>
Net Change in Year	<u>-</u>	<u>(21,061)</u>	<u>(4,220,092)</u>	<u>(4,456,860)</u>
Balance, June 30, 2009	<u>\$ 203,351</u>	<u>\$ 307,506</u>	<u>\$ 44,404,919</u>	<u>\$ 86,853,992</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>\$ 2,161,488</u>	<u>\$ 237,126,578</u>	<u>\$ 7,148,961</u>	<u>\$ 86,038,016</u>	<u>\$ 33,764,658</u>	<u>\$ 127,682,635</u>	<u>\$ 634,390,117</u>
147,482	9,997,990	1,699	12,504,645	4,816,101	16,294,570	50,141,076
339	153,777	-	463,650	188,620	178,963	1,029,320
4,498	917,512	590	1,144,699	95,408	188,374	2,827,026
-	6,416	-	14,876	-	3,851	25,156
	(102,189)			25,555	2,443	(219,478)
	(1,682,454)	(8,882)	(127,062)	128,892	146,405	7,942,352
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>152,318</u>	<u>9,291,052</u>	<u>(6,593)</u>	<u>14,000,808</u>	<u>5,254,575</u>	<u>16,814,605</u>	<u>45,860,747</u>
239	937,764	-	1,653,962	236,197	1,112,963	4,786,213
	18,178,874	11,443	2,063,345	566,944	1,131,397	30,158,912
-	-	-	-	-	-	-
<u>239</u>	<u>19,116,638</u>	<u>11,443</u>	<u>3,717,307</u>	<u>803,141</u>	<u>2,244,360</u>	<u>34,945,125</u>
<u>152,079</u>	<u>(9,825,586)</u>	<u>(18,037)</u>	<u>10,283,501</u>	<u>4,451,434</u>	<u>14,570,245</u>	<u>10,915,623</u>
<u>\$ 2,313,567</u>	<u>\$ 227,300,992</u>	<u>\$ 7,130,925</u>	<u>\$ 96,321,516</u>	<u>\$ 38,216,091</u>	<u>\$ 142,252,881</u>	<u>\$ 645,305,740</u>

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
ANALYSIS OF FUND BALANCE FOR THE PERIOD ENDED JUNE 30, 2009**

	Reserve for Member Contributions	Reserve for Payment of Pensions and All Other Purposes
Balance, July 1, 2008	\$ 634,390,117	\$ 3,789,685,230
Additions:		
Contributions:		
Employees	54,022,578	-
Quasi-Public Agencies Net Accrual	-	15,386,006
City Appropriations	-	440,003,000
Total Contributions	54,022,578	455,389,006
Interest:		
Members' Reinstatements	-	96,000
Interest on Long-Term Investments	-	74,416,067
Interest on Short-Term Investments	-	1,123,263
Total Interest	-	75,635,330
Net Appreciation (Depreciation) Fair Value of Investments	-	(360,946,930)
Net Income (Loss) from Investment Managers	-	(571,895,022)
Members' Contributions Transferred to		30,158,912
Reserve for Retirements	-	-
Adjustments for Liability to Deceased Pensioners	(219,478)	-
Adjustments to Members' Unexpended Contributions	(7,942,352)	-
Adjustments for Accrued Death Benefits	-	(218,328)
Adjustment for Employees Unexpended Vacation Time	-	-
Other Additions:		
Unclaimed Withdrawal Checks Deposited	-	-
Refunds and Cancelled Checks -		
Prior Years' Pensions	-	382,051
Miscellaneous Receipts	-	6,313,227
Miscellaneous Fund Balance Adjustments	-	-
Total Other Additions	(8,161,830)	(896,206,090)
Total Additions	45,860,748	(365,181,754)
Deductions		
Withdrawals	4,786,213	
Retirements	30,158,912	
Administrative Expenses	-	8,143,635
Payments of Pensions and Benefits	-	681,086,661
Investment Manager Expenses	-	12,758,521
Monies Held In Escrow	-	372,708
Adjustments for Liability to Deceased Pensioners	-	-
Adjustments to Members' Unexpended Contributions	-	(7,942,352)
Adjustments for Accrued Death Benefits	-	(218,328)
Adjustment for Employees Unexpended Vacation Time	-	64,141
Reversal of Prior Year Accruals	-	(377,392)
Miscellaneous Fund Balance Adjustments	-	154,546
Total Deductions	34,945,125	694,042,140
<b>Balance, June 30, 2009</b>	<b>\$ 645,305,740</b>	<b>\$ 2,730,461,336</b>

**CITY OF PHILADELPHIA  
MUNICIPAL PENSION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS BY DIVISION FOR THE  
FISCAL YEAR ENDED JUNE 30, 2009**

	<u>Employee Contributions</u>	<u>Pension Benefits</u>	<u>Withdrawals</u>	<u>Miscellaneous Revenue</u>	<u>Operating Expenses</u>
Police Division - Old	16,665,757	7,745,787	1,112,963	9,843	-
Police Division - New	4,745,249	197,960,167	373,457	36,789	-
Fire Division - Old	5,100,128	2,101,760	236,197	3,970	-
Fire Division - New	2,153,272	85,096,625	471,630	17,972	-
Municipal Revised - Plan 60	11,075,695	376,023,135	937,764	311,825	-
Municipal Revised - Plan 87	2,289	300,921	-	-	-
Municipal Revised - Plan 93	14,127,870	10,283,999	1,653,962	1,557	-
Municipal Division - New	-	356,006	-	-	-
Civilian - Elected Officials	152,318	1,218,262	239	95	-
Operating Fund	-	-	-	<u>632,829</u>	<u>8,247,283</u>
<b>TOTAL</b>	<b><u>54,022,578</u></b>	<b><u>681,086,661</u></b>	<b><u>4,786,213</u></b>	<b><u>1,014,880</u></b>	<b><u>8,247,283</u></b>

**CITY OF PHILADELPHIA  
YEAR-END PENSION CONTRIBUTION  
PENSION CONTRIBUTIONS BY DIVISION FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b><u>Payroll Used To Determine Normal Cost</u></b>	<b><u>Normal Costs</u></b>	<b><u>Unfunded Liability</u></b>	<b><u>Less Quasi Contributions</u></b>	<b><u>Plus Total Interest Charges</u></b>	<b><u>Total Pension Contribution</u></b>
Police - 1967 Plan	75,924,394.00	7,894,618.49	152,456,625.00		(6,710,278.96)	153,640,964.53
Police - 1987 Plan	324,051,887.89	22,093,857.72	3,912,825.00		(1,088,311.46)	24,918,371.26
Fire - 1967 Plan	30,251,390.78	3,094,717.28	54,376,087.50		(2,405,002.44)	55,065,802.34
Fire - 1987 Plan	95,764,637.96	6,938,148.02	764,512.50		(322,336.14)	7,380,324.38
Municipal - 1967 Plan	259,180,106.07	16,035,473.16	256,001,850.00	(12,830,450.56)	(10,847,127.75)	248,359,744.85
Municipal - 1987 Plan	634,136,429.77	30,007,335.86	5,759,400.00		(1,496,744.08)	34,269,991.78
Municipal Elected - 1987 Plan	1,836,621.28	95,926.73	367,575.00		(19,396.33)	444,105.40
Quasi-Governmental Agencies	41,305,243.75	2,555,555.43		(2,555,555.43)		0.00
	<u>1,462,450,711.49</u>	<u>88,715,632.68</u>	<u>473,638,875.00</u>	<u>(15,386,005.99)</u>	<u>(22,889,197.16)</u>	<u>524,079,304.53</u>

**MUNICIPAL PENSION FUND  
FISCAL 2009 INFORMATION**

**Cash and Accrued Contributions from the City - Fiscal 2009 \***

<u>Category</u>	-	-	<u>Amount</u>
Cash received		\$	440,003,000
Accrued 6/30/09		-	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div>
		\$	440,003,000

**Cash and Accrued Contributions from Quasi-Agencies - Fiscal 2009**

Cash received		15,426,949	
Accrued 6/30/2009		(40,943)	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div>
<b>Total City &amp; Quasi Agencies</b>			<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div>
			\$ 455,389,006
Contribution from the Commonwealth			
			<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div>
			-
<b>Total Contribution requirement</b>			<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div>
			\$ 455,389,006

**\* Analysis of Contributions from the City - Fiscal 2009**

<u>Date</u>	<u>Amount</u>
08/09/2009	<div style="border-top: 1px solid black; display: inline-block; width: 100px;"></div>
	\$ 440,003,000
	\$ 440,003,000

# STATISTICAL INFORMATION

## CITY OF PHILADELPHIA MUNICIPAL RETIREMENT SYSTEM 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>REGULAR</u>	<u>DISABLED</u>	<u>SURVIVORS OF</u>		<u>TOTAL</u>	
						<u>EMPLOYEES</u>	<u>PENSIONERS</u>		
Municipal	1369	26	1395	1354	53	36	194	1637	3032
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>

### APPLICATIONS PROCESSED DURING JULY 2008 THROUGH JUNE 2009

<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</u>		<u>TOTAL</u>	
						<u>EMPLOYEES</u>	<u>PENSIONERS</u>		
Municipal	1169	26	1195	1291	65	42	209	1607	2,802
Fire	18	0	18	246	11	7	26	290	308
Police	84	2	86	267	43	12	91	413	499
<b>Grand Total</b>	<b><u>1,271</u></b>	<b><u>28</u></b>	<b><u>1,299</u></b>	<b><u>1,804</u></b>	<b><u>119</u></b>	<b><u>61</u></b>	<b><u>326</u></b>	<b><u>2,310</u></b>	<b><u>3,609</u></b>

**CITY OF PHILADELPHIA  
MUNICIPAL RETIREMENT SYSTEM  
COMPARATIVE STATEMENT OF RETIREMENT BENEFITS IN FORCE AS OF JUNE 30, 2008 AND  
JUNE 30, 2009**

	<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>June 30, 2008</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	\$ 6,151,746
<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>\$ 6,244,328</u>	<u>\$ 5,139,791</u>	<u>\$ 48,834,845</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>June 30, 2009</i>								
<u>MUNICIPAL</u>	13,379	1,980	5,468	20,827	\$ 21,841,690	\$ 2,671,403	\$ 3,131,887	\$ 27,644,980
<u>FIRE</u>	5,826	1,916	2,251	9,993	\$ 11,664,103	\$ 2,923,267	\$ 1,539,629	\$ 16,126,999
<u>POLICE</u>	2,085	448	861	3,394	\$ 4,914,985	\$ 753,011	\$ 630,787	\$ 6,298,782
<u>GRAND TOTAL</u>	<u>21,290</u>	<u>4,344</u>	<u>8,580</u>	<u>34,214</u>	<u>\$ 38,420,778</u>	<u>\$ 6,347,680</u>	<u>\$ 5,302,303</u>	<u>\$ 50,070,761</u>

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

**ACTIVE MEMBERS**

<b><u>DIVISION</u></b>	<b><u>6/30/08</u></b>	<b><u>6/30/09</u></b>
<b>MUNICIPAL</b>	<b>21,185</b>	<b>20,734</b>
<b>FIRE</b>	<b>2,295</b>	<b>2,230</b>
<b>POLICE</b>	<b>6,773</b>	<b>6,853</b>
<b>TOTAL</b>	<b>30,253</b>	<b>29,817</b>

