

March 2004

City of Philadelphia Municipal Retirement System

July 1, 2003

Actuarial Valuation Report

MERCER

Human Resource Consulting

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EXECUTIVE SUMMARY

This report presents the actuarial valuation of the costs and liabilities for the City of Philadelphia Municipal Retirement System as of July 1, 2003 and City contributions for the fiscal year ending June 30, 2005. This section summarizes the valuation results and discusses changes in the System's costs and liability arising from plan amendments and demographic and economic experience for the year ending June 30, 2003.

Findings summary

Table 1 shows actuarial valuation results for all divisions as of July 1, 2003.

1. July 1, 2003 actuarial valuation (dollars in thousands)

Participants	
Active	28,885
Retired	18,072
Beneficiaries	8,621
Disabled	4,623
Terminated vested	755
DROP	3,524 ^c
Total	64,480
Total annual salaries	\$ 1,269,322
Actuarial accrued liability	\$ 7,188,283
Unfunded actuarial accrued liability	\$ 2,640,138
Assets for valuation purposes	\$ 4,548,145
Funding percent	63.3%
City normal cost as percent of payroll (beginning-of-year payment)	5.473%
Fiscal 2005 funding requirements (beginning-of-year payments)	
City's funding policy	\$ 349,151 ^{a, b}
Minimum municipal obligation	\$ 294,314 ^a

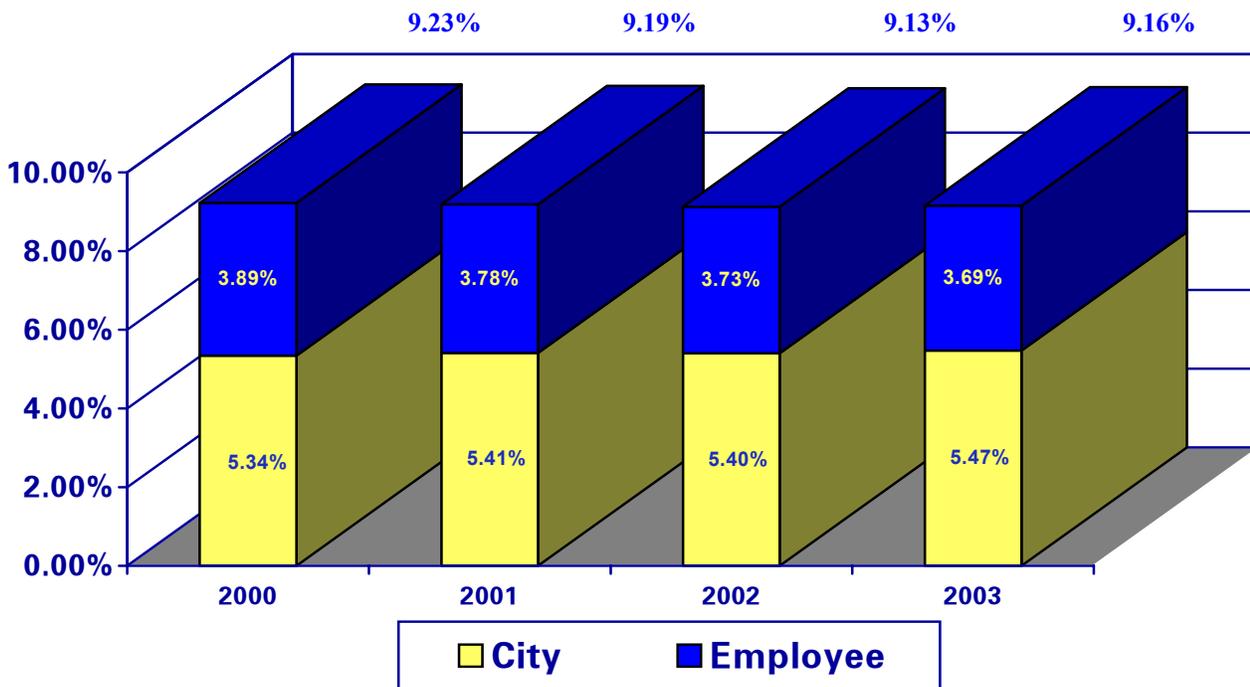
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2003, these totaled \$42,844,213.
- b. Determined using estimated July 1, 2004 annual payroll. Final contribution will be based on actual fiscal 2005 payroll.
- c. While still active employees, the Deferred Retirement Option Plan (DROP) participants are treated as retired for valuation purposes since they no longer accrue benefits.

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Normal cost

The total normal cost is the cost of one year's accrual of projected benefits plus administrative expenses. The City's normal cost equals the total normal cost *less* expected employee contributions. The total normal cost percentage increased slightly due in large part to an increase in administrative expenses. The following graph is a four-year history of the total normal cost with employee and City components as a percent of pay.

2. Total normal cost - percent of pay



Unfunded actuarial accrued liability

From July 1, 2002 through June 30, 2003, the unfunded actuarial accrued liability increased \$804,263,000 from \$1,835,875,000 to \$2,640,138,000 because:

- The valuation assets had a return of -2.2% during the year. We assume the valuation assets will have a 9% return. This was the primary cause for the increase in unfunded liability.
- Salary increases were greater than our 5% assumption, resulting in an additional loss.
- There was a plan amendment to include stress pay (4% of base pay for police) and premium pay (minimum of 4% of base pay for firefighters).

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- An ad-hoc COLA was implemented for uniform retirees per Act 64 (House Bill No. 1360).
- Other non-economic experience, such as mortality and retirement experience, resulted in a loss.

The impact of these factors is illustrated in Table 3.

3. Unfunded liability (millions)

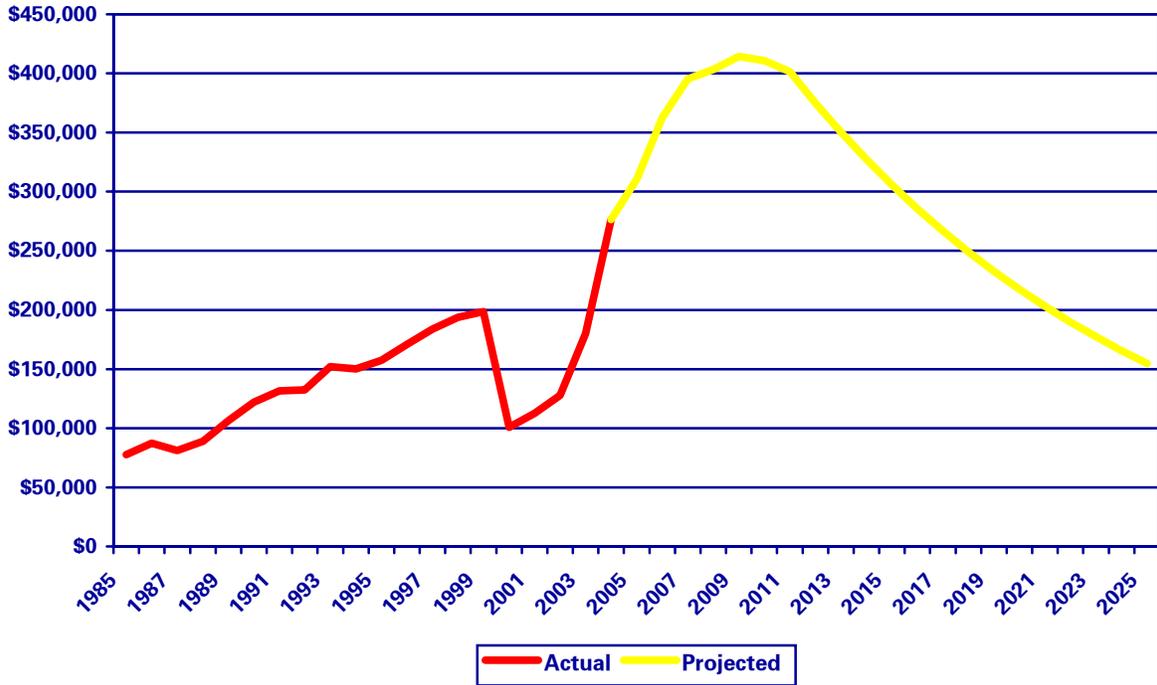
2002 Unfunded liability		\$ 1,836
Change due to:		
Plan changes	\$78	
Payment schedule	26	
Salary increases	25	
Investment return	542	
Assumption changes	0	
Smaller contribution than scheduled	15	
Nonactive mortality	35	
Other actuarial experience	83	
Total of all changes		<u>804</u>
2003 Unfunded liability		\$ 2,640

Because the July 30, 1985 unfunded liability is being amortized with payments increasing 4.5% per year and due to the recognition of asset losses, the amortization payment is scheduled to increase each year, reaching a maximum in 2010, and then decrease. The total unfunded liability is scheduled to increase each year until fiscal year 2007, and then gradually decrease. With the 1997 change in Act 205, once the funding ratio reaches 70%, the City may shift to a 10 year rolling level amortization schedule. The plan is currently 63.3% funded; however, the alternative amortization schedule is not expected to result in lower cost to the City until fiscal year 2012.

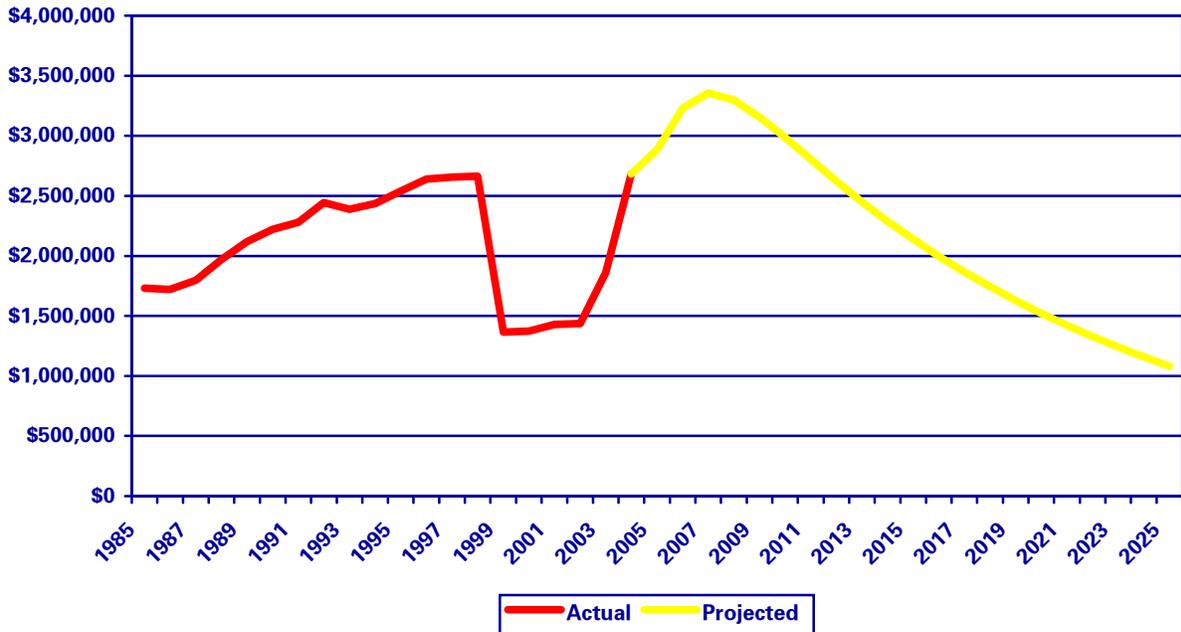
Graph 3(A) illustrates changes in the amortization payment through 2025. Graph 3(B) tracks the unfunded liability through 2025. The red lines indicate actual past changes in the amortization payment or unfunded liability and include scheduled increases and changes because of previous plan amendments, assumption changes, gains and losses and the impact of the Pension Obligation Bond (POB) of 1999. The yellow lines reflect projected changes, including the future schedule of the initial July 30, 1985 unfunded liability and known asset losses for the next four years due to the adjusted asset smoothing method. Also included in the projected changes detailed by the yellow lines, is the switch to the 10 year rolling amortization schedule, anticipated to be beneficial in 2012.

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3(A). Amortization schedule of payments (\$'s in thousands)



3(B). Unfunded actuarial accrued liability (\$'s in thousands)



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City funding policy

The report shows the recommended City contributions, assuming they're paid at the beginning of the fiscal year (July 1, 2004). If paid after July 1, the City's funding policy has been to pay interest at 9% from July 1, 2004 to the date paid.

The resulting estimated City contributions for fiscal years 2004 and 2005 are shown in Table 4(A).

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

	Fiscal 2004	Fiscal 2005
Normal cost	\$ 68,125	\$ 72,596 ^a
Amortization payment	<u>180,093</u>	<u>276,555</u>
Total City cost	\$ 248,218	\$ 349,151 ^b

- Based on estimated July 1, 2004 annual payroll. Actual normal cost will be based on actual fiscal 2005 payroll. This payroll does not include DROP participants.
- The City may use general state aid and state COLA reimbursements to meet this commitment. For fiscal year 2003, they totaled \$42.8 million.

Table 4(B) shows July 1, 2004 employee contribution rates.

4(B). Employee contribution rates effective July 1, 2004 (based on July 1, 2003 results)

	Municipal	Elected	Police	Fire
1967 Plan	3.75% ^a	N/A	6.00%	6.00%
Plan 87	2.01%	7.54%	5.00%	5.00%

- 6.00% on wages over the Social Security maximum taxable wage base — \$87,900 in 2004.

Quasi agency funding

Table 4(C) shows the quasi agencies funding rate as a percent of payroll for fiscal years 2004 and 2005 and the Parking Authority's additional contribution for their early retirement window. This special amortization charge ends in fiscal 2004.

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

	Fiscal 2004	Fiscal 2005
Valuation date	July 1, 2002	July 1, 2003
Normal cost	5.140%	5.249% ^a
Amortization rate	<u>24.500%</u>	<u>38.445%</u> ^b
Total, year-end rate	29.640%	43.694%
Total, adjusted for quarterly payments	28.913%	42.622% ^c
Parking authority special amortization payment		
Annual year-end payment	\$ 78,000	N/A
Quarterly payment	\$ 19,021 ^d	N/A

a. End of year normal cost rate, page 11, Municipal 1967 Plan.

b. $\$155,794 \div \$405,236$, see pages 15 and 11.

c. $.97546$ (quarterly adjustment factor) \times 43.694%.

d. $\$78,000 \div 4 \times .97546$.

Minimum municipal obligation

The minimum municipal obligation (MMO) is the minimum required City contribution under state law (Acts 205 and 189).

The City's funding policy differs from the MMO. The most significant differences are:

- The City uses a 34-year increasing amortization of its July 1, 1985 unfunded actuarial accrued liability, while Act 205 allows a 40-year increasing amortization schedule.
- The City applies the normal cost rates to the fiscal year's actual payroll. The MMO is based on the prior year's estimated payroll.
- No interest accumulates on the MMO if the payment is made by calendar year-end.
- The City's funding policy and the MMO use a one-year delay in applying actuarial valuation results to fiscal years. This July 1, 2003 valuation report determines the City's fiscal 2005 MMO and funding contribution. For the MMO, however, no interest is added for the one-year delay.
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.

Table 46 of this report summarizes the City's unfunded liability payment for its fiscal 2005 MMO. These payments reflect the 40-year funding from July 1, 1985 with increasing payments at 4.5%.

The resulting fiscal 2005 MMO is summarized in Table 4(D).

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4(D). Fiscal 2005 minimum municipal obligation (thousands)

Valuation report	July 1, 2003
Normal cost	\$ 114,002
Amortization payment	221,718
Expected administrative expense	<u>7,200</u>
Subtotal	\$ 342,920
Expected member contributions	<u>(48,930)</u>
Minimum municipal obligation	\$ 293,990
Interest	<u>0^a</u>
Total	<u>\$ 293,990^b</u>

a. Assumes the MMO will be paid before December 31, 2004.

b. The City may use general state aid and state COLA reimbursement, estimated at \$42.8 million, to meet this commitment.

Funding status

The plan's funding status is measured by the ratio of actuarial value of assets to the actuarial accrued liability. A comparison of this ratio as of July 1, 2002 and July 1, 2003 is shown in Table 4(E).

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

	2002	2003
Actuarial value of assets	\$ 4,891,340	\$ 4,548,145
Actuarial accrued liability	\$ 6,727,215	\$ 7,188,283
Funding ratio	72.7%	63.3%

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Certification

Mercer Human Resource Consulting has prepared the actuarial valuation of the City of Philadelphia Municipal Retirement System as of July 1, 2003 for fiscal year contributions ending June 30, 2005. The valuation is based on employee and financial data which were provided by the City of Philadelphia Board of Pensions and Retirement, and are summarized in this report.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current state statutes and regulations issued thereunder. In our opinion, the actuarial assumptions are reasonable and represent our best estimate of the anticipated experience under the Plan. This report fully and fairly discloses the actuarial present position of the Plan on an ongoing basis.

There have been no changes in valuation procedures or actuarial cost methods since the last valuation of the Plan as of July 1, 2002.

We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Thomas Skiavo, EA

Date

As a Fellow of the Conference of Consulting Actuaries and the Society of Actuaries, I meet the Qualification Standards to provide the statements of actuarial opinion contained in this report.

Kenneth A. Kent, FSA, FCA

Date

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COST DERIVATION

This section explains the Retirement System's costs. Costs are determined using the entry age actuarial cost method. The cost estimates derived in this actuarial valuation will be the basis for determining pension costs for the fiscal year ending June 30, 2005. Pension costs consist of the normal cost and the unfunded liability amortization payment.

Derivation of normal cost

The normal cost is the total of the individual normal costs for all members assuming the plan always existed and the underlying actuarial assumptions are exactly realized. Benefits payable under every circumstance (retirement, death, disability, and termination) are included in the calculations. Employee contributions expected to be made during the year are subtracted from the total normal cost to determine the City's normal cost. The City's normal cost is divided by total payroll to determine the normal cost as a percent of pay for each division and the entire Retirement System.

Derivation of the unfunded actuarial accrued liability

The actuarial accrued liability is the total of the actuarial present value of all accumulated past normal costs assuming the normal cost had always been contributed and actuarial assumptions had been exactly realized.

The valuation assets are determined as of July 1, 2003, using an actuarial asset method that spreads investment experience over a five-year period to minimize the impact of investment volatility on the Retirement System's costs. The method measures the market value of assets' gains or losses against the assumed 9% investment yield, recognizing one-fifth of the gain or loss over the current and each of the next four years. The Pension Adjustment Fund (PAF), if any, is subtracted from the market value to determine the assets to use for the valuation. The valuation assets are limited to be no more than 120% and no less than 80% of the market assets.

The unfunded actuarial accrued liability is the accrued liability less the fund's assets on the valuation date.

Experience gains and losses are the difference between the expected and actual unfunded actuarial accrued liability (see the preceding paragraphs) on the valuation date.

The portion of the unfunded actuarial accrued liability attributable to the Dombrowski class action suit is amortized in level dollar payments over 40 years ending June 30, 2009. The remaining July 1, 1985 unfunded actuarial accrued liability is amortized over 34 years ending June 30, 2019 in annual payments increasing 4.5% per year. Changes in the actuarial accrued liability realized after July 1, 1985 are amortized in level dollar payments over the following years according to Act 205:

COST DERIVATION

- Changes in actuarial assumptions — 20 years
- Experience gains and losses — 15 years
- Active members' benefit modifications — 20 years
- Nonactive members' benefit modifications — 10 years.

For a detailed analysis of the derivation of plan costs, see Tables 5 through 15.

The resulting contribution reflects the City's funding policy which calls for a larger contribution than the MMO determined under Act 205.

Table 46 shows the annual unfunded liability payments needed to satisfy the City's MMO for fiscal year ending June 30, 2005.

Table 16 shows the annual payments needed to fund plan liabilities through fiscal year ending June 30, 2024 if the City does not move to the 10-year rolling amortization of the unfunded.

COST DERIVATION

5. July 1, 2003 derivation of normal cost (dollars in thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Number of active members								
a. Vested	8,532	1,741	793	1,388	19	1,545	297	14,315
b. Non-vested	<u>141</u>	<u>6</u>	<u>1</u>	<u>10,456</u>	<u>4</u>	<u>3,100</u>	<u>862</u>	<u>14,570</u>
c. Total	8,673	1,747	794	11,844	23	4,645	1,159	28,885
2. Total normal costs								
a. Service retirement	\$ 18,978	\$ 10,143	\$ 4,560	\$ 17,295	\$ 175	\$ 20,070	\$ 5,164	\$ 76,384
b. Preretirement death	2,129	688	345	2,057	16	1,123	333	6,691
c. Disability retirement	2,751	964	452	2,325	12	2,094	561	9,158
d. Vested termination	4,991	685	311	4,453	24	703	158	11,325
e. Refund of nonvested members' contributions	2,504	218	98	1,631	22	741	152	5,366
f. Health care benefit	0	39	20	0	0	84	26	168
g. Administrative expenses	<u>3,359</u>	<u>1,322</u>	<u>487</u>	<u>1,360</u>	<u>4</u>	<u>535</u>	<u>134</u>	<u>7,200</u>
h. Total	\$ 34,711	\$ 14,059	\$ 6,272	\$ 29,121	\$ 253	\$ 25,350	\$ 6,528	\$ 116,293
3. Expected employee contributions	\$ 15,196	\$ 5,913	\$ 2,674	\$ 8,736	\$ 157	\$ 11,347	\$ 2,800	\$ 46,823
4. City normal cost (2h) - (3)	\$ 19,515	\$ 8,146	\$ 3,598	\$ 20,385	\$ 96	\$ 14,003	\$ 3,728	\$ 69,470
5. Current total annual payroll	\$ 405,236	\$ 98,628	\$ 44,660	\$ 435,792	\$ 2,080	\$ 226,933	\$ 55,994	\$1,269,322
6. City normal cost as a percent of pay assuming beginning-of-year payment (4) ÷ (5)	4.816%	8.259%	8.057%	4.678%	4.608%	6.171%	6.658%	5.473%
7. City normal cost as a percent of pay assuming end-of-year payment (6) x 1.09	5.249%	9.002%	8.782%	5.099%	5.023%	6.726%	7.257%	5.966%

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2003 (dollars in thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Number of members								
a. Active	8,673	1,747	794	11,844	23	4,645	1,159	28,885
b. Retired	11,281	5,084	1,559	130	6	4	8	18,072
c. Beneficiary	5,426	2,132	954	45	4	45	15	8,621
d. Disabled	2,015	2,010	482	27	0	78	11	4,623
e. Terminated vested	637	27	4	68	2	11	6	755
f. DROP	2,049	839	566	65	0	4	1	3,524
g. Total	30,081	11,839	4,359	12,179	35	4,787	1,200	64,480
2. Total annual benefits								
a. Retired	\$ 174,625	\$ 108,603	\$ 35,420	\$ 1,289	\$ 195	\$ 34	\$ 75	\$ 320,242
b. Beneficiary	30,717	14,769	6,201	234	72	251	81	52,326
c. Disabled	28,101	33,041	8,759	533	0	2,092	244	72,770
d. Terminated vested	8,264	398	39	755	51	144	71	9,722
e. DROP	57,254	28,502	20,910	743	0	63	21	107,493
f. Total	\$ 298,961	\$ 185,313	\$ 71,329	\$ 3,554	\$ 318	\$ 2,584	\$ 492	\$ 562,553
3. Present value of benefits								
a. Active members								
Service retirement	\$ 1,179,046	\$ 447,751	\$ 218,347	\$ 324,578	\$ 8,137	\$ 450,702	\$ 108,220	\$ 2,736,780
Preretirement death	94,375	22,017	12,595	35,006	458	19,772	5,503	189,726
Disability retirement	53,594	9,909	3,338	29,361	105	30,909	7,594	134,810
Vested termination	151,338	3,284	683	86,934	414	15,919	3,296	261,868
Refund of nonvested members' contributions	1,509	171	98	14,948	41	8,035	1,596	26,398
Health care benefit	0	422	246	0	0	780	247	1,695
Subtotal	\$ 1,479,862	\$ 483,554	\$ 235,307	\$ 490,827	\$ 9,155	\$ 526,117	\$ 126,455	\$ 3,351,277
b. Nonactive members								
Service retired	\$ 1,300,148	\$ 899,277	\$ 277,096	\$ 10,144	\$ 1,761	\$ 363	\$ 764	\$ 2,489,552
Beneficiary	223,944	112,655	41,890	2,189	536	2,571	796	384,581
Disabled	223,861	275,214	71,074	5,055	0	22,140	2,456	599,798
Terminated vested	55,995	3,404	364	2,687	429	565	292	63,735
Nonvested members' contributions	2,366	235	55	895	0	381	94	4,026
Health care benefit	0	6,376	3,992	0	0	622	333	11,322
DROP participant	523,558	268,086	191,908	5,910	0	630	185	990,278
DROP account	116,279	76,911	56,539	981	0	52	33	250,795
Subtotal	\$ 2,446,150	\$ 1,642,158	\$ 642,916	\$ 27,862	\$ 2,726	\$ 27,323	\$ 4,952	\$ 4,794,088
c. Total	\$ 3,926,012	\$ 2,125,712	\$ 878,223	\$ 518,689	\$ 11,882	\$ 553,440	\$ 131,407	\$ 8,145,365

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2003 (thousands) (continued)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
4. Present value of future normal costs								
a. Service retirement	\$ 147,356	\$ 70,978	\$ 28,588	\$ 143,747	\$ 808	\$ 222,067	\$ 55,062	\$ 668,604
b. Preretirement death	16,971	4,808	2,170	17,287	83	12,526	3,555	57,399
c. Disability retirement	22,107	6,782	2,840	20,592	73	23,408	6,058	81,861
d. Vested termination	42,136	5,019	1,981	40,580	159	8,263	1,819	99,957
e. Refund of nonvested members' contribution	21,412	1,568	617	14,099	127	8,694	1,739	48,255
f. Health care benefit	0	151	73	0	0	594	188	1,006
g. Total	\$ 249,980	\$ 89,306	\$ 36,268	\$ 236,305	\$ 1,250	\$ 275,552	\$ 68,420	\$ 957,082
5. Actuarial accrued liability (3) - (4)								
a. Active members								
Service retirement	\$ 1,031,690	\$ 376,773	\$ 189,759	\$ 180,831	\$ 7,329	\$ 228,635	\$ 53,158	\$ 2,068,176
Preretirement death	77,404	17,209	10,425	17,719	375	7,246	1,948	132,327
Disability retirement	31,487	3,127	498	8,769	32	7,501	1,536	52,949
Vested termination	109,202	(1,735)	(1,298)	46,354	255	7,656	1,477	161,911
Refund of nonvested members' contribution	(19,903)	(1,397)	(519)	849	(86)	(659)	(143)	(21,857)
Health care benefit	0	271	173	0	0	186	59	689
Subtotal	\$ 1,229,882	\$ 394,248	\$ 199,039	\$ 254,522	\$ 7,905	\$ 250,565	\$ 58,035	\$ 2,394,195
b. Nonactive members								
Service retirement	\$ 1,300,148	\$ 899,277	\$ 277,096	\$ 10,144	\$ 1,761	\$ 363	\$ 764	\$ 2,489,552
Beneficiary	223,944	112,655	41,890	2,189	536	2,571	796	384,581
Disabled	223,861	275,214	71,074	5,055	0	22,140	2,456	599,798
Terminated vested	55,995	3,404	364	2,687	429	565	292	63,735
Nonvested members' contribution	2,366	235	55	895	0	381	94	4,026
Health care benefit	0	6,376	3,992	0	0	622	333	11,322
DROP participant	523,558	268,086	191,908	5,910	0	630	185	990,278
DROP account	116,279	76,911	56,539	981	0	52	33	250,795
Subtotal	\$ 2,446,150	\$ 1,642,158	\$ 642,916	\$ 27,862	\$ 2,726	\$ 27,323	\$ 4,952	\$ 4,794,088
c. Total	\$ 3,676,032	\$ 2,036,406	\$ 841,955	\$ 282,383	\$ 10,631	\$ 277,888	\$ 62,988	\$ 7,188,283
6. Assets for valuation purposes	\$ 2,294,720	\$ 1,100,534	\$ 522,709	\$ 286,943	\$ 10,555	\$ 267,360	\$ 65,324	\$ 4,548,145
7. Unfunded actuarial accrued liability (5c) - (6)	\$ 1,381,312	\$ 935,872	\$ 319,246	\$ (4,559)	\$ 76	\$ 10,528	\$ (2,337)	\$ 2,640,138

Note: Numbers may not add because of rounding.

COST DERIVATION

7. Development of the expected unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation	\$ 1,007,707	\$ 725,287	\$ 222,284	\$ (50,218)	\$ (1,402)	\$ (28,912)	\$ (13,090)	\$1,861,656
2. Changes in July 1, 2003 unfunded actuarial accrued liability due to actuarial experience	\$ 373,606	\$ 161,043	\$ 79,169	\$ 45,658	\$ 1,477	\$ 30,324	\$ 8,626	\$ 699,904
3. Changes in July 1, 2003 unfunded actuarial accrued liability due to plan changes	\$ 0	\$ 49,542	\$ 17,793	\$ 0	\$ 0	\$ 9,116	\$ 2,127	\$ 78,579
4. Actual unfunded actuarial accrued liability, July 1, 2003 (1) + (2) + (3)	\$ 1,381,312	\$ 935,872	\$ 319,246	\$ (4,559)	\$ 76	\$ 10,528	\$ (2,337)	\$ 2,640,138
5. Expected changes in unfunded actuarial accrued liability from July 1, 2003 to July 1, 2004:								
a. Interest (2 + 3) x .09	\$ 33,625	\$ 18,953	\$ 8,727	\$ 4,109	\$ 133	\$ 3,550	\$ 968	\$ 70,063
b. Increase in unfunded actuarial accrued liability from July 1, 2003 to July 1, 2004 according to amortization schedule per 2002 valuation report	<u>(15,010)</u>	<u>(18,306)</u>	<u>(1,815)</u>	<u>3,021</u>	<u>(45)</u>	<u>2,524</u>	<u>878</u>	<u>(28,752)</u>
c. Subtotal	\$ 18,615	\$ 647	\$ 6,912	\$ 7,130	\$ 88	\$ 6,074	\$ 1,846	\$ 41,311
6. Expected July 1, 2004 unfunded actuarial accrued liability (4) + (5c)	\$ 1,399,927	\$ 936,519	\$ 326,158	\$ 2,571	\$ 164	\$ 16,602	\$ (491)	\$ 2,681,449

Note: Numbers may not add because of rounding.

COST DERIVATION

8. Development of municipal division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation					
a. Dombrowski	\$ 4,793	\$ 4,156	5	\$ 980	\$ 1,069
b. Remaining	<u>1,002,913</u>	<u>988,540</u>	—	<u>95,601^b</u>	<u>104,205^b</u>
c. Subtotal	\$ 1,007,707	\$ 992,696	—	\$ 96,581	\$ 105,273
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 373,606	\$ 407,230	15	\$ 46,349	\$ 50,521
b. Assumption change	0	0	20	0	0
c. Plan change	0	0	20	0	0
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 373,606	\$ 407,230	—	\$ 46,349	\$ 50,521
3. Total (1c) + (2e)	\$ 1,381,312	\$ 1,399,927	—	\$ 142,930	\$ 155,794

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

b. Payments toward unfunded liability as of July 1, 1985, increasing at 4.5% per year. All other payments are level dollar amounts.

COST DERIVATION

9. Development of police division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation					
a. Dombrowski	\$ 3,066	\$ 2,659	5	\$ 627	\$ 684
b. Remaining	<u>722,220</u>	<u>704,322</u>	—	<u>74,964^b</u>	<u>81,710^b</u>
c. Subtotal	\$ 725,287	\$ 706,981	—	\$ 75,591	\$ 82,394
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 161,043	\$ 175,537	15	\$ 19,979	\$ 21,777
b. Assumption change	0	0	20	0	0
c. Plan change	14,495	15,800	20	1,588	1,731
d. Inactive plan change	<u>35,047</u>	<u>38,201</u>	10	<u>5,461</u>	<u>5,952</u>
e. Subtotal	\$ 210,585	\$ 229,538	—	\$ 27,028	\$ 29,460
3. Total (1c) + (2e)	\$ 935,872	\$ 936,519	—	\$ 102,618	\$ 111,854

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

b. Payments toward unfunded liability as of July 1, 1985, increasing at 4.5% per year. All other payments are level dollar amounts.

COST DERIVATION

10. Development of fire division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation					
a. Dombrowski	\$ 1,221	\$ 1,059	5	\$ 250	\$ 272
b. Remaining	<u>221,063</u>	<u>219,410</u>	—	<u>20,151^b</u>	<u>21,964^b</u>
c. Subtotal	\$ 222,284	\$ 220,469	—	\$ 20,400	\$ 22,236
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 79,169	\$ 86,294	15	\$ 9,822	\$ 10,706
b. Assumption change	0	0	20	0	0
c. Plan change	7,316	7,975	20	801	874
d. Inactive plan change	<u>10,477</u>	<u>11,420</u>	10	<u>1,633</u>	<u>1,779</u>
e. Subtotal	\$ 96,962	\$ 105,689	—	\$ 12,256	\$ 13,359
3. Total (1c) + (2e)	\$ 319,246	\$ 326,158	—	\$ 32,656	\$ 35,595

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

b. Payments toward unfunded liability as of July 1, 1985, increasing at 4.5% per year. All other payments are level dollar amounts.

COST DERIVATION

11. Development of municipal division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation	\$ (50,218)	\$ (47,197)	—	\$ (6,869)	\$ (7,488)
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 45,658	\$ 49,768	15	\$ 5,664	\$ 6,174
b. Assumption change	0	0	20	0	0
c. Plan change	0	0	20	0	0
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 45,658	\$ 49,768	—	\$ 5,664	\$ 6,174
3. Total (1) + (2e)	\$ (4,559)	\$ 2,571	—	\$ (1,205)	\$ (1,313)

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

COST DERIVATION

12. Development of elected division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation	\$ (1,402)	\$ (1,447)	—	\$ (147)	\$ (160)
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 1,477	\$ 1,610	15	\$ 183	\$ 200
b. Assumption change	0	0	20	0	0
c. Plan change	0	0	20	0	0
d. Inactive plan change	<u>0</u>	<u>0</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 1,477	\$ 1,610	—	\$ 183	\$ 200
3. Total (1) + (2e)	\$ 76	\$ 164	—	\$ 37	\$ 40

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

COST DERIVATION

13. Development of police division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation	\$ (28,912)	\$ (26,388)	—	\$ (4,671)	\$ (5,092)
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 30,324	\$ 33,053	15	\$ 3,762	\$ 4,101
b. Assumption change	0	0	20	0	0
c. Plan change	9,111	9,931	20	998	1,088
d. Inactive plan change	<u>5</u>	<u>6</u>	10	<u>1</u>	<u>1</u>
e. Subtotal	\$ 39,441	\$ 42,990	—	\$ 4,761	\$ 5,189
3. Total (1) + (2e)	\$ 10,528	\$ 16,602	—	\$ 89	\$ 98

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

COST DERIVATION

14. Development of fire division (Plan 87) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation	\$ (13,090)	\$ (12,212)	—	\$ (1,874)	\$ (2,043)
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 8,626	\$ 9,403	15	\$ 1,070	\$ 1,166
b. Assumption change	0	0	20	0	0
c. Plan change	2,125	2,316	20	233	254
d. Inactive plan change	<u>3</u>	<u>3</u>	10	<u>0</u>	<u>0</u>
e. Subtotal	\$ 10,753	\$ 11,721	—	\$ 1,303	\$ 1,421
3. Total (1) + (2e)	\$ (2,337)	\$ (491)	—	\$ (571)	\$ (622)

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

COST DERIVATION

15. Development of total division annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2005 (thousands)

	<u>Fiscal Year Ending June 30, 2005</u>				
	Outstanding Balance July 1, 2003	Expected Balance July 1, 2004	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2003 unfunded actuarial accrued liability based on July 1, 2002 valuation					
a. Dombrowski	\$ 9,081	\$ 7,874	5	\$ 1,857	\$ 2,024
b. Remaining	<u>1,852,575</u>	<u>1,825,030</u>	—	<u>177,154^b</u>	<u>193,098^b</u>
c. Subtotal	\$ 1,861,656	\$ 1,832,903	—	\$ 179,011	\$ 195,122
2. Changes in unfunded actuarial accrued liability, July 1, 2003					
a. Experience (gains)/losses	\$ 699,904	\$ 762,895	15	\$ 86,829	\$ 94,644
b. Assumption change	0	0	20	0	0
c. Plan change	33,047	36,021	20	3,620	3,946
d. Inactive plan change	<u>45,532</u>	<u>49,629</u>	10	<u>7,095</u>	<u>7,733</u>
e. Subtotal	\$ 778,482	\$ 848,546	—	\$ 97,544	\$ 106,323
3. Total (1c) + (2e)	\$ 2,640,138	\$ 2,681,449	—	\$ 276,555	\$ 301,445

Note: Numbers may not add because of rounding.

a. Includes interest at 9% to year-end.

b. Payment towards unfunded liability as of July 1, 1985, increasing at 4.5% per year. All other payments are level dollar amounts.

COST DERIVATION

16. Schedule of annual payments to fund the anticipated July 1, 2003 unfunded actuarial accrued liability (dollars in thousands)

Plan Year Beginning July 1	Annual Beginning-of-Year Payment								Progress of Unfunded Actuarial Accrued Liability	Estimated Annual Payroll	Annual Payments as a Percent of Payoff
	1967 Plan			Plan 87				Total			
	Municipal	Police	Fire	Municipal	Elected	Police	Fire				
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,640,138	\$1,269,322	N/A
2004	\$142,930	\$102,618	\$32,656	\$(1,205)	\$ 37	\$ 89	\$ (571)	\$276,555	2,681,449	1,326,441	20.8%
2005	161,476	110,070	36,308	731	112	1,885	(123)	310,458	2,886,204	1,386,131	22.4%
2006	191,922	119,248	41,750	3,853	224	4,957	602	362,555	3,229,393	1,448,507	25.0%
2007	207,607	128,444	45,844	5,565	238	6,567	989	395,253	3,354,844	1,513,690	26.1%
2008	208,505	132,604	47,643	5,974	202	7,085	1,134	403,148	3,296,804	1,581,806	25.5%
2009	214,230	136,375	49,163	6,045	212	7,158	1,141	414,324	3,154,085	1,652,987	25.1%
2010	211,225	135,514	49,487	6,254	133	7,026	1,184	410,821	2,986,340	1,727,372	23.8%
2011	212,837	137,337	50,540	6,189	149	7,055	1,213	415,319	2,807,315	1,805,104	23.0%
2012	214,908	138,858	51,480	6,237	191	7,158	1,274	420,107	2,607,275	1,886,333	22.3%
2013	224,703	143,340	54,019	6,513	191	7,525	1,335	437,625	2,384,013	1,971,218	22.2%
2014	231,099	141,292	54,708	6,715	226	7,765	1,441	443,246	2,121,563	2,059,923	21.5%
2015	242,426	134,943	59,332	14,587	516	15,514	3,437	470,755	1,829,365	2,152,620	21.9%
2016	247,200	132,215	59,103	14,781	512	15,752	3,581	473,144	1,480,885	2,249,487	21.0%
2017	251,499	137,836	58,510	15,246	518	15,596	3,515	482,720	1,098,437	2,350,714	20.5%
2018	229,906	128,080	55,360	12,646	464	12,473	3,137	442,067	671,132	2,456,497	18.0%
2019	59,725	28,569	13,817	6,982	281	8,711	2,067	120,153	249,681	2,567,039	4.7%
2020	42,897	21,275	10,352	5,051	211	6,939	1,634	88,359	141,187	2,682,556	3.3%
2021	18,673	9,657	4,834	2,022	100	4,117	945	40,348	57,583	2,803,271	1.4%
2022	5,814	4,686	2,632	495	18	1,473	348	15,466	18,786	2,929,418	0.5%
2023	-	1,588	801	-	-	998	233	3,620	3,616	3,061,242	0.1%
2024	-	-	-	-	-	-	-	-	-	3,198,998	0.0%

Note: Numbers may not add because of rounding. Includes anticipated losses on the valuation assets over the next four years.

COST DERIVATION

Estimated progress of fund

Table 17 shows the pension fund's estimated progress for fiscal years 2004 through 2023. The July 1, 2003 adjusted market value of fund assets is the starting point. This projection shows the emerging benefit payments of the fund and the concurrent fund growth. The projection is based on the same assumptions used to determine the Retirement System's annual cost and related liabilities.

The City contribution of normal cost plus the scheduled payments toward amortizing the unfunded actuarial accrued liability is used in the projection. The first year of the projection reflects the anticipated City contribution as of the July 1, 2002 valuation. Subsequent contributions are based on the July 1, 2003 valuation. The contribution's normal cost component increases 4.5% annually, reflecting anticipated increases in covered payroll. The projected employee contributions also increase annually, reflecting assumed payroll increases at 4.5%.

The fund projection is limited to the period with the fiscal year ending June 30, 2023. Fluctuations from the figures shown in this 20-year period are to be expected.

The fund's underlying growth trend tends to follow that shown in Table 17, even though the actual numbers vary. The projection shows that City and employee combined fund contributions do not exceed the benefits paid. However, the contributions combined with expected investment earnings meet benefit payments and allow for continued fund growth.

COST DERIVATION

17. Estimated progress of City of Philadelphia Municipal Retirement System Fund for July 1, 2003 through July 1, 2022 (thousands)

Fiscal Year Ending June 30	Fund at Beginning of Year	City Contributions ^a	Employee Contributions ^a	Benefit Payments ^{a,b}	Investment Income	Net Increase	Fund at End of Year ^c
2004	\$3,790,121	\$271,014	\$46,841	\$578,344	\$317,193	\$ 56,705	\$3,846,825
2005	3,846,825	380,575	48,942	585,749	322,058	165,826	4,012,651
2006	4,012,651	421,090	51,144	594,780	336,675	214,130	4,226,781
2007	4,226,781	481,596	53,446	605,714	355,558	284,886	4,511,667
2008	4,511,667	521,126	55,851	617,832	380,761	339,905	4,851,573
2009	4,851,573	533,795	58,364	631,158	410,866	371,867	5,233,440
2010	5,223,440	550,223	60,991	646,473	443,763	408,503	5,631,943
2011	5,631,943	550,843	63,735	663,991	479,863	430,450	6,062,393
2012	6,062,393	545,121	66,603	683,486	517,856	446,094	6,508,487
2013	6,508,487	521,174	69,600	704,708	557,184	443,250	6,951,738
2014	6,951,738	499,341	72,732	728,610	596,142	439,606	7,391,344
2015	7,391,344	479,506	76,005	755,430	634,647	434,728	7,826,072
2016	7,826,072	461,563	79,426	783,041	672,684	430,631	8,256,703
2017	8,256,703	445,414	83,000	807,275	710,511	431,650	8,688,353
2018	8,688,353	430,969	86,735	831,640	748,431	434,494	9,122,847
2019	9,122,847	418,143	90,638	883,834	785,362	410,309	9,533,157
2020	9,533,157	406,861	94,717	935,133	820,165	386,610	9,919,767
2021	9,919,767	397,052	98,979	987,869	852,779	360,941	10,280,707
2022	10,280,707	388,652	103,433	1,041,579	883,047	333,554	10,614,261
2023	10,614,261	381,604	108,087	1,092,676	910,977	307,992	10,922,253

Note: Numbers may not add because of rounding.

- a. City contributions are assumed to be made at the end of the year. Employee contributions and benefit payments are assumed to be made mid-year.
- b. Includes administrative expenses.
- c. We assumed that the City switches to the 10-year amortization of the unfunded liability when advantageous.

PLAN MEMBERSHIP

Data for active, retired, disabled, and terminated vested members as of July 1, 2003 was provided by the Philadelphia Board of Pensions and Retirement.

The active member data, supplied electronically, contained information for all Retirement System members as of July 1, 2003. The data contained basic identifying information on each employee in addition to the annual rate of base compensation, overtime pay, longevity payments, and employee contribution totals. We reviewed the data for consistency and completeness and verified it against the July 1, 2002 data for continued active member coverage.

The nonactive member data, supplied electronically, on disk and list, contained information for all retired, DROP, beneficiary, disabled, and terminated vested members as of July 1, 2003.

Table 18 illustrates a net increase in total plan membership during the period.

18. Total plan membership net change

	Number of Members	Percentage Increase (Decrease)
Active	- 413	- 1.4%
Retired	+ 83	+ 0.5%
Surviving spouses	- 12	- 0.2%
Other beneficiaries	+ 53	+ 3.8%
Disabled	- 60	- 1.3%
Terminated vested	+ 25	+ 3.4%
DROP Participants	+ <u>695</u>	+ <u>24.6%</u>
Total	+ 371	+ 0.6%

Table 19 summarizes the changes in plan membership between valuations. Using the information provided, we identified changes in status due to retirement, entrance into the DROP, disablement, death, and new entrants. However, no information regarding transfers, return to employment, and data corrections was available. *Net Other Terminations* consists of:

- Actives
 - Terminated and left member contributions on deposit
 - Died during the period
 - Transferred from one division to another
- Retired or disabled
 - Died during the period
 - Returned to employment

PLAN MEMBERSHIP

- Terminated vested
 - Retired or died during the period
 - Returned to employment

Table 20 details active members' payroll and nonactive members' benefit payments.

PLAN MEMBERSHIP

19. Reconciliation of included members

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Active members								
Active, July 1, 2002	9,865	1,981	918	11,283	24	4,222	1,005	29,298
New entrants and rehires	+ 54	+ 8	+ 4	+ 1,817	+ 0	+ 525	+ 180	+ 2,588
Separations from active service								
Refunded contributions	- 31	- 0	- 0	- 418	- 0	- 46	- 15	- 510
Terminated vested	- 25	- 2	- 0	- 15	- 0	- 1	- 2	- 45
Became disabled	- 56	- 5	- 0	- 10	- 0	- 7	- 3	- 81
Retired	- 181	- 41	- 15	- 21	- 0	- 2	- 2	- 262
DROP participants	- 706	- 187	- 113	- 27	- 0	- 3	- 0	- 1,036
Net other terminations ^a	<u>- 247</u>	<u>- 7</u>	<u>- 0</u>	<u>- 765</u>	<u>- 1</u>	<u>- 43</u>	<u>- 4</u>	<u>- 1,067</u>
Active, July 1, 2003	8,673	1,747	794	11,844	23	4,645	1,159	28,885
Retired members								
Retired, July 1, 2002	11,234	5,068	1,568	104	7	3	5	17,989
New retirees	+ 559	+ 140	+ 51	+ 32	+ 0	+ 2	+ 3	+ 787
Net other terminations	<u>- 512</u>	<u>- 124</u>	<u>- 60</u>	<u>- 6</u>	<u>- 1</u>	<u>- 1</u>	<u>- 0</u>	<u>- 704</u>
Retired, July 1, 2003	11,281	5,084	1,559	130	6	4	8	18,072
Surviving spouses								
Receiving benefit, July 1, 2002	4,266	1,963	907	23	2	11	5	7,177
New spouses	+ 236	+ 98	+ 47	+ 4	+ 1	+ 1	+ 0	+ 387
Net other terminations	<u>- 234</u>	<u>- 103</u>	<u>- 62</u>	<u>- 0</u>	<u>- 0</u>	<u>- 0</u>	<u>- 0</u>	<u>- 399</u>
Receiving benefit, July 1, 2003	4,268	1,958	892	27	3	12	5	7,165

a. Includes terminated employees who left contributions on deposit, deaths, and transfers among plans.

PLAN MEMBERSHIP

19. Reconciliation of included members (continued)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Other beneficiaries								
Receiving benefit, July 1, 2002	1,122	167	63	15	0	28	8	1,403
New beneficiaries	+ 64	+ 8	+ 1	+ 3	+ 1	+ 5	+ 2	+ 84
Net other terminations	- 28	- 1	- 2	- 0	- 0	- 0	- 0	- 31
Receiving benefit, July 1, 2003	1,158	174	62	18	1	33	10	1,456
Disabled members								
Disabled, July 1, 2002	2,037	2,056	502	14	0	66	8	4,683
New disabilities	+ 83	+ 14	+ 1	+ 13	+ 0	+ 12	+ 3	+ 126
Net other terminations	- 105	- 60	- 21	- 0	- 0	- 0	- 0	- 186
Disabled, July 1, 2003	2,015	2,010	482	27	0	78	11	4,623
Terminated vested members								
Terminated vested, July 1, 2002	649	28	4	39	2	6	2	730
New vested terminations	+ 74	+ 4	+ 0	+ 31	+ 0	+ 6	+ 4	+ 119
Net other terminations	- 86	- 5	- 0	- 2	- 0	- 1	- 0	- 94
Terminated vested, July 1, 2003	637	27	4	68	2	11	6	755
DROP participants								
DROP participants, July 1, 2002	1,581	722	482	42	0	1	1	2,829
New DROP participants	+ 750	+ 196	+ 117	+ 28	+ 0	+ 4	+ 0	+ 1,095
Net other terminations	- 282	- 79	- 33	- 5	- 0	- 1	- 0	- 400
DROP participants, July 1, 2003	2,049	839	566	65	0	4	1	3,524

PLAN MEMBERSHIP

20. Summary of active member payroll and nonactive member annual benefits (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Active members								
Active as of July 1, 2002	\$ 431,131	\$ 103,502	\$ 46,673	\$ 383,568	\$ 2,097	\$ 195,178	\$ 45,155	\$ 1,207,302
Net new entrants and pay increases	<u>(25,895)</u>	<u>(4,874)</u>	<u>(2,013)</u>	<u>52,224</u>	<u>(17)</u>	<u>31,755</u>	<u>10,839</u>	<u>62,020</u>
Active as of July 1, 2003	\$ 405,236	\$ 98,628	\$ 44,660	\$ 435,792	\$ 2,080	\$ 226,933	\$ 55,994	\$ 1,269,322
Retired members								
Retired as of July 1, 2002	\$ 168,025	\$ 103,299	\$ 33,215	\$ 907	\$ 213	\$ 22	\$ 54	\$ 305,735
Net new entrants	<u>6,600</u>	<u>5,304</u>	<u>2,205</u>	<u>382</u>	<u>(18)</u>	<u>12</u>	<u>21</u>	<u>14,507</u>
Retired as of July 1, 2003	\$ 174,625	\$ 108,603	\$ 35,420	\$ 1,289	\$ 195	\$ 34	\$ 75	\$ 320,242
Surviving spouses								
Receiving benefit as of July 1, 2002	\$ 23,933	\$ 13,251	\$ 5,676	\$ 111	\$ 24	\$ 75	\$ 37	\$ 43,107
Net new spouses	<u>922</u>	<u>456</u>	<u>94</u>	<u>20</u>	<u>17</u>	<u>12</u>	<u>0</u>	<u>1,522</u>
Receiving benefit as of July 1, 2003	\$ 24,855	\$ 13,707	\$ 5,770	\$ 131	\$ 41	\$ 87	\$ 37	\$ 44,629
Other beneficiaries								
Receiving benefits as of July 1, 2002	\$ 5,481	\$ 1,012	\$ 436	\$ 56	\$ 0	\$ 129	\$ 34	\$ 7,147
Net new beneficiaries	<u>381</u>	<u>50</u>	<u>(5)</u>	<u>47</u>	<u>31</u>	<u>35</u>	<u>10</u>	<u>550</u>
Receiving benefit as of July 1, 2003	\$ 5,862	\$ 1,062	\$ 431	\$ 103	\$ 31	\$ 164	\$ 44	\$ 7,697

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

20. Summary of annual active member payroll and nonactive member annual benefits (thousands) (continued)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
Disabled members								
Disabled as of July 1, 2002	\$ 27,451	\$ 31,678	\$ 8,589	\$ 253	\$ 0	\$ 1,740	\$ 169	\$ 69,880
Net new disabilities	<u>650</u>	<u>1,363</u>	<u>170</u>	<u>280</u>	<u>0</u>	<u>352</u>	<u>75</u>	<u>2,890</u>
Disabled as of July 1, 2003	\$ 28,101	\$ 33,041	\$ 8,759	\$ 533	\$ 0	\$ 2,092	\$ 244	\$ 72,770
Terminated vested members								
Terminated vested as of July 1, 2002	\$ 8,514	\$ 381	\$ 39	\$ 498	\$ 51	\$ 75	\$ 19	\$ 9,577
Net new vested terminations	<u>(250)</u>	<u>17</u>	<u>0</u>	<u>257</u>	<u>0</u>	<u>69</u>	<u>52</u>	<u>145</u>
Terminated vested as of July 1, 2003	\$ 8,264	\$ 398	\$ 39	\$ 755	\$ 51	\$ 144	\$ 71	\$ 9,722
DROP Participants (doesn't include account balance)								
DROP participants as of July 1, 2002	\$ 43,141	\$ 24,836	\$ 17,481	\$ 411	\$ 0	\$ 12	\$ 21	\$ 85,902
Net new DROP participants	<u>14,113</u>	<u>3,666</u>	<u>3,429</u>	<u>332</u>	<u>0</u>	<u>51</u>	<u>0</u>	<u>21,591</u>
DROP participants as of July 1, 2003	\$ 57,254	\$ 28,502	\$ 20,910	\$ 743	\$ 0	\$ 63	\$ 21	\$ 107,493

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

A distribution of the active employees' annual earnings for each division by age and service group as of July 1, 2003 appears in Tables 21 through 27.

A distribution of inactive members by age and annual pension is shown in Tables 28-32.

PLAN MEMBERSHIP

21. Municipal (1967 Plan) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	1	5	1	0	0	0	0	0	0	7
	29,741	34,269	56,718	0	0	0	0	0	0	36,829
30-34	2	10	107	11	0	0	0	0	0	130
	44,683	40,539	44,387	38,584	0	0	0	0	0	43,604
35-39	3	19	403	242	25	0	0	0	0	692
	31,964	42,991	43,921	44,662	50,215	0	0	0	0	44,330
40-44	7	23	526	721	289	17	0	0	0	1,583
	41,656	34,389	42,679	47,561	49,037	49,682	0	0	0	46,013
45-49	9	17	509	732	588	398	54	0	1	2,308
	51,033	47,303	41,217	47,051	53,036	49,540	48,354	0	49,250	47,767
50-54	7	13	386	589	425	685	576	76	1	2,758
	39,965	47,534	40,305	44,171	49,441	53,147	50,226	50,602	47,595	48,120
55-59	3	15	185	227	133	116	131	39	2	851
	64,286	43,409	39,311	42,817	49,952	50,166	51,854	49,433	51,203	45,972
60-64	0	2	59	61	37	24	19	10	12	224
	0	62,693	36,881	43,949	45,221	39,265	39,625	48,837	40,701	41,640
65-69	1	1	21	25	9	6	5	3	3	74
	55,000	29,908	32,767	39,258	33,002	36,143	39,780	44,767	40,040	36,746
70-74	0	0	9	5	4	7	0	1	3	29
	0	0	28,030	27,960	44,497	34,787	0	53,763	53,857	35,479
75+	0	0	2	3	4	3	2	1	2	17
	0	0	31,471	26,600	32,260	41,467	37,565	63,235	50,412	37,375
Total	33	105	2,208	2,616	1,514	1,256	787	130	24	8,673
	45,258	42,029	41,642	45,711	50,559	51,205	50,014	50,102	44,590	46,724

Note: Age represents attained age.

PLAN MEMBERSHIP

22. Police (1967 Plan) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
30-34	0	2	4	1	0	0	0	0	0	7
	0	50,258	51,831	50,608	0	0	0	0	0	51,207
35-39	1	0	22	69	1	1	0	0	0	94
	41,084	0	52,431	55,031	56,099	65,262	0	0	0	54,394
40-44	0	1	14	316	178	1	0	0	0	510
	0	50,258	52,701	54,488	58,344	37,659	0	0	0	55,744
45-49	0	0	4	230	241	151	0	0	0	626
	0	0	51,272	53,745	57,721	60,277	0	0	0	56,836
50-54	1	1	4	107	72	134	69	0	0	388
	66,112	50,958	50,696	53,019	56,262	58,853	60,617	0	0	56,991
55-59	0	0	0	20	11	29	38	11	0	109
	0	0	0	51,691	52,761	56,575	60,422	66,197	0	57,606
60-64	0	0	0	0	0	3	4	5	0	12
	0	0	0	0	0	53,088	56,504	57,570	0	56,094
65-69	0	0	0	0	0	0	0	0	1	1
	0	0	0	0	0	0	0	0	83,360	83,360
70-74	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	2	4	48	743	503	319	111	16	1	1,747
	53,598	50,433	52,219	54,016	57,621	59,220	60,402	63,501	83,360	56,456

Note: Age represents attained age.

PLAN MEMBERSHIP

23. Fire (1967 Plan) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	1	0	0	0	0	0	1
	0	0	0	49,524	0	0	0	0	0	49,524
35-39	0	0	7	11	0	0	0	0	0	18
	0	0	50,867	53,129	0	0	0	0	0	52,249
40-44	0	0	5	119	7	0	0	0	0	131
	0	0	46,070	53,968	53,405	0	0	0	0	53,636
45-49	0	1	2	122	21	64	3	0	0	213
	0	48,824	44,282	53,276	55,268	59,366	52,228	0	0	55,182
50-54	0	0	0	51	27	199	64	1	0	342
	0	0	0	52,683	56,762	56,724	63,416	66,882	0	57,406
55-59	0	0	2	1	5	41	25	6	0	80
	0	0	46,239	58,325	54,659	55,858	61,622	71,639	0	58,558
60-64	0	0	0	0	0	0	3	4	2	9
	0	0	0	0	0	0	61,763	62,726	68,064	63,591
65-69	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	0	1	16	305	60	304	95	11	2	794
	0	48,824	47,966	53,446	55,672	57,163	62,538	67,965	68,064	56,247

Note: Age represents attained age.

PLAN MEMBERSHIP

24. Municipal Plans M & Y (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	46	0	0	0	0	0	0	0	0	46
	6,798	0	0	0	0	0	0	0	0	6,798
20-24	516	26	0	0	0	0	0	0	0	542
	29,378	31,917	0	0	0	0	0	0	0	29,500
25-29	1,038	255	25	1	0	0	0	0	0	1,319
	35,150	37,193	37,514	60,945	0	0	0	0	0	35,610
30-34	1,064	779	99	11	0	0	0	0	0	1,953
	36,729	43,529	42,717	37,071	0	0	0	0	0	39,747
35-39	836	780	174	52	3	2	0	0	0	1,847
	34,229	41,447	45,862	42,744	32,186	32,225	0	0	0	38,607
40-44	918	766	165	76	13	0	0	0	0	1,938
	30,674	40,627	44,557	49,326	34,617	0	0	0	0	36,548
45-49	687	641	139	62	26	19	2	1	0	1,577
	33,029	39,335	43,682	48,835	42,893	42,793	36,465	35,917	0	37,439
50-54	541	502	123	41	12	10	18	0	0	1,247
	34,620	38,889	46,316	44,414	43,342	49,455	44,969	0	0	38,166
55-59	347	292	80	48	8	7	10	5	0	797
	33,009	38,091	39,694	41,464	56,530	34,946	45,272	52,318	0	36,579
60-64	117	163	31	13	3	2	2	7	5	343
	29,842	37,243	37,310	59,672	34,038	42,734	33,501	47,424	31,577	35,682
65-69	62	55	15	0	1	1	1	0	1	136
	16,140	26,773	40,135	0	32,193	25,932	12,360	0	28,664	23,341
70-74	25	23	9	3	0	0	2	0	0	62
	9,417	15,826	33,429	41,751	0	0	42,314	0	0	17,906
75+	21	13	3	0	0	0	0	0	0	37
	15,726	6,725	9,235	0	0	0	0	0	0	12,037
Total	6,218	4,295	863	307	66	41	35	13	6	11,844
	33,088	39,936	43,488	46,190	41,946	42,148	42,831	48,422	31,092	36,794

Note: Age represents attained age.

PLAN MEMBERSHIP

25. Elected (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
35-39	1	0	0	0	0	0	0	0	0	1
	84,830	0	0	0	0	0	0	0	0	84,830
40-44	0	0	1	0	0	0	0	0	0	1
	0	0	84,830	0	0	0	0	0	0	84,830
45-49	0	0	1	1	0	0	0	0	0	2
	0	0	84,830	84,830	0	0	0	0	0	84,830
50-54	0	0	1	0	2	0	1	0	0	4
	0	0	93,384	0	84,830	0	88,541	0	0	87,896
55-59	0	1	1	0	3	0	1	0	0	6
	0	84,830	84,830	0	103,321	0	80,000	0	0	93,270
60-64	0	2	1	0	0	0	0	0	0	3
	0	84,830	120,225	0	0	0	0	0	0	96,628
65-69	0	0	1	1	1	0	0	0	0	3
	0	0	84,830	88,541	84,830	0	0	0	0	86,067
70-74	0	0	0	0	0	1	0	0	1	2
	0	0	0	0	0	90,132	0	0	106,037	98,085
75+	0	0	0	0	1	0	0	0	0	1
	0	0	0	0	84,830	0	0	0	0	84,830
Total	1	3	6	2	7	1	2	0	1	23
	84,830	84,830	92,155	86,686	92,755	90,132	84,271	0	106,037	90,418

Note: Age represents attained age.

PLAN MEMBERSHIP

26. Police (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	3	0	0	0	0	0	0	0	0	3
	35,215	0	0	0	0	0	0	0	0	35,215
20-24	301	12	1	0	0	0	0	0	0	314
	39,808	46,476	36,315	0	0	0	0	0	0	40,052
25-29	472	429	4	0	0	0	0	0	0	905
	42,617	50,292	43,287	0	0	0	0	0	0	46,258
30-34	267	745	269	3	0	0	0	0	0	1,284
	43,252	50,782	52,425	52,005	0	0	0	0	0	49,563
35-39	118	441	597	3	1	1	0	0	0	1,161
	43,881	50,577	52,626	50,491	55,499	55,149	0	0	0	50,958
40-44	40	199	338	4	3	0	0	0	0	584
	42,258	50,369	52,220	52,181	53,007	0	0	0	0	50,911
45-49	28	68	204	0	5	2	0	0	0	307
	42,909	50,614	51,650	0	52,217	44,012	0	0	0	50,583
50-54	7	35	31	2	0	0	0	0	0	75
	46,760	49,664	50,987	50,783	0	0	0	0	0	49,969
55-59	2	5	0	0	0	1	0	0	0	8
	42,612	49,867	0	0	0	51,458	0	0	0	48,252
60-64	2	1	1	0	0	0	0	0	0	4
	42,612	55,499	50,608	0	0	0	0	0	0	47,833
65-69	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	1,240	1,935	1,445	12	9	4	0	0	0	4,645
	42,193	50,532	52,282	51,482	52,845	48,658	0	0	0	48,855

Note: Age represents attained age.

PLAN MEMBERSHIP

27. Fire (Plan 87) average annual earnings and counts: service groups by age groups

Age Group	Service Group									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	1	0	0	0	0	0	0	0	0	1
	35,215	0	0	0	0	0	0	0	0	35,215
20-24	43	0	0	0	0	0	0	0	0	43
	37,358	0	0	0	0	0	0	0	0	37,358
25-29	126	28	1	0	0	0	0	0	0	155
	40,189	51,426	50,040	0	0	0	0	0	0	42,283
30-34	137	152	12	0	0	0	0	0	0	301
	42,724	51,572	51,542	0	0	0	0	0	0	47,544
35-39	57	147	92	3	0	0	0	0	0	299
	42,796	51,880	53,129	55,809	0	0	0	0	0	50,572
40-44	21	93	104	3	2	0	0	0	0	223
	43,011	51,545	52,853	51,245	51,303	0	0	0	0	51,345
45-49	14	26	61	0	0	0	0	0	0	101
	46,248	50,732	51,919	0	0	0	0	0	0	50,827
50-54	3	11	16	0	0	2	0	0	0	32
	35,755	49,831	51,434	0	0	51,303	0	0	0	49,405
55-59	0	1	0	0	0	0	0	0	0	1
	0	55,669	0	0	0	0	0	0	0	55,669
60-64	2	1	0	0	0	0	0	0	0	3
	47,839	50,778	0	0	0	0	0	0	0	48,819
65-69	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Total	404	459	286	6	2	2	0	0	0	1,159
	41,465	51,574	52,598	53,527	51,303	51,303	0	0	0	48,312

Note: Age represents attained age.

PLAN MEMBERSHIP

28. Terminated vested (1967 Plan and Plan 87) members, July 1, 2003

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
Under 40	44	\$ 435,826	11	\$ 151,034	2	\$ 26,429
40-44	74	901,254	23	351,904	6	63,102
45-49	181	2,367,222	0	0	0	0
50-54	317	4,469,819	2	16,640	1	14,470
55-59	44	431,421	0	0	0	0
60-64	23	213,248	1	7,128	0	0
Over 64	<u>24</u>	<u>251,309</u>	<u>1</u>	<u>14,735</u>	<u>1</u>	<u>6,028</u>
Total	707	\$ 9,070,099	38	\$ 541,441	10	\$ 110,028

Average Annual Pension

Municipal	\$ 12,829
Police	\$ 14,248
Fire	\$ 11,003

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

29. Disabled (1967 Plan and Plan 87) members, July 1, 2003

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	22	\$ 372,646	46	\$ 1,266,321	4	\$ 75,622
40-44	65	1,080,326	75	1,843,112	6	120,819
45-49	154	2,688,694	149	3,351,572	20	452,242
50-54	318	5,507,547	291	6,151,695	65	1,388,436
55-59	347	6,148,074	457	8,467,544	109	2,055,138
60-64	317	4,545,467	347	5,161,691	113	2,049,546
65-69	241	3,000,900	220	2,900,603	54	977,429
70-74	221	2,194,217	240	2,784,509	36	667,563
75-79	190	1,814,636	173	2,093,847	36	557,712
80-84	118	911,675	52	642,355	36	481,050
OVER 84	<u>49</u>	<u>369,595</u>	<u>38</u>	<u>470,163</u>	<u>14</u>	<u>177,370</u>
TOTAL	2,042	\$ 28,633,775	2,088	\$ 35,133,413	493	\$ 9,002,927

Average Annual Pension

Municipal	\$ 14,022
Police	\$ 16,826
Fire	\$ 18,262

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

30. Retired (1967 Plan and Plan 87) members, July 1, 2003

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	0	\$ 0	0	\$ 0	0	\$ 0
40-44	0	0	10	177,150	4	36,223
45-49	4	30,864	185	4,288,906	46	1,052,538
50-54	76	1,421,300	646	15,592,940	116	2,763,746
55-59	1,105	24,825,094	1,075	25,974,485	310	8,261,060
60-64	1,736	35,743,196	1,136	24,804,309	330	8,550,350
65-69	2,152	39,177,608	831	16,317,159	252	5,921,890
70-74	2,238	33,529,590	632	11,719,944	133	2,745,607
75-79	1,890	23,418,033	356	6,610,362	133	2,532,076
80-84	1,289	11,785,394	101	1,669,461	133	2,075,661
OVER 84	<u>927</u>	<u>6,178,275</u>	<u>116</u>	<u>1,482,846</u>	<u>110</u>	<u>1,555,502</u>
TOTAL	11,417	\$ 176,109,355	5,088	\$ 108,637,561	1,567	\$ 35,494,653

Average Annual Pension

Municipal	\$ 15,425
Police	\$ 21,352
Fire	\$ 22,651

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

31. Beneficiaries (1967 Plan and Plan 87) of members, July 1, 2003

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	459	\$ 2,501,833	133	\$ 877,743	43	\$ 316,146
40-44	163	761,958	36	272,881	11	88,683
45-49	216	1,530,097	61	578,401	22	298,280
50-54	229	1,704,057	105	1,160,803	40	438,994
55-59	285	2,235,303	206	1,993,724	50	528,773
60-64	402	3,208,674	241	2,172,054	64	691,574
65-69	559	4,050,095	282	2,070,846	56	448,152
70-74	738	4,706,538	330	2,272,566	76	523,380
75-79	848	4,332,627	262	1,527,351	167	1,006,477
80-84	763	3,309,777	237	1,079,928	185	919,714
OVER 84	<u>813</u>	<u>2,682,687</u>	<u>284</u>	<u>1,013,586</u>	<u>255</u>	<u>1,022,082</u>
TOTAL	5,475	\$ 31,023,644	2,177	\$ 15,019,881	969	\$ 6,282,255

Average Annual Pension

Municipal	\$ 5,666
Police	\$ 6,899
Fire	\$ 6,483

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

32. DROP (1967 Plan and Plan 87) members, July 1, 2003

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	0	\$ 0	0	\$ 0	0	\$ 0
40-44	0	0	0	0	0	0
45-49	0	0	131	3,579,855	18	540,068
50-54	0	0	279	8,888,262	135	4,503,847
55-59	1,213	35,778,159	287	9,986,961	281	10,343,118
60-64	624	15,923,050	125	5,070,806	116	4,783,138
65-69	205	4,612,610	15	688,217	14	617,451
70-74	52	1,087,554	3	164,967	2	89,510
75-79	15	445,513	3	185,594	1	53,976
80-84	5	150,135	0	0	0	0
OVER 84	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	2,114	\$ 57,997,021	843	\$ 28,564,661	567	\$ 20,931,108

Average Annual Pension

Municipal	\$ 27,435
Police	\$ 33,885
Fire	\$ 36,916

Note: Numbers may not add because of rounding.

FINANCIAL EXPERIENCE OF FUND

The July 1, 2003 Retirement System net assets are \$3,790,816,920 on a market value basis and \$3,790,697,027 on a cost value basis. These values include the Pension Adjustment Fund (PAF), which is also shown in Table 34. Financial experience is reported through the following tables:

- Table 33 contains a summary of assets and liabilities
- Table 34 shows receipts and disbursements
- Table 35 itemizes City contributions for the year ending June 30, 2003
- Table 36 summarizes 2003 fiscal year administrative expenses
- Table 37 shows July 1, 2003 adjusted market value of assets under the five-year spread gain asset valuation method
- Table 38 shows the July 1, 2003 allocation of adjusted assets among all divisions.

Table 34, showing the fund's receipts and disbursements during the fiscal year ending June 30, 2003, also notes that employee, City, and state contributions make up over 100% of the yearly receipts on a market value basis (net of PAF) due to investment losses. On the disbursement side, benefit payments were approximately 95% of all disbursements (net of PAF).

Below is a summary of the approximate rates of return for this fiscal year compared to last year.

Rates of return comparison

	Fiscal Year Ending	
	June 30, 2002	June 30, 2003
Cost value	-0.3%	-3.5%
Market value	-5.8%	1.8%
Adjusted market value	3.4%	-2.2%

Table 37 shows the adjusted market value of assets used in the cost calculations. All assets are valued each year at market value and compared to the expected value of assets based on a 9% return assumption. The difference is spread equally over the current year and the next four years. The value of the Pension Adjustment Fund (PAF) is then subtracted from the initial adjusted market value of assets. The adjusted market value is limited to be no more than 120% and no less than 80% of the market value of assets.

As required under Act 205, amortization payments, such as experience gains/losses, must be reported separately for each participating division. For the valuation, assets must be allocated among divisions (Table 38). This allocation does not constitute a legal separation of the assets, however.

FINANCIAL EXPERIENCE OF FUND

Table 38 begins with July 1, 2002 valuation assets. The noninvestment transactions (item 2), other than administrative expenses attributable to each division, were provided by the City of Philadelphia's Finance Department. Administrative expenses were allocated according to the member count of each division at the beginning of the fiscal year. Investment income (after investment expenses) was allocated in proportion to the fund balance of each division before investment income.

33. Statement of assets and liabilities (fiscal year ending June 30, 2003)

	Cost Value	Market Value
Assets		
Cash	\$ 16,927,127	\$ 16,927,127
Investment accounts	3,929,455,374	3,929,575,267
Accounts receivable	5,975,349	5,975,349
Interest and dividends receivable	10,996,416	10,996,416
Due from other funds	0	0
Due from other governmental units	1,922,797	1,922,797
Other assets	<u>11,220</u>	<u>11,220</u>
Total assets	\$ 3,965,288,283	\$ 3,965,408,176
Liabilities		
Vouchers payable	\$ 4,441	\$ 4,441
Accounts payable	2,413,748	2,413,748
Salaries and wages payable	68,821	68,821
Accrued expenses	786,718	786,718
Funds held in escrow	0	0
Deferred revenue	4,480,890	4,480,890
Other liabilities (including amounts due to brokers)	<u>166,836,638</u>	<u>166,836,638</u>
Total liabilities	\$ 174,591,256	\$ 174,591,256
Fund balance	\$ 3,790,697,027	\$ 3,790,816,920

FINANCIAL EXPERIENCE OF FUND

34. Statement of receipts and disbursements

	Market Value (Net of PAF)	PAF	Total Market Value
Balance as of July 1, 2002	\$3,957,858,385	\$ 683,490	\$3,958,541,875
Receipts			
Contributions:			
Commonwealth of Pennsylvania <i>Supplemental State Assistance (Act 205)</i>	\$ 0	\$ 0	\$ 0
City of Philadelphia ^a	174,550,000	0	174,550,000
Employees	52,473,936	0	52,473,936
Quasi-public agencies	5,206,512	0	5,206,512
Interest and dividends	74,389,689	12,554	74,402,243
Gain from sale of investments	(204,577,490)	0	(204,577,490)
Miscellaneous operating revenues	<u>3,382,848</u>	<u>0</u>	<u>3,382,848</u>
Total receipts	\$ 105,409,495	\$ 12,554	\$ 105,422,049
Disbursements			
Withdrawals	\$ 4,880,715	\$ 0	\$ 4,880,715
Benefit payments	462,327,355	0	462,327,355
Administrative expenses	6,652,538	0	6,652,538
Investment manager fees	<u>11,218,595</u>	<u>0</u>	<u>11,218,595</u>
Total disbursements	\$ 485,079,203	\$ 0	\$ 485,079,203
Change in unrealized appreciation/(depreciation)	\$ 211,916,199	\$ 0	\$ 211,916,199
Balance as of July 1, 2003	\$3,790,120,876	\$ 696,044	\$3,790,816,920
Approximate return on investments during year			1.8%

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- a. Includes Commonwealth of Pennsylvania general state assistance (\$40,508,965) and COLA reimbursement (\$2,335,247).

FINANCIAL EXPERIENCE OF FUND

35. Fiscal 2002 City contributions

Date	Amount
July 10, 2002	\$ 174,550,000
Various (Quasi-public agencies)	3,283,715
Accrued	<u>1,922,797^a</u>
Total	\$ 179,756,512

a. City-accrued contributions are \$0; quasi-public agencies accrued contributions are \$1,922,797.

**36. Statement of administrative expenses for year ending
June 30, 2003**

Personal services	\$ 3,030,023
Purchase of services	1,968,759
Materials and supplies	109,945
Employer's share of fringe benefits	1,194,503
Miscellaneous	<u>349,308</u>
Total	\$ 6,652,538

FINANCIAL EXPERIENCE OF FUND

37. Derivation of assets for valuation purposes as of July 1, 2003 — 5 year spread gain method

July 1	Total Gain or (Loss)	Year of Recognition					Unrecognized Amount
		2003	2004	2005	2006	2007	
1999	52,310,273	10,462,054	—	—	—	—	0
2000	19,379,479	3,875,896	3,875,895	—	—	—	3,875,895
2001	(725,849,800)	(145,169,960)	(145,169,960)	(145,169,960)	—	—	(290,339,920)
2002	(645,231,661)	(129,046,332)	(129,046,332)	(129,046,332)	(129,046,333)	—	(387,138,997)
2003	(282,744,547)	<u>(56,648,909)</u>	<u>(56,648,909)</u>	<u>(56,648,909)</u>	<u>(56,648,910)</u>	<u>(56,648,910)</u>	<u>(226,195,638)</u>
Recognized Total		(316,427,251)					
Unrecognized Total			(326,889,306)	(330,765,201)	(185,595,243)	(56,548,910)	(899,798,660)
1. July 1, 2003 market value				\$ 3,790,816,920			
2. Pension Adjustment Fund (PAF)				696,044			
3. July 1, 2003 market value net of PAF (1) – (2)				3,790,120,876			
4. Unrecognized gain/(loss)				<u>(899,798,660)</u>			
5. Initial July 1, 2003 adjusted market value (3) – (4)				\$ 4,689,919,536			
6. 120% of July 1, 2003 market value net of PAF (3) x 1.2				4,548,145,051			
7. 80% of July 1, 2003 market value net of PAF (3) x 0.8				3,032,096,701			
8. July 1, 2003 adjusted market value (5), but not greater than (6), not less than (7))				\$ 4,548,145,051			
9. Approximate actuarial value return on investments during year				-2.2%			

FINANCIAL EXPERIENCE OF FUND

38. Allocation of assets for valuation purposes between divisions as of June 30, 2003 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Assets for valuation purposes as of June 30, 2002	\$ 2,496,712	\$ 1,217,384	\$ 566,277	\$ 275,848	\$ 10,826	\$ 260,806	\$ 63,487	\$ 4,891,340
2. Transactions during period July 1, 2002 - June 30, 2003:								
a. Contributions								
City and commonwealth	\$ 78,096	\$ 62,751	\$ 16,170	\$ 10,537	\$ (5)	\$ 5,765	\$ 1,236	\$ 174,550
Employees	17,786	6,877	5,180	9,333	210	10,336	2,736	52,458
Quasi-public agencies	5,207	0	0	0	0	0	0	5,207
Employee contributions receivable ^a	0	0	0	16	0	0	0	16
b. Miscellaneous income and (expenses)	1,623	632	234	608	2	229	55	3,383
c. Pension benefits	246,691	159,940	52,604	243	230	2,272	349	462,327
d. Withdrawals	1,871	533	26	1,340	0	885	226	4,881
e. Administrative expenses ^b	<u>3,191</u>	<u>1,244</u>	<u>461</u>	<u>1,195</u>	<u>4</u>	<u>450</u>	<u>107</u>	<u>6,653</u>
f. Net transactions (a) + (b) - (c) - (d) - (e)	\$ (149,042)	\$ (91,456)	\$ (31,506)	\$ 17,715	\$ (27)	\$ 12,723	\$ 3,345	\$ (238,247)
3. Total fund balance prior to allocation of realized and unrealized income (1) + (2f)	\$ 2,347,670	\$ 1,125,929	\$ 534,770	\$ 293,564	\$ 10,799	\$ 273,529	\$ 66,832	\$ 4,653,092
4. Realized and unrealized income for period July 1, 2002 - June 30, 2003 (allocated in proportion to (3))	(52,950)	(25,395)	(12,061)	(6,621)	(244)	\$ (6,169)	(1,507)	(104,947)
5. Assets for valuation purposes as of June 30, 2003 (3) + (4)	\$ 2,294,720	\$ 1,100,534	\$ 522,709	\$ 286,943	\$ 10,555	\$ 267,360	\$ 65,324	\$ 4,548,145

Note: Numbers may not add because of rounding.

a. Due to employees who elected to buy five-year vesting.

b. Allocated in proportion to the number of active and nonactive members in each division as of July 1, 2002.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
Participation	Full-time employees participate on their date of employment. Temporary employees participate after completing six months employment. Participation is limited to employees hired before January 8, 1987. District Council 47 (Local 2186 or 2187) and 33 members hired between January 8, 1987 and October 1, 1992 were switched from Plan 87 to 1967 Plan effective on their hire dates, provided such employee contributed the difference between what they paid to the Plan and the amount they would have paid under Plan J.	Same as municipal.
Credited service	Credited service means the period of employment with the City during which the employee makes contributions to the Retirement System. Certain leaves of absence may also be credited.	Same as municipal.
Total compensation	Total compensation means the base rate of pay, longevity payments, and overtime received during a 12-month period.	Total compensation means the base rate of pay, longevity payments, and stress or premium pay (up to 4% of base pay) received during a 12-month period.
Final compensation	Final compensation means whichever is greater: annual base rate of pay at the time of termination or the total compensation received during the 12 months immediately preceding termination, including supplementary compensation received under Civil Service Regulation No. 32.	Same as municipal.
Average final compensation	Average final compensation means the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.	<p>Average final compensation means the highest of:</p> <ul style="list-style-type: none"> ▪ The total compensation received during the 12-month period; or ▪ The annual base rate of pay, excluding longevity payments, calculated from the final pay period; or ▪ The arithmetic average of the total compensation received during five calendar years of employment.
Employee contributions	<p>Each employee who participates in the Social Security System, contributes 3 3/4% of total compensation up to the taxable wage base (\$87,000 in 2003 and \$87,900 in 2004) and 6% of total compensation above the taxable wage base to the Retirement System.</p> <p>Each employee who does not participate in the Social Security System contributes 6% of his total compensation to the Retirement System.</p>	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan

MUNICIPAL (PLAN J)

UNIFORMED (PLANS D AND X)

Service retirement

<i>Eligibility</i>	Each municipal employee is eligible to retire and receive a service pension at age 55 with one year of service.	Each uniformed employee is eligible to retire and receive a service pension at age 45.
<i>Benefit amount</i>	The service pension equals 2 1/2% of the employee's average final compensation multiplied by years credited service to a maximum of 20 years plus 2% of the employee's average final compensation multiplied by years credited service above 20, to a maximum of 80% of the employee's average final compensation.	The service pension equals 2 1/2% of the employee's average final compensation multiplied by years credited service, subject to a maximum of 100% of average final compensation.

Early retirement

<i>Eligibility</i>	Each municipal employee is eligible to retire and receive a reduced service pension at age 52 if he has 10 or more years credited service.	Each uniformed employee is eligible to retire and receive a reduced service pension at age 40 if he or she has 10 or more years of credited service.
<i>Benefit amount</i>	The annual amount is calculated the same as service retirement, reduced by 1/2 of 1% for each month the employee is younger than minimum retirement age.	Same as municipal.

Deferred vested retirement

<i>Eligibility</i>	A terminating employee who has completed 10 or more years credited service is eligible for a deferred vested retirement benefit.	Same as municipal.
<i>Benefit amount</i>	<p>The annual deferred vested benefit is determined the same as service pensions, using average final compensation and credited service at termination. This benefit begins at service retirement date. If the member dies before the deferred vested benefit begins, an ordinary death benefit is payable(see Ordinary Death below).</p> <p>As an alternative before benefits begin, a plan member who is terminating employment may ask to have employee contributions returned (without interest) instead of receiving the deferred vested benefit.</p>	

Withdrawal benefit

	Each employee terminating who has completed less than 10 years credited service will receive a withdrawal benefit equal to his or her employee contributions (without interest).	Same as municipal.
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MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
Service-connected death		
<i>Eligibility</i>	The beneficiary of each active employee who dies solely from the performance of duties of the employee's position with the City is eligible for an immediate death benefit.	Same as municipal.
<i>Benefit amount</i>	<p>The death benefit equals total employee contributions paid to the Retirement System, plus a yearly payment of 60% of the employee's final compensation reduced by any death benefits payable under the Worker's Compensation Act.</p> <p>This benefit is payable to the spouse until his or her death or remarriage. Dependent children are entitled to an additional yearly payment of 10% of final compensation for each dependent child (up to two children) until the child reaches age 18.</p> <p>If there is no spouse, or if the spouse dies or remarries, each dependent child (up to three children) is entitled to receive a yearly payment of 25% of final compensation until the child reaches age 18. If there is no spouse or dependent children, each dependent parent is entitled to receive a yearly payment of 15% of final compensation for life.</p>	Same as municipal.
Ordinary death		
<i>Eligibility</i>	<p>The beneficiary of an active employee (or a terminated vested employee who did not withdraw employee contributions) who dies after completing 10 years credited service or reaching age 55 is eligible for an immediate death benefit equal to a yearly pension or a lump sum payment.</p> <p>The beneficiary of an active employee who dies before completing 10 years credited service and reaching age 55 is eligible for a lump sum payment.</p> <p>The beneficiary may be any relative by blood or marriage.</p>	<p>The beneficiary of any employee who dies while actively employed (or a terminated vested employee who did not withdraw employee contributions) is eligible for a death benefit equal to a yearly pension or a lump sum payment.</p> <p>The beneficiary may be any relative by blood or marriage.</p>
<i>Annual pension</i>	The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received if eligible to retire on the day before he died and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).	The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received (based on a minimum of 10 years service) had the person been eligible to retire on the day before dying and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan

MUNICIPAL (PLAN J)

UNIFORMED (PLANS D AND X)

<i>Lump sum payment</i>	The lump sum payment is equal to 10% of the deceased employee's average final compensation multiplied by years of credited service to a maximum of 10, plus the deceased employee's contributions to the Retirement System, minus the total amount of the deceased employee's City-paid life insurance.	Same as municipal.
Service-connected disability		
<i>Eligibility</i>	An active employee found by the Board of Pensions and Retirement to be mentally or physically permanently incapacitated (unable to perform duties) solely as the result of accident or injury during the performance of duties is eligible for an immediate service-connected disability pension.	Same as municipal.
<i>Benefit amount</i>	<p>The service-connected disability benefit is equal to the employee's Retirement System contributions, plus a yearly benefit of 70% of the employee's final compensation, reduced by any disability benefits payable under the Worker's Compensation Act.</p> <p>If he or she withdraws contributions, the benefit is payable for his or her lifetime only.</p> <p>If the employee leaves employee contributions with the Retirement System, he or she may choose a survivor benefit option (see Survivor Benefit below) and the beneficiary will continue receiving benefit payments after his or her death.</p>	Same as municipal.
<i>Benefit offset</i>	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$3 earned in outside wages until age 65.	Same as municipal, but the earned income offset does not apply to fire employees or police employees granted heroic status.
Service-connected disability periodic adjustment		
<i>Eligibility</i>	An employee who is receiving a service-connected disability benefit who is <i>totally disabled</i> and does not collect Social Security disability insurance benefits is eligible for a periodic adjustment.	Same as municipal, but only applies to police employees.
<i>Benefit amount</i>	The disabled employee's pension will be increased in the eighth year after separation by the percentage raise given in the previous year to active employees in his or her job class. The adjustment will continue each year thereafter until the employee's 65th birthday.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan

MUNICIPAL (PLAN J)

UNIFORMED (PLANS D AND X)

Ordinary disability

<i>Eligibility</i>	An active employee found by the board to be mentally or physically permanently incapacitated from the further performance of duties due to an accident or illness not caused by the performance of duties is eligible for an immediate ordinary disability benefit after completing 10 years credited service.	Same as municipal, except that fire employees only need five years credited service and police employees have no service requirement if the disability is permanent and total. Police employees with permanent and partial disability need 10 years of credited service.
<i>Benefit amount</i>	The annual ordinary disability benefit is equal to the benefit determined under the service pension formula using average final compensation and credited service as of the date of disablement.	Same as municipal, except police employees that have no service requirement are credited with a minimum of 10 years credited service.
<i>Benefit offset</i>	If the employee is eligible for or receiving workers' compensation, no benefit is payable. Such employee may apply for benefits at retirement age.	Same as municipal.
<i>Benefit offset</i>	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 55.	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 45. The earned income offset does not apply to fire employees.
Survivor benefit	<p>Service pensions, deferred vested benefits, service-connected disability benefits (if employee contributions are left on deposit), and ordinary disability benefits are payable under 4 optional forms. Options 1, 2, and 3 provide benefits actuarially equivalent to a lifetime only pension while option 4 has no reduction.</p> <p><i>Option 1</i> – A benefit is payable to the employee with the provision that upon death, the beneficiary will receive a lump sum equal to the excess, if any, of the employee's contributions over the sum of the payments received.</p> <p><i>Option 2</i> – A reduced benefit payable to the employee with the provision that 100% of the reduced benefit will be paid to the designated beneficiary for life after the death of the employee.</p> <p><i>Option 3</i> – Same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.</p>	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
Survivor benefit (continued)	<i>Option 4</i> - Upon the employee's death, 50% of the benefit will continue to be paid to the surviving spouse for life, provided the employee and spouse were married for two years before retirement and at death. If there is no eligible spouse at the time the employee dies, or the spouse dies before the full amount of the contributions have been returned, 50% of the benefit is continued to dependent children until age 18, or if no dependent children, payments are given to dependent parents for the remainder of their lives. In addition, option 4 provides for a guaranteed return of employee contributions as described in option 1 above.	Same as municipal.
Minimum pension	The monthly minimum pension to a pensioner is equal to \$25 multiplied by the number of the pensioner's completed years of credited service, to a 10 year maximum.	The monthly minimum pension to pensioners is \$500. The monthly minimum pension to all other pensioners is \$440 providing such pension will increase to \$500 at the time the pensioner reaches age 60.
Waiver of benefit	Any employee at service retirement age with less than three but more than one year credited service, may waive the right to receive a monthly benefit and in lieu thereof, receive a lump sum payment of twice his or her employee contributions without interest.	Same as municipal.
Service-connected health care benefit	Not applicable.	If a uniformed employee dies during the performance of duties, a service-connected health care benefit may be payable to the surviving spouse and dependent children. Regular payments will be made of the appropriate cost of maintaining medical, dental, optical, and prescription drug benefits that were in force at the time of the employee's death. Payments to the spouse cease upon remarriage and to dependent children at age 18 (age 22 if full-time student).
Deferred Retirement Option Plan (DROP)	Employees that have ten years of service and reached the minimum retirement age may elect to participate in the DROP. During this time, their accrued benefit will go in a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2003). The benefit is calculated as of the date they entered the DROP. At the end of the DROP, the employees' accrued monthly benefit will commence, plus they will receive the accumulated amount of the accrued benefit paid to the DROP, as well as the interest earned on such benefit.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

	<i>MUNICIPAL</i>	<i>UNIFORMED (PLANS A AND B)</i>
Participation	Full-time employees participate on their date of employment. Temporary employees participate after completing six months of employment. Participation is limited to employees hired on or after January 8, 1987. Any member of the 1967 Plan may irrevocably elect to participate in Plan 87.	Same as municipal.
Credited service	Credited service means the period of employment with the City during which the employee makes contributions to the Retirement System. Certain leaves of absence may also be credited.	Same as municipal.
Total compensation	Total compensation means the base rate of pay, overtime, and longevity payments received during a 12-month period.	Total compensation means the base rate of pay, longevity payments, and stress or premium pay (up to 4% of base pay) received during a 12-month period.
Final compensation	Final compensation means whichever is greater: annual base rate of pay at the time of termination or the total compensation received during the 12 months immediately preceding termination, including supplementary compensation received under Civil Service Regulation No. 32.	Same as municipal.
Average final compensation	Average final compensation means the arithmetic average of the total compensation received during the three calendar or anniversary years producing the highest average.	Average final compensation means the arithmetic average of the total compensation received during the two calendar or anniversary years producing the highest average.
Employee contributions	Total employee contributions equal 30% of the gross normal cost for all members in the municipal division. Exempt and non-represented employees hired after January 13, 1999 (and current employees as of January 13, 1999 that elect to do so) will contribute an additional amount to become vested in five years.	Total employee contributions equal 5% of total compensation, but not less than 30% or greater than 50% of gross normal cost for members in the uniformed division. Exempt and non-represented employees hired after January 13, 1999 (and current employees as of January 13, 1999 that elect to do so) will contribute an additional amount to become vested in five years.
Service retirement		
<i>Eligibility</i>	Each municipal employee is eligible to retire and receive a service pension at age 60 and if he or she has 10 or more years of credited service or, if the employee made additional contributions to become vested in five years, five years of credited service.	Each uniformed employee is eligible to retire and receive a service pension upon reaching age 50 and 10 or more years of credited service, or, if the employee made additional contributions to become vested in five years, five years of credited service.
<i>Benefit amount</i>	The service pension equals 2.2% of the employee's average final compensation for the first 10 years of credited service, plus 2% of the employee's average final compensation multiplied by years of service over 10, subject to a maximum of 100% of average final compensation.	The service pension equals 2.2% of the employee's average final compensation multiplied by years of credited service to a maximum of 20 years, plus 2% of the employee's average final compensation multiplied by years of credited service over 20, subject to a maximum of 100% of average final compensation.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

MUNICIPAL

UNIFORMED (PLANS A AND B)

Early retirement

Eligibility

Each municipal employee is eligible to retire and receive a reduced service pension at age 52 if he has 10 or more years credited service. As an alternative, a member is eligible if he or she has 33 years credited service, regardless of age.

Each uniformed employee is eligible to retire and receive a reduced service pension at age 40 if he or she has 10 or more years of credited service. Alternatively, a member is eligible if he has 25 years credited service, regardless of age.

Benefit amount

The annual amount is calculated the same as service retirement, reduced by 1/2 of 1% for each month the employee is younger than minimum retirement age. Benefits are not reduced if the employee has 33 or more years of credited service.

The annual amount is calculated the same as service retirement, reduced by 1/2 of 1% for each month the employee is younger than his minimum retirement age. Benefits are not reduced if the employee has 25 or more years of credited service.

Deferred vested retirement

Eligibility

An employee terminating employment and who completed 10 or more years credited service or, if the employee made additional contributions to become vested in five years, five years of credited service, is eligible for a deferred vested retirement if his or her contributions have not been withdrawn.

Same as municipal.

Benefit amount

The annual deferred vested benefit is determined the same as service pensions, based on average final compensation and credited service at termination. This benefit begins at the service retirement date. If a member dies before the deferred vested benefit begins, an ordinary death benefit is payable (see Ordinary Death below).

As an alternative, the person terminating employment may request at any time before benefits begin a return of employee contributions (without interest) instead of the deferred vested benefit.

Withdrawal benefit

Each terminating employee who has completed fewer than 10 years of credited service (or, if the employee made additional contributions to become vested in five years, fewer than five years of credited service) will receive a withdrawal benefit equal to employee contributions (without interest).

Same as municipal.

Service-connected death

Eligibility

The beneficiary of each active employee who dies solely from the performance of duties of the employee's position with the City is eligible for an immediate death benefit.

Same as municipal.

Benefit amount

The death benefit equals the sum of the total employee contributions paid to the Retirement System (without interest), plus a yearly payment of 60% of the employee's final compensation reduced by any death benefits payable under the Workers' Compensation Act.

Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

MUNICIPAL

UNIFORMED (PLANS A AND B)

This benefit is payable to the spouse until his or her death or remarriage, whichever occurs first. Dependent children are entitled to an additional 10% of final compensation yearly payment for each dependent child (up to two children) until the child reaches 18. This total benefit shall not exceed 80% of final compensation.

If there is no spouse, or if the spouse dies or remarries, each dependent child (up to three children) is eligible for a yearly payment of 25% of final compensation until the child reaches age 18. If there is no spouse or dependent children, each dependent parent is entitled to a 15% of final compensation yearly payment for life.

Ordinary death

Eligibility

The beneficiary of an active employee (or a terminated vested employee who did not withdraw his employee contributions) who dies after completing 10 years credited service (or five years credited service if additional contributions were made) or who has reached 60 is eligible for an immediate death benefit equal to an annual pension or a lump sum payment, whichever the beneficiary chooses.

The beneficiary of an active employee who dies before completing 10 years credited service (or five years credited service if additional contributions were made) or reaching age 60 is eligible for a lump sum payment.

The beneficiary may be any relative by blood or marriage.

The beneficiary of any employee who dies while actively employed (or a terminated vested employee who did not withdraw employee contributions) is eligible for a death benefit equal to an annual pension or a lump sum payment, whichever the beneficiary chooses.

The beneficiary may be any relative by blood or marriage.

Annual pension

The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received had he or she been eligible to retire on the day before death and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).

The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received (based on a minimum of 10 years service) had he been eligible to retire on the day before death and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).

Lump sum payment

The lump sum payment is equal to the deceased employee's average final compensation multiplied by years credited service (not to exceed the service in the denominator) and divided by the number of years of credited service needed to become vested, plus the deceased employee's contribution to the Retirement System (without interest) minus the total amount of the deceased employee's life insurance which was paid by the City.

Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87		
	<i>MUNICIPAL</i>	<i>UNIFORMED (PLANS A AND B)</i>
Service-connected disability	An active employee found by the Board of Pensions and Retirement to be mentally or physically permanently incapacitated from any further performance of duties due solely to the result of the performance of duties is eligible for an immediate service-connected disability pension. The application for benefit must be made within one year after termination of employment.	Same as municipal.
<i>Benefit amount</i>	<p>The service-connected disability benefit is equal to the employee's contributions to the Retirement System, plus a yearly benefit of 70% of the employee's final compensation, reduced by any disability benefits payable under the Worker's Compensation Act.</p> <p>If he or she withdraws contributions, the benefit is payable for his or her lifetime only.</p> <p>If the employee leaves employee contributions with the Retirement System, he or she may choose a survivor benefit option (see Survivor benefit below) and the beneficiary will continue receiving benefit payments after his or her death.</p>	Same as municipal.
<i>Benefit offset</i>	If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$3 earned in outside wages until age 65.	Same as municipal, but the earned income offset does not apply to fire employees, or police employees granted heroic status.
Service-connected disability periodic adjustment		
<i>Eligibility</i>	An employee who is receiving a service-connected disability benefit who is <i>totally disabled</i> and does not collect Social Security disability insurance benefits is eligible for a periodic adjustment.	Same as municipal, but only applies to police employees.
<i>Benefit amount</i>	The disabled employee's pension will be increased in the eighth year after separation by the percentage raise given in the previous year to active employees in his or her job class. The adjustment will continue each year until the employee's 65th birthday.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

	MUNICIPAL	UNIFORMED (PLANS A AND B)
Ordinary disability		
<i>Eligibility</i>	<p>An active employee found by the Board to be mentally or physically permanently incapacitated from the further performance of duties due to an accident or illness not caused by the performance of duties is eligible for an immediate ordinary disability benefit provided he or she has at least 10 years credited service (or five years credited service, if additional contributions were made).</p> <p>The application for benefits must be made within one year after termination.</p>	<p>Same as municipal, except that fire employees only need five years credited service and police employees have no service requirement if the disability is permanent and total. Police employees with permanent and partial disability need 10 years credited service (or five years credited service, if additional contributions were made).</p>
<i>Benefit amount</i>	<p>The annual ordinary disability benefit is equal to the benefit determined under the service pension formula using average final compensation and credited service as of the date of disablement.</p> <p>If the employee is eligible for or receiving workers compensation, no benefit is payable. Such employee may apply for benefits at retirement age.</p>	<p>Same as municipal, except each eligible employee is automatically credited with a minimum of 10 years service to calculate the annual benefit.</p> <p>Same as municipal.</p>
<i>Benefit offset</i>	<p>If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 60.</p>	<p>If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$2 earned in outside wages until age 50. The earned income offset does not apply to fire employees.</p>
Survivor benefits	<p>Service pension, deferred vested benefits, service-connected disability benefits, and ordinary disability benefits are payable under three optional forms. Options 2 and 3 provide benefits actuarially equivalent to a lifetime only pension while option 1 has no reduction.</p> <p><i>Option 1</i> - A benefit is payable to the employee providing on his death, the beneficiary will receive a lump sum equal to the excess, if any, of the employee's contributions over the sum of the payments received.</p> <p><i>Option 2</i> - A reduced benefit payable to the employee providing 100% of the reduced benefit will continue to be paid to the designated beneficiary for life after the death of the employee.</p> <p><i>Option 3</i> - The same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.</p>	<p>Same as municipal.</p>

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

MUNICIPAL

UNIFORMED (PLANS A AND B)

Service-connected health care benefit

Not applicable.

In the event of the death of a uniformed employee during the performance of his or her duties, a service-connected health care benefit may be payable to the surviving spouse and dependent children. Regular payments will be made of the appropriate cost of maintaining medical, dental, optical and pharmaceutical prescription benefits in force at the time of the employee's death. Payments to the spouse cease upon remarriage and to dependent children at age 18 (age 22 if a full-time student).

Deferred Retirement Option Plan (DROP)

Employees that have ten years of service and reached the minimum retirement age may elect to participate in the DROP. During this time, their accrued benefit will go in a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2003). The benefit is calculated as of the date they entered the DROP. At the end of the DROP, the employees' accrued monthly benefit will commence, plus they will receive the accumulated amount of the accrued benefit paid to the DROP, as well as the interest earned on such benefit.

Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

Elected Plan

Participation	Any City employee on or after January 8, 1987, in any general, municipal, or special election, participates in this Plan.
Credited service	Credited service means the period of employment with the City during which the employee makes contributions to the Retirement Systems. Certain leaves of absence may also be credited.
Total compensation	Total compensation means the base rate of pay and longevity payments received during a 12-month period.
Final compensation	Final compensation means whichever is greater: annual base rate of pay at the time of termination or the total compensation received during the 12 months immediately preceding termination, including supplementary compensation received under Civil Service Regulation No. 32.
Average final compensation	Average final compensation means the arithmetic average of the total compensation received during the three calendar or anniversary years that produces the highest average.
Employee contributions	Total employee contributions equal 30% of the gross normal cost for all members in the elected division calculated under the municipal plan plus 100% of the gross normal cost that exceeds the cost for the municipal plan. Employees hired after January 13, 1999 (and current employees as of January 13, 1999 that elect to do so) will contribute an additional amount to become vested in the lesser of two full terms or eight years.
Service retirement	
<i>Eligibility</i>	Each elected official is eligible to retire and receive a service pension at age 55 if he or she has 10 or more years credited service, or, if the employee made additional contributions to become vested in the lesser of two full terms or eight years, the lesser of two full terms or eight years of credited service.
<i>Benefit amount</i>	The service pension equals 3.5% of the employee's average final compensation multiplied by years credited service, subject to a maximum of 100% of average final compensation.
Early retirement	
<i>Eligibility</i>	Each elected official is eligible to retire and receive a reduced service pension at age 52 if he has 10 or more years credited service.
<i>Benefit amount</i>	The annual amount is calculated the same as service retirement, reduced by ½ of 1% for each month the employee is younger than minimum retirement age.
Deferred vested retirement	
<i>Eligibility</i>	A person terminating employment and who has completed 10 or more years credited service, or, if the employee made additional contributions to become vested in the lesser of two full terms or eight years, two full terms or eight years of credited service is eligible for a deferred vested retirement benefit provided he or she has not withdrawn contributions.
<i>Benefit amount</i>	The annual deferred vested benefit is determined in the same manner as service pensions, based on average final compensation and credited service at the time of termination. This benefit begins at the service retirement date. If a member dies before beginning his or her deferred vested benefit, an ordinary death benefit is payable (see Ordinary Death below). As an alternative, the person terminating employment may request at any time beginning benefits to receive a return of employee contributions (without interest) in lieu of the deferred vested benefit.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

Elected Plan

Withdrawal benefit

Each terminating employee who completed fewer than 10 years credited service will receive a withdrawal benefit equal to employee contributions (without interest).

Service-connected death

Eligibility

The beneficiary of each active employee who dies solely from performing duties of the employee's position with the City is eligible for an immediate death benefit.

Benefit amount

The death benefit equals the sum of the total employee contributions paid to the Retirement System (without interest), plus a yearly payment of 60% of the employee's final compensation reduced by any death benefits payable under the Worker's Compensation Act.

This benefit is payable to the spouse until death or remarriage, whichever occurs first. The spouse is entitled to an additional yearly payment of 10% of final compensation for each dependent child (up to two children) until the child reaches age 18. This total benefit shall not exceed 80% of final compensation.

If there is no spouse, or if the spouse dies or remarries each dependent child (up to three children) is eligible for a 25% of final compensation yearly payment until the child reaches age 18. If there is no spouse or dependent children, each dependent parent is entitled to a 15% of final compensation yearly payment for the remainder of his lifetime.

Ordinary death

Eligibility

The beneficiary of an active employee (or a terminated vested employee who did not withdraw contributions) who dies after completing 10 years credited service or reaching age 55 is eligible for an immediate death benefit equal to an annual pension or a lump sum payment, whichever the beneficiary chooses.

The beneficiary of an active employee who dies before completing 10 years credited service or reaching age 55 is eligible for a lump sum payment.

The beneficiary may be any relative by blood or marriage.

Annual pension

The annual ordinary death pension, payable for life, is equal to the regular service pension the employee would have received had he or she been eligible to retire on the day before death and had elected option 2, joint and 100% contingent annuitant (see Survivor Benefits below).

Lump sum payment

The lump sum payment is equal to the deceased employee's average final compensation multiplied by years credited service (not to exceed the service in the denominator), divided by the number of years of credited service needed to become vested, plus the deceased employee's contribution to the Retirement System (without interest), minus the total amount of the deceased employee's life insurance which was paid by the City.

Service-connected disability

Eligibility

An active employee found by the Board of Pensions and Retirement to be mentally or physically permanently incapacitated from any further performance of duties due solely to the result of the performance of duties is eligible for an immediate service-connected disability pension.

Benefit amount

The service-connected disability benefit is equal to the employee's contributions to the Retirement System, plus a yearly benefit of 70% of the employee's final compensation; reduced by any disability benefits payable under the Workers' Compensation Act.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

Elected Plan

	<p>If he or she withdraws contributions, the benefit is payable for his or her lifetime only.</p>
	<p>If the employee leaves employee contributions with the Retirement System, he or she may choose a survivor benefit option (see Survivor Benefit below) and the beneficiary will continue receiving benefit payments after his or her death.</p>
<i>Benefit offset</i>	<p>If the employee collects his or her disability benefit and subsequently becomes employed, the disability benefit will be reduced \$1 for every \$3 earned in outside wages until age 65.</p>
Service-connected disability	
Periodic adjustment	
<i>Eligibility</i>	<p>An employee who is receiving a service-connected disability benefit who is <i>totally disabled</i> and does not collect Social Security disability insurance benefits is eligible for a periodic adjustment.</p>
<i>Benefit amount</i>	<p>The disabled employee's pension will be increased in the eighth year after separation by the percentage raise given in the previous year to active employees in his or her job class. The adjustment will continue each year until the employee's 65th birthday.</p>
Ordinary disability	
<i>Eligibility</i>	<p>An active employee found by the Board to be mentally or physically permanently incapacitated from the further performance of duties due to an accident or illness not caused by the performance of duties is eligible for an immediate ordinary disability benefit provided he or she has completed at least 10 years credited service, or 8 years if additional contributions were made..</p>
<i>Benefit amount</i>	<p>The annual ordinary disability benefit is equal to the benefit determined under the service pension formula using average final compensation and credited service as of the date of disablement.</p>
<i>Benefit offset</i>	<p>If the employee collects his or her disability benefit and subsequently becomes employed, their disability benefits will be reduced \$1 for every \$2 earned in outside wages. The offset will continue until age 55.</p>
Survivor benefits	<p>Service pensions, deferred vested benefits, service-connected disability benefits, and ordinary disability benefits are payable under three optional forms. Options 2 and 3 provide benefits actuarially equivalent to a lifetime only pension while option 1 has no reduction.</p> <p><i>Option 1</i> - A benefit is payable to the employee providing upon death, the beneficiary will receive a lump sum equal to the excess, if any, of the employee's contributions over the lump sum of the payments received.</p> <p><i>Option 2</i> - A reduced benefit payable to the employee providing 100% of the reduced benefit will continue to be paid to the designated beneficiary for life after the death of the employee.</p> <p><i>Option 3</i> - Same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.</p>
Service-connected health care benefit	<p>Not applicable.</p>

MAJOR FEATURES OF THE RETIREMENT SYSTEM

Plan 87

Elected Plan

Deferred Retirement Option Plan (DROP) Employees that have ten years of service and reached the minimum retirement age may elect to participate in the DROP. During this time, their accrued benefit will go in a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2003). The benefit is calculated as of the date they entered the DROP. At the end of the DROP, the employees' accrued monthly benefit will commence, plus they will receive the accumulated amount of the accrued benefit paid to the DROP, as well as the interest earned on such benefit.

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

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

Change since the last valuation

- Methods – None.
- Assumptions – None.

Member data

The member data used to determine cost estimates is pertinent information on active, retired, DROP, disabled, and deferred vested municipal and uniformed members of the City of Philadelphia Municipal Retirement System as supplied by the Philadelphia Board of Pensions and Retirement. Data that was missing or inconsistent was replaced with each plan's average.

Valuation date

The plans were valued as of July 1, 2003.

Actuarial cost method

Costs were determined according to the individual entry age actuarial cost method. The Dombrowski unfunded actuarial accrued liability is amortized in level dollar payments over 40 years ending June 30, 2009, as ordered by the Court of Common Pleas of Philadelphia County. The remaining July 1, 1985 unfunded actuarial accrued liability is amortized over 34 years ending June 30, 2019, with payments increasing 4.5% per year. Changes in the actuarial accrued liability realized after July 1, 1985 are amortized in level dollar payments:

- Changes in actuarial assumptions — 20 years
- Experience gains and losses — 15 years
- Active members' benefit modifications — 20 years
- Nonactive members' benefit modifications — 10 years.

For Act 205's MMO the July 1, 1985 unfunded actuarial accrued liability is amortized over 40 years ending June 30, 2025, with payments increasing 4.5% per year.

Annual rate of withdrawal prior to retirement

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

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

39. Withdrawal probabilities at 5-year intervals

Attained Age	1967 Plan			1987 Plan		
	Municipal		Uniformed	Municipal and Elected Officials		Uniformed
	Males	Females	Unisex	Males	Females	Unisex
20	0.100000	0.105319	0.022050	0.150000	0.150000	0.030000
25	0.086000	0.096000	0.021148	0.125000	0.125000	0.027000
30	0.072000	0.071562	0.019148	0.100000	0.100000	0.023000
35	0.045000	0.056170	0.016148	0.080000	0.080000	0.018000
40	0.035000	0.043754	0.012148	0.065000	0.065000	0.011000
45	0.030000	0.035597	0.007148	0.050000	0.050000	0.008000
50	0.020000	0.032000	0.000000	0.035000	0.035000	0.000000
55	0.000000	0.000000		0.000000	0.000000	

In addition, we assumed that a vested employee terminating employment (with 10 years of service) will elect an employee contribution refund unless his or her age plus years of service at termination equal 55 or more (rule of 55) [rule of 45 for 1967 Police and Fire]. Otherwise, we assumed the person would elect a deferred pension beginning at service retirement age.

Annual rate of disability prior to retirement

The assumed annual disability rates appear in Table 40.

40. Disability probabilities at 5-year intervals

Attained Age	Municipal and Elected Officials		Uniformed
	Males	Females	Males and Females
20	.000025	.000043	.000795
25	.000070	.000061	.000870
30	.000557	.000263	.001418
35	.001514	.000620	.001918
40	.003000	.001314	.002418
45	.004800	.002359	.002918
50	.007600	.003571	.003418
55	.000000	.000000	.000000

In addition, we assumed that 70% of all disabilities among municipal and elected members are ordinary (30% are service-connected) and 50% of all disabilities among uniformed members are ordinary (50% are service-connected).

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

Annual rate of mortality prior to retirement

We assumed that deaths of active municipal and elected male members would be at 150% of the GAR-94 Mortality Table for males and deaths of municipal and elected female members at 120% of the GAR-94 Mortality Table for females. In addition, we assumed that 97.5% of all deaths of active municipal and elected members are ordinary (2.5% are service-connected)

We assumed that deaths of active uniformed male members would be at 150% of the GAR-94 Mortality Table for males and deaths of uniformed female members would be at 150% of the GAR-94 Mortality Table for females. In addition, we assumed that 95% of all deaths of active uniformed members are ordinary (5% are service-connected).

The active mortality table reflects the July 1, 2001 experience study.

Service retirement

We assumed that active members in the 1967 Plan will retire according to the rates in Table 41.

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

41. 1967 plan service retirement rates

Attained Age	Municipal		Uniformed
	Males	Females	Males and Females
45	—	—	.090
46	—	—	.077
47	—	—	.077
48	—	—	.084
49	—	—	.084
50	—	—	.084
51	—	—	.088
52	—	—	.102
53	—	—	.112
54	—	—	.112
55	.270	.226	.119
56	.092	.076	.140
57	.092	.077	.140
58	.077	.077	.140
59	.085	.070	.168
60	.085	.081	.168
61	.100	.081	.168
62	.231	.175	.196
63	.139	.126	.196
64	.162	.126	.224
65	.246	.196	.245
66	.154	.161	.245
67	.193	.161	.245
69	.154	.161	.245
69	.154	.175	.245
70+	1.000	1.000	1.000

The corresponding rates for members under Plan 87 are in Table 42.

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

42. Plan 87 service retirement rates

Age	Municipal and Elected Officials		Uniformed	
	First Year Eligible ^a	Subsequent Years	First Year Eligible ^a	Subsequent Years
40	—	—	.500	.125
41	—	—	.500	.125
42	—	—	.500	.125
43	—	—	.500	.125
44	—	—	.500	.125
45	—	—	.500	.125
46	—	—	.480	.125
47	—	—	.460	.125
48	—	—	.440	.125
49	—	—	.420	.125
50	—	—	.400	.125
51	—	—	.400	.125
52	.450	.060	.400	.140
53	.420	.060	.400	.150
54	.390	.060	.400	.170
55	.360	.060	.400	.190
56	.330	.060	.400	.215
57	.300	.060	.400	.225
58	.300	.060	.400	.225
59	.300	.080	.400	.230
60	.300	.100	.400	.230
61	.350	.150	.400	.245
62	.430	.300	.400	.295
63	.500	.187	.400	.265
64	.500	.199	.400	.260
65	.600	.309	.400	1.000
66	.600	.232	—	—
67	.600	.214	—	—
68	.600	.214	—	—
69	.600	.238	—	—
70	.600	1.000	—	—

a. Earlier of age 60 and 10 years of service or 33 years of service for municipal; earlier of age 50 and 10 years of service or 25 years of service for police and fire; and 33 years of service for elected officials.

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

Annual rate of mortality after retirement

We assumed that postretirement mortality will be as follows:

- Municipal members (male) – 150% of the GAR-94 Mortality Table for males
- Municipal members (female) – 175% of the GAR-94 Mortality Table for females
- Uniformed members – 175% of the GAR-94 Mortality Table (for males and females as appropriate)

We assumed that post-disability mortality will follow the adjustment factors in Tables 43 and 44 applied to:

- Municipal members – 200% of the GAR-94 Mortality Table (for males and females as appropriate)
- Uniformed members – 150% of the GAR-94 Mortality Table (for males and females as appropriate).

43. Post-disablement mortality adjustment factors (municipal)

Age	Adjustment Factor		Age	Adjustment Factor	
	Male	Female		Male	Female
47 and earlier	4.86	6.52	62	1.47	1.89
48	4.38	5.85	63	1.41	1.80
49	3.93	5.30	64	1.35	1.75
50	3.60	4.82	65	1.29	1.70
51	3.28	4.30	66	1.24	1.65
52	3.01	3.84	67	1.21	1.58
53	2.75	3.49	68	1.16	1.51
54	2.51	3.20	69	1.11	1.47
55	2.30	2.90	70	1.08	1.42
56	2.10	2.61	71	1.04	1.37
57	1.94	2.34	72	1.00	1.31
58	1.81	2.23	73	1.00	1.28
59	1.71	2.13	74	1.00	1.24
60	1.61	2.05	75	1.00	1.21
61	1.52	1.96	76	1.00	1.17
			77	1.00	1.14
			78	1.00	1.11
			79	1.00	1.08
			80 and later	1.00	1.05

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

44. Post-disablement mortality adjustment factors (uniformed)

<u>Adjustment Factor</u>		<u>Adjustment Factor</u>	
Age	Unisex	Age	Unisex
42 and earlier	3.68	62	1.37
43	3.44	63	1.34
44	3.23	64	1.31
45	3.03	65	1.27
46	2.83	66	1.24
47	2.63	67	1.21
48	2.45	68	1.19
49	2.29	69	1.17
50	2.15	70	1.14
51	2.02	71	1.12
52	1.89	72	1.09
53	1.80	73	1.06
54	1.72	74	1.03
55	1.66	75	1.02
56	1.62	76 and later	1.00
57	1.57		
58	1.53		
59	1.49		
60	1.44		
61	1.41		

Salary scale

We assumed that salaries, including longevity and overtime, will increase at a compound annual rate of 5.0% per year (3.5% due to inflation and 1.5% based on seniority/merit).

Rate of investment return

We assumed that assets of the fund will accumulate at a compound annual rate of 9% per year, after annual expenses incurred in the investment of the fund's assets by the equity and debt money managers under contract with the Board of Pensions and Retirement. This rate is supported by the experience studies for the five-year periods ending June 30, 1993, June 30, 1997, and June 30, 2001.

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

Expenses

The administrative expenses of operating the Retirement System are based on the previous year's actual expenses increased by the average salary increase for continuing actives. Administrative expenses exclude the fees of the money managers hired to invest the fund's assets.

Value of investments

Assets held by the fund are valued at market value as reported by the City. The actuarial value of assets is the difference between the market value of the assets reported and last year's assets projected forward at the rate of investment return. One-fifth of this difference is recognized immediately and four-fifths is deferred and recognized over the next four years, one-fifth at a time. Also, the market or actuarial value doesn't include assets held in the Pension Adjustment Fund (PAF). Additionally, the actuarial value is limited to be no more than 120% and no less than 80% of the market value.

Family composition

We assumed that 70% of all active members and 60% of all nonactive members will be survived by a spouse and that female (male) spouses are four years younger (older) than members.

Form of annuity

We assumed that all Plan '67 members will elect Option 4 and Plan '87 members will elect Option 1 unless otherwise indicated in the participant's data.

Rate of covered payroll growth

We assume that the annual rate of growth of total covered payroll is 4.5% per year. This is supported by the actuarial experience studies for the five-year periods ending June 30, 1993, June 30, 1997, and June 30, 2001 which showed that the adjusted growth rate of covered payroll averaged 4.7%, 3.2%, and 2.1% respectively.

MINIMUM MUNICIPAL OBLIGATION

The minimum municipal obligation (MMO) is the minimum required City contribution under state law (Acts 205 and 189). The City's MMO for the year ending June 30, 2005 is \$293,989,659. This amount is summarized by division in Table 45 and is based on the July 1, 2003 actuarial valuation report.

The City receives general pension state aid and cost-of-living adjustment reimbursement from the state. The MMO includes these amounts. For fiscal 2004, the total state payments are \$42,844,213. Amounts received during fiscal 2005 may be used to meet the \$293,989,659 obligation. Supplemental State Assistance (SSA), if any, may not be used to offset this commitment.

The City's funding policy differs from the MMO. The most significant differences are:

- The City uses a 34-year increasing amortization of its July 1, 1985 unfunded actuarial accrued liability, while Act 205 allows a 40-year increasing amortization schedule. The City chose to amortize the July 1, 1985 unfunded actuarial accrued liability over the 34 years remaining in their then-existing schedule, rather than adopting the 40-year phased-in schedule permitted under Act 205. The City's more aggressive funding policy has resulted in larger contributions than Act 205 requires.
- The City applies the normal cost rates to the fiscal year's actual payroll. The MMO uses the prior year's estimated payroll.
- The City's actual contribution includes interest at 9% from July 1 to the payment date. However, no interest accumulates on the MMO if the payment is made by year-end (December 31).
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.

MINIMUM MUNICIPAL OBLIGATION

The City's unfunded liability payments towards the MMO are summarized in Table 46. These payments reflect the 40-year funding of the July 1, 1985 unfunded actuarial accrued liability with increasing payments at 4.5% — pre-1999 balances were adjusted to reflect the Pension Obligation Bond.

45. MMO calculation for fiscal 2005 (July 1, 2003 valuation report)

	Fiscal 2005 (dollars in thousands)			
	Non-Uniformed	Police	Fire	Total
Estimated FY 2004 payroll	\$ 881,047	\$ 340,211	\$ 105,183	\$1,326,442
Normal cost percent	7.041%	11.535%	12.100%	8.595%
Normal cost	\$ 62,033	\$ 39,242	\$ 12,727	\$ 114,002
Amortization payment ^a	116,841	82,066	22,811	221,718
Administrative expense	<u>4,723</u>	<u>1,857</u>	<u>620</u>	<u>7,200</u>
Subtotal	\$ 183,597	\$ 123,165	\$ 36,158	\$ 342,920
Expected member contributions	<u>(25,173)</u>	<u>(18,037)</u>	<u>(5,720)</u>	<u>(48,930)</u>
MMO ^b	\$ 158,424	\$ 105,128	\$ 30,439	\$ 293,990

- a. The portion of the unfunded actuarial accrued liability attributable to the Dombrowski class action suit is included in the initial unfunded liability that was established July 1, 1985. For MMO calculations, it is amortized over 40 years ending June 30, 2025 in annual payments increasing 4.5% per year. The City's funding policy, however, amortizes the original Dombrowski liability in level dollar payments over 40 years ending June 30, 2009.
- b. Includes general pension state aid and state cost-of-living adjustment reimbursement. For fiscal 2004, the total is \$42,844 (thousands). Also includes quasi agencies.

MINIMUM MUNICIPAL OBLIGATION

46. Unfunded liability payments toward MMO for fiscal 2005 (thousands) — July 1, 2003 valuation report

	Municipal			Police			Fire		
	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 905,583	22	\$ 61,850 ^a	\$ 581,333	22	\$ 39,704 ^a	\$ 231,824	22	\$ 15,833 ^a
July 1, 1986 additional amounts									
Active plan change	\$ 832	4	\$ 236	\$ 72	4	\$ 20	\$ 36	4	\$ 10
July 1, 1987 additional amounts									
(Gain)/loss	\$ 0		\$ 0	\$ 0		\$ 0	\$ 6	1	\$ 6
July 1, 1988 additional amounts	\$ 2,702	1	\$ 2,702	\$ 2,549	1	\$ 2,549	\$ 201	1	\$ 201
July 1, 1989 additional amounts									
Active plan change	\$ 6,037	3	\$ 2,816	\$ 1,688	3	\$ 787	\$ 784	3	\$ 366
Assumption change	(6,590)	3	(3,073)	(1,917)	3	(894)	(768)	3	(358)
Subtotal ^b	\$ (552)		\$ (258)	\$ (228)		\$ (107)	\$ 16		\$ 8
July 1, 1991 additional amount	\$ (576)	1	\$ (576)	\$ (564)	1	\$ (564)	\$ (256)	1	\$ (256)
(Gain)/loss									
July 1, 1992 additional amounts									
Active plan change	\$ 278	5	\$ 63	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	9,470	2	5,707	(1,118)	2	(674)	(462)	2	(278)
Subtotal ^b	\$ 9,748		\$ 5,770	\$ (1,118)		\$ (674)	\$ (462)		\$ (278)
July 1, 1993 additional amounts									
Active plan change	\$ (824)	7	\$ (163)	\$ (548)	7	\$ (108)	\$ 0		\$ 0
(Gain)/loss	(8,529)	3	(3,381)	(6,722)	3	(2,665)	(2,709)	3	(1,074)
Assumption change	(8,108)	7	(1,605)	65	7	13	(1,511)	7	(299)
Subtotal ^b	\$ (17,461)		\$ (5,150)	\$ (7,204)		\$ (2,760)	\$ (4,220)		\$ (1,373)
July 1, 1994 additional amounts									
(Gain)/loss	\$ (4,875)	4	\$ (1,471)	\$ (746)	4	\$ (225)	\$ (2,891)	4	\$ (872)
July 1, 1995 additional amounts									
Active plan change	\$ 372	12	\$ 48	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	5,121	7	934	344	7	63	(2,223)	7	(405)
Subtotal ^b	\$ 5,493		\$ 981	\$ 344		\$ 63	\$ (2,223)		\$ (405)

MINIMUM MUNICIPAL OBLIGATION

	Municipal			Police			Fire		
	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment
July 1, 1996 additional amount (Gain)/loss	\$ 3,904	8	\$ 647	\$ 1,916	8	\$ 318	\$ (1,666)	8	\$ (276)
July 1, 1997 additional amount									
Assumption change	\$ 41,891	14	\$ 4,936	\$ 5,126	14	\$ 604	\$ 2,159	14	\$ 254
(Gain)/loss	<u>(43,978)</u>	9	<u>(6,730)</u>	<u>(16,879)</u>	9	<u>(2,583)</u>	<u>(11,283)</u>	9	<u>(1,727)</u>
Subtotal ^b	\$ (2,087)		\$ (1,794)	\$ (11,753)		\$ (1,979)	\$ (9,124)		\$ (1,472)
July 1, 1998 additional amounts (Gain)/loss	\$ (13,332)	10	\$ (1,906)	\$ (10,883)	10	\$ (1,556)	\$ (9,782)	10	\$ (1,398)
July 1, 1999 additional amounts									
(Gain)/loss	\$ (115,626)	11	\$ (15,588)	\$ 850	11	\$ 115	\$ (41,973)	11	\$ (5,658)
Active plan change	13,691	16	1,511	0	0	0	0	0	0
Nonactive plan change	<u>30,576</u>	6	<u>6,253</u>	<u>13,609</u>	6	<u>2,783</u>	<u>5,052</u>	6	<u>1,033</u>
Subtotal ^b	\$ (71,359)		\$ (7,824)	\$ 14,459		\$ 2,898	\$ (36,921)		\$ (4,625)
July 1, 2000 additional amounts (Gain)/loss	\$ (23,818)	12	\$ (3,052)	\$ 33,128	12	\$ 4,244	\$ 678	12	\$ 87
July 1, 2001 additional amounts									
Assumption change	\$ (3,954)	18	\$ (414)	\$ (2,255)	18	\$ (236)	\$ (5,129)	18	\$ (537)
(Gain)/loss	<u>(18,176)</u>	13	<u>(2,227)</u>	<u>(21,765)</u>	13	<u>(2,667)</u>	<u>10,875</u>	13	<u>1,333</u>
Subtotal	\$ (22,130)		\$ (2,642)	\$ (24,020)		\$ (2,903)	\$ 5,746		\$ 795
July 1, 2002 additional amounts									
Assumption change	\$ 15,493	19	\$ 1,588	\$ 10,273	19	\$ 1,053	\$ 8,087	19	\$ 829
(Gain)/loss	<u>167,142</u>	14	<u>19,694</u>	<u>108,476</u>	14	<u>12,782</u>	<u>31,902</u>	14	<u>3,759</u>
Subtotal	\$ 182,635		\$ 21,282	\$ 118,749		\$ 13,835	\$ 39,989		\$ 4,588
July 1, 2003 additional amounts									
(Gain)/loss	\$ 422,121	15	\$ 48,044	\$ 191,708	15	\$ 21,819	\$ 86,036	15	\$ 9,792
Active plan change	0	20	0	23,606	20	2,372	9,441	20	949
Nonactive plan change	<u>0</u>	10	<u>0</u>	<u>35,052</u>	10	<u>5,011</u>	<u>10,480</u>	10	<u>1,498</u>
Subtotal	\$ 422,121		\$ 48,044	\$ 250,366		\$ 29,203	\$ 105,957		\$ 12,239
Total unfunded actuarial accrued liability^b	\$ 1,376,829		\$ 116,841	\$ 946,400		\$ 82,066	\$ 316,910		\$ 22,811

a. Level dollar amortization payment (22 years remaining).

- Municipal — \$43,851
- Police — \$28,150
- Fire — \$11,226.

b. Numbers may not add because of rounding.

MINIMUM MUNICIPAL OBLIGATION

The following tables are maintained to support Exhibit 1 of the Act 205 filings. Exhibit I of Act 205 develops the City's MMO based on the assumption that the Pension Obligation Bond was never contributed.

- Table 47 — Corresponds to Section A of Exhibit I and presents a Summary of Modified Actuarial Data.
- Table 48 — Presents various Modified Unfunded Actuarial Accrued Liabilities and Amortization Contributions.
- Table 49 through 51 — Are used to identify and allocate total debt service requirements for debt issued to finance pension plan contributions.
- Table 52 — This is similar to Table 34 —statement of receipts and disbursements, but excluding assets, due to the issuance of a bond.

MINIMUM MUNICIPAL OBLIGATION

47. Summary of modified actuarial data

	Municipal	Police	Fire	Total
Actuarial accrued liability	\$3,969,047,000	\$2,314,294,000	\$ 904,943,000	\$7,188,283,000
Market value of assets ^a	\$1,589,774,000	\$ 882,792,000	\$ 347,210,000	\$2,819,776,000
Actuarial value of assets ^a	\$1,878,457,000	\$1,039,965,000	\$ 410,206,000	\$3,328,627,000
Unfunded actuarial accrued liability	\$2,090,590,000	\$1,274,329,000	\$ 494,737,000	\$3,859,656,000
Amortization Contributions				
1/1/85 initial liability				
Remaining amortization period	22	22	22	22
Level dollar contribution	\$ 82,595,000	\$ 53,022,000	\$ 21,144,000	\$ 156,761,000
Payroll-based contribution	\$ 116,496,000	\$ 74,784,000	\$ 29,822,000	\$ 221,102,000
Post-1/1/85 liability				
Remaining amortization period	N/A	N/A	N/A	N/A
Amortization contribution	\$ 47,010,000	\$ 18,535,000	\$ 1,978,000	\$ 67,523,000
Total amortization contribution	\$ 163,506,000	\$ 93,319,000	\$ 31,800,000	\$ 288,625,000

a. Must equal the total fund assets that would have existed had the bond issue proceeds not been contributed to the pension fund including adjustments for investment income on the P.O.B. and contributions.

MINIMUM MUNICIPAL OBLIGATION

48. Modified unfunded actuarial accrued liability and amortization contributions (thousands)

	Municipal			Police			Fire		
	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2003 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 1,705,695	22	\$ 116,496	\$ 1,094,959	22	\$ 74,784	\$ 436,648	22	\$ 29,822
All changes prior to July 1, 2003	\$ 48,950		\$ 8,774	\$ (5,788)		\$ (3,246)	\$ (30,238)		\$ (8,254)
July 1, 2003 additional amounts									
(Gain)/loss	335,944	15	38,236	126,499	15	14,398	68,406	15	7,786
Active plan change	0	20	0	23,606	20	2,372	9,441	20	949
Nonactive plan change	<u>0</u>	10	<u>0</u>	<u>35,052</u>	10	<u>5,001</u>	<u>10,480</u>	10	<u>1,498</u>
Subtotal	335,944		38,236	185,157		21,781	88,327		10,233
All changes including July 1, 2003 addition	\$ 384,894		\$ 47,010	\$ 179,370		\$ 18,535	\$ 58,089		\$ 1,978

MINIMUM MUNICIPAL OBLIGATION

49. Total debt service requirements (municipal)

Plan Year	Required Principal Payment	Required Interest Payment	Premium or Discount Amortized	Principal Balance at Valuation Date
1999	\$ —	\$ 7,041,525.30	—	\$ 727,185,593.15
2000	9,917,857.50	29,825,175.27	—	717,267,735.65
2001	4,567,730.63	29,324,323.46	—	712,700,005.02
2002	—	29,087,715.02	—	712,700,005.02
2003	6,422,403.75	29,087,715.02	—	706,277,601.27
2004	8,884,981.88	28,728,336.25	—	697,392,619.39
2005	15,161,038.13	28,250,550.75	—	682,231,581.26
2006	18,743,737.50	27,403,048.72	—	663,487,843.76
2007	22,526,257.50	26,345,901.92	—	640,961,586.26
2008	26,486,083.13	25,064,157.87	—	614,475,503.13
2009	30,870,879.38	23,543,856.70	—	583,604,623.75
2010	40,000,711.88	21,756,432.78	—	543,603,911.87
2011	45,151,018.13	19,420,391.21	—	498,452,893.74
2012	22,154,721.72	45,234,066.39	—	476,298,172.02
2013	21,786,233.75	48,416,929.37	—	454,511,938.27
2014	20,545,516.84	50,378,126.28	—	433,966,421.43
2015	20,088,811.07	53,652,021.42	—	413,877,610.36
2016	19,364,886.72	56,464,212.02	—	394,512,723.64
2017	18,085,471.62	57,743,627.12	—	376,427,252.02
2018	16,915,332.51	58,913,766.23	—	359,511,919.51
2019	15,787,131.76	60,041,966.99	—	343,724,787.75
2020	14,758,165.41	61,070,933.33	—	328,966,622.34
2021	13,823,708.03	62,005,390.71	—	315,142,914.31
2022	12,919,375.38	62,909,723.36	—	302,223,538.93
2023	12,071,748.11	63,757,350.63	—	290,151,790.82
2024	11,250,110.80	64,578,987.94	—	278,901,680.02
2025	10,560,195.36	65,268,903.38	—	268,341,484.66
2026	17,271,090.90	58,558,007.84	—	251,070,393.76
2027	60,297,984.38	16,196,263.75	—	190,772,409.38
2028	64,125,534.38	12,367,341.75	—	126,646,875.00
2029	126,646,875.00	4,147,685.16	—	—

MINIMUM MUNICIPAL OBLIGATION**50. Total debt service requirements (police)**

Plan Year	Required Principal Payment	Required Interest Payment	Premium or Discount Amortized	Principal Balance at Valuation Date
1999	\$ —	\$ 3,848,228.76	—	\$ 397,410,560.15
2000	5,420,158.68	16,299,607.13	—	391,990,401.47
2001	2,496,287.61	16,025,889.30	—	389,494,113.86
2002	—	15,896,581.60	—	389,494,113.86
2003	3,509,875.74	15,896,581.60	—	385,984,238.12
2004	4,855,686.99	15,705,644.36	—	381,128,551.13
2005	8,285,583.09	15,439,067.14	—	372,842,968.04
2006	10,243,546.20	14,975,903.05	—	362,599,421.84
2007	12,310,712.28	14,398,167.04	—	350,288,709.56
2008	14,474,776.77	13,697,687.51	—	335,813,923.79
2009	16,871,089.83	12,866,835.33	—	318,942,842.96
2010	21,860,588.91	11,889,999.22	—	297,082,254.05
2011	24,675,257.01	10,613,340.83	—	272,406,997.04
2012	12,107,666.12	24,720,643.30	—	260,299,330.92
2013	11,906,285.60	26,460,093.82	—	248,393,045.32
2014	11,228,227.61	27,531,897.73	—	237,164,817.71
2015	10,978,635.63	29,321,097.79	—	226,186,182.08
2016	10,583,077.35	30,857,974.00	—	215,603,174.73
2017	9,883,800.61	31,557,180.75	—	205,719,374.12
2018	9,244,313.74	32,196,667.62	—	196,475,060.38
2019	8,627,746.39	32,813,234.97	—	187,847,313.99
2020	8,065,411.14	33,375,570.22	—	179,781,902.85
2021	7,554,725.51	33,886,255.84	—	172,227,177.34
2022	7,060,503.20	34,380,478.16	—	165,166,674.14
2023	6,597,270.66	34,843,710.70	—	158,569,403.48
2024	6,148,241.77	35,292,739.59	—	152,421,161.71
2025	5,771,199.53	35,669,781.82	—	146,649,962.18
2026	9,438,737.48	32,002,243.88	—	137,211,224.70
2027	32,953,149.75	8,851,339.07	—	104,258,074.95
2028	35,044,924.95	6,758,814.06	—	69,213,150.00
2029	69,213,150.00	2,266,730.66	—	—

MINIMUM MUNICIPAL OBLIGATION**51. Total debt service requirements (fire)**

Plan Year	Required Principal Payment	Required Interest Payment	Premium or Discount Amortized	Principal Balance at Valuation Date
1999	\$ —	\$1,620,185.70	—	\$167,318,251.01
2000	2,282,001.44	6,862,479.41	—	165,036,249.57
2001	1,050,989.88	6,747,238.34	—	163,985,259.69
2002	—	6,692,797.06	—	163,985,259.69
2003	1,477,731.92	6,692,797.06	—	162,507,527.77
2004	2,044,346.92	6,612,408.45	—	160,463,180.85
2005	3,488,405.72	6,500,173.80	—	156,974,775.13
2006	4,312,749.60	6,305,171.92	—	152,662,025.53
2007	5,183,070.24	6,061,932.84	—	147,478,955.29
2008	6,094,187.16	5,767,016.15	—	141,384,768.13
2009	7,103,085.64	5,417,209.80	—	134,281,682.49
2010	9,203,770.28	5,005,941.15	—	125,077,912.21
2011	10,388,805.08	4,468,440.96	—	114,689,107.13
2012	5,097,583.51	10,407,913.67	—	109,591,523.62
2013	5,012,798.05	11,140,259.13	—	104,578,725.57
2014	4,727,321.30	11,591,511.24	—	99,851,404.27
2015	4,622,237.80	12,344,802.31	—	95,229,166.47
2016	4,455,669.93	12,991,859.70	—	90,773,496.54
2017	4,161,289.10	13,286,240.52	—	86,612,207.44
2018	3,892,051.60	13,555,478.02	—	82,720,155.84
2019	3,632,463.70	13,815,065.92	—	79,087,692.14
2020	3,395,708.67	14,051,820.95	—	75,691,983.47
2021	3,180,699.22	14,266,830.40	—	72,511,284.25
2022	2,972,621.18	14,474,908.45	—	69,538,663.07
2023	2,777,590.48	14,669,939.14	—	66,761,072.59
2024	2,588,539.82	14,858,989.80	—	64,172,532.77
2025	2,429,797.06	15,017,732.56	—	61,742,735.71
2026	3,973,908.11	13,473,621.52	—	57,768,827.60
2027	13,873,973.00	3,726,600.95	—	43,894,854.60
2028	14,754,654.60	2,845,603.67	—	29,140,200.00
2029	29,140,200.00	954,341.55	—	—

MINIMUM MUNICIPAL OBLIGATION

52. Statement of receipts and disbursements excluding bond issue assets

	Municipal	Police	Fire
Assets at July 1, 2002	\$ 1,601,806,270	\$ 879,997,252	\$ 352,922,450
Receipts			
Employer contributions	126,481,799	97,021,343	21,454,795
Employee contributions	27,344,468	17,213,436	7,916,032
State aid	21,754,069	16,817,784	4,272,360
Supplemental state assistance	0	0	0
Investment income (includes investment expenses)	(54,562,721)	(30,130,277)	(11,971,331)
Net change in market value	119,481,778	66,335,356	26,099,065
Other receipts	<u>2,232,525</u>	<u>861,265</u>	<u>289,058</u>
Total receipts	\$ 242,731,918	\$ 168,118,907	\$ 48,059,979
Disbursements			
Benefit payments	\$ 247,163,271	\$ 162,211,788	\$ 52,952,296
Refund of contribution	3,210,983	1,418,177	251,555
Administrative expenses	4,390,370	1,693,721	568,447
Other disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Total disbursements	\$ 254,764,624	\$ 165,323,686	\$ 53,772,298
Assets at July 1, 2003	\$ 1,589,773,564	\$ 882,792,473	\$ 347,210,131

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

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

- *A statement of plan net assets* including information about plan assets and liabilities at the reporting date. This information is shown in the Financial Experience of the Fund section of the report.
- *A statement of changes in plan net assets* including receipts and disbursements. This information is also contained in the Financial Experience of the Fund section of the report.
- *A schedule of funding progress* including historical information about the actuarially determined funded status of the plan and the progress made in accumulating sufficient assets. This information should be provided for each of the past six plan years. For the transition year and the following five years the schedules should show information for the current year and as many prior years as available. This schedule is shown in Table 53 below.
- *A schedule of employer contributions* including historical trend information about the Annual Required Contributions (ARC) and the contributions made by the employer in relation to the ARC. This information is shown in Table 54.

53. Schedule of funding progress (dollars in millions)

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/92	\$1,981.8	\$4,425.5	\$2,443.7	44.78%	\$ 993.3	246.02%
7/1/93	2,113.9	4,502.1	2,388.2	46.95%	975.0	244.94%
7/1/94	2,225.2	4,662.6	2,437.4	47.72%	974.3	250.17%
7/1/95	2,312.1	4,850.8	2,538.7	47.66%	1,006.4	252.26%
7/1/96	2,457.2	5,098.1	2,640.9	48.20%	1,068.3	247.21%
7/1/97	2,660.9	5,318.1	2,657.2	50.03%	1,067.7	248.87%
7/1/98	2,921.3	5,586.1	2,664.8	52.30%	1,128.2	236.19%
7/1/99	4,496.8	5,862.1	1,365.3	76.71%	1,178.6	115.84%
7/1/00	4,765.0	6,193.4	1,428.4	76.94%	1,142.8	124.99%
7/1/01	4,943.4	6,379.8	1,436.4	77.49%	1,180.4	121.69%
7/1/02	4,891.3	6,727.2	1,835.9	72.71%	1,207.3	152.06%
7/1/03	4,548.1	7,188.3	2,640.2	63.27%	1,269.3	208.00%

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54. Schedule of contributions from the employer and other contributing entities

Fiscal Year	Annual Required Contributions ^a	Percentage Contributed
1993	\$ 209,352	100.0%
1994	\$ 223,750	104.5%
1995	\$ 212,838	100.0%
1996	\$ 222,482	100.0%
1997	\$ 237,016	100.0%
1998	\$ 252,080	100.0%
1999	\$ 256,704	586.9% ^b
2000	\$ 168,928	108.9%
2001	\$ 167,616	100.0%
2002	\$ 178,239	100.0%
2003	\$ 195,514	91.9%

- a. Dollars in thousands. For each year, the actuarial valuation provides the City of Philadelphia with the unfunded actuarial accrued liability amortization payment as a dollar amount and the normal cost as a percentage of payroll. The City of Philadelphia then multiplies their actual fiscal year payroll with that percentage to get the normal cost payment. We determined the annual required contribution as the greater of (i) the resulting amount or (ii) the normal cost plus a 40-year amortization of the unfunded actuarial accrued liability with amortization payments increasing 4.5% per year.
- b. On February 2, 1999, the City deposited the proceeds of a Pension Obligation Bond worth \$1,250,000,000.

Statement No. 27 disclosure

Under Government Accounting Standards Board (GASB) Statement No. 27 for the period beginning after June 15, 1997 financial statements must include new standard reporting for pension expenditures/expenses. This section summarizes our valuation as we understand Statement No. 27. Because these are financial statement disclosures, our interpretation of the statements are subject to your auditor's review.

The reporting elements are:

- **Annual required contributions or ARC** — this is the anticipated required contribution based on statement specific valuation methods, valuation assumptions and unfunded liability amortization over a period, not to exceed forty years as a level payment or level percent of pay, and amortization of contribution deficiencies or excesses. Historically, the ARC has been shown as the contribution derived from the City's funding policy.

Your valuation method conforms to the entry age cost method as defined in Section B of Statement 27. Unfunded actuarial accrued liabilities are funded on average over 19 years from July 1, 2003. Assets are valued as a five-year smoothing of gains and losses on the market value. All assumptions used in the calculation of the valuation reflect our long term expectations.

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

During the 1994 fiscal year, the City contributed \$10,000,000 more than the ARC. Therefore, the initial NPO value at the effective date is \$(9,012,000) as shown in Table 55 below.

After 1999, the “increase in the NPO” is from the recognition of:

- *The 15-year amortization of the POB in 1999*
 - *Differences in the City’s funding policy contribution and the actual contribution.*
- **Annual pension cost** — is equal to the ARC plus one year's interest on NPO and ARC adjustment to avoid double counting of NPO and interest on NPO.

The following table summarizes the GASB Statement disclosure for fiscal years 1994 through 2003.

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55. Calculation of annual pension cost (dollars in thousands)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
ARC	\$ 223,750	\$ 212,838	\$ 222,482	\$ 237,016	\$ 252,080	\$ 256,704	\$ 168,928	\$ 167,616	\$ 178,239	\$ 195,514
Interest on NPO	—	(900)	(869)	(840)	(811)	(783)	(113,257)	(110,748)	(106,975)	(103,330)
Adjustment to ARC	—	1,241	1,198	1,158	1,118	1,080	156,130	152,672	147,470	142,446
Annual pension cost	\$ 223,750	\$ 213,179	\$ 222,811	\$ 237,334	\$ 252,387	\$ 257,001	\$ 211,801	\$ 209,540	\$ 218,734	\$ 234,630
Contributions made	<u>233,750</u>	<u>212,838</u>	<u>222,482</u>	<u>237,016</u>	<u>252,080</u>	<u>1,506,704</u>	<u>183,928</u>	<u>167,616</u>	<u>178,239</u>	<u>179,757</u>
Increase in NPO	(10,000)	341	329	318	307	(1,249,703)	27,873	41,924	40,495	54,873
NPO at beginning of year	—	(10,000)	(9,659)	(9,330)	(9,012)	(8,705)	(1,258,408)	(1,230,535)	(1,188,611)	(1,148,116)
NPO at end of year	(10,000)	(9,659)	(9,330)	(9,012) ^a	(8,705)	(1,258,408)	(1,230,535)	(1,188,611)	(1,148,116)	(1,093,243)
Interest rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
15-year amortization factor (EOY)	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06

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

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