

March 2005

City of Philadelphia Municipal Retirement System

July 1, 2004

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, 2004 and City contributions for the fiscal year ending June 30, 2006. This section summarizes the valuation results and discusses changes in the System's costs and liability arising from demographic and economic experience for the year ending June 30, 2004.

Findings summary

Table 1 shows actuarial valuation results for all divisions as of July 1, 2004.

1. July 1, 2004 actuarial valuation (dollars in thousands)

Participants	
Active	28,634
Retired	19,243
Beneficiaries	8,648
Disabled	4,574
Terminated vested	809
DROP	2,853 ^c
Total	64,761
Total annual salaries	\$ 1,265,953
Actuarial accrued liability	\$ 7,247,743
Unfunded actuarial accrued liability	\$ 2,914,687
Assets for valuation purposes	\$ 4,333,057
Funding percent	59.8%
City normal cost as percent of payroll (beginning-of-year payment)	5.404%
Fiscal 2006 funding requirements (beginning-of-year payments)	
City's funding policy	\$ 380,738 ^{a, b}
Minimum municipal obligation	\$ 306,873 ^a

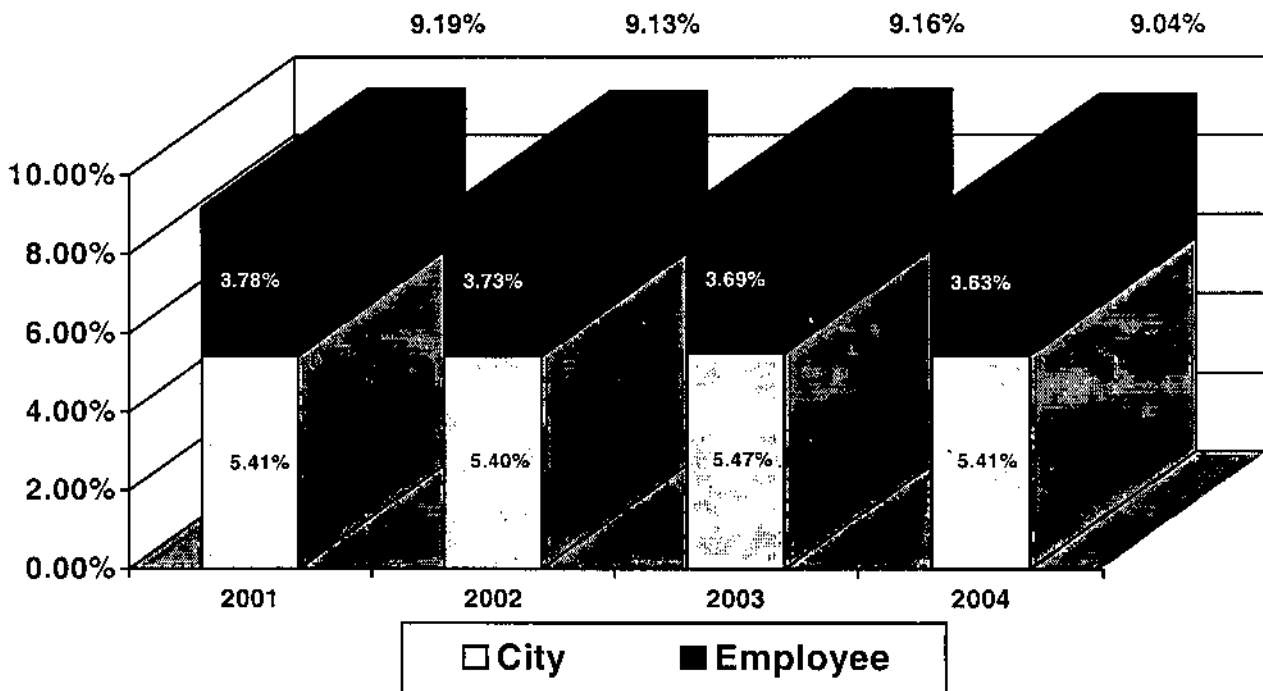
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2005, these totaled \$49,802,833.
- b. Determined using estimated July 1, 2005 annual payroll. Final contribution will be based on actual fiscal 2006 payroll.
- c. While still active employees, 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 decreased due to lower assumed administrative expenses and the ongoing shift of active participants to the less expensive Plan 87. 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, 2003 through June 30, 2004, the unfunded actuarial accrued liability increased \$274,549,000 from \$2,640,138,000 to \$2,914,687,000 because:

- The valuation assets had a return of 4.6% during the year. We assume the valuation assets will have a 9% return. This was the primary cause for the increase in unfunded liability.
- The City contributed the amount required under the MMO, which is less than the amortization payment under the City's funding policy.

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- The funding policy has a one-year delay in making its plan year contribution. So the unfunded liability receives a year of interest from any new amortization bases in the prior year's valuation.
- Other non-economic experience, such as mortality and retirement experience, resulted in a small loss.
- Salary increases were less than our 5% assumption, resulting in a gain.

The impact of these factors is illustrated in Table 3.

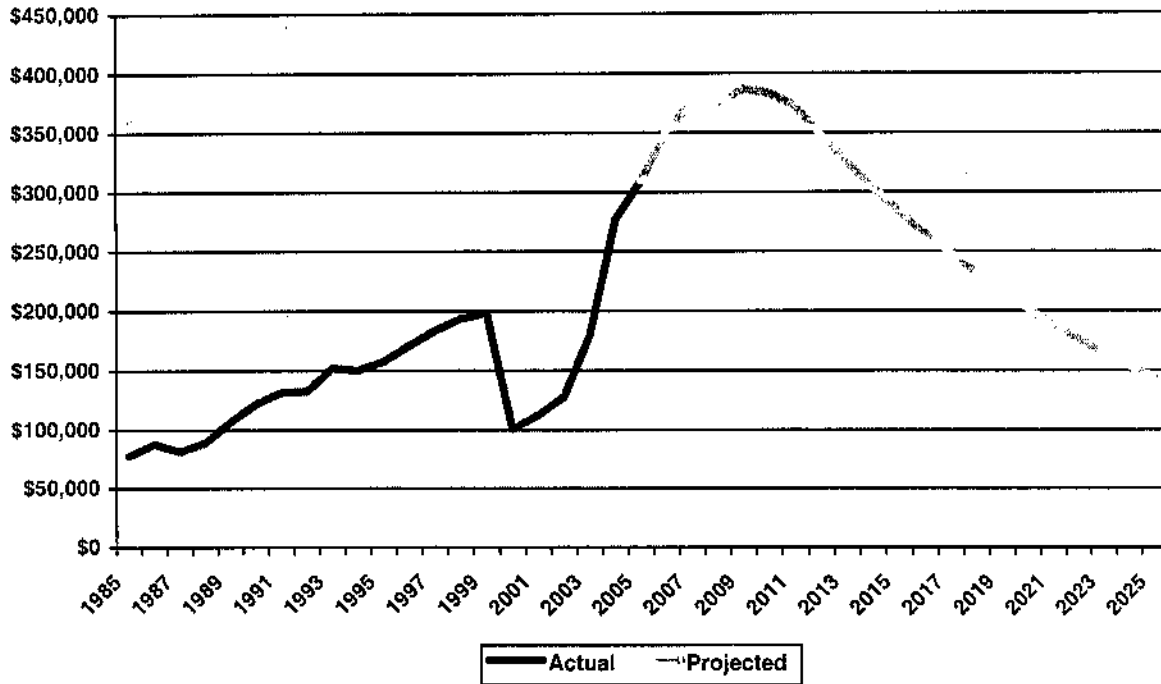
3. Unfunded liability (millions)		
2003 Unfunded liability		\$ 2,640
Change due to:		
Plan changes	\$ 0	
Payment schedule	42	
Salary increases	(41)	
Investment return	200	
Assumption changes	0	
Smaller contribution than scheduled	51	
Nonactive mortality	46	
Other actuarial experience	(23)	
Total of all changes		<u>275</u>
2004 Unfunded liability		\$ 2,915

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 59.8% funded and the alternative amortization schedule is not expected to result in a lower cost to the City until fiscal year 2012.

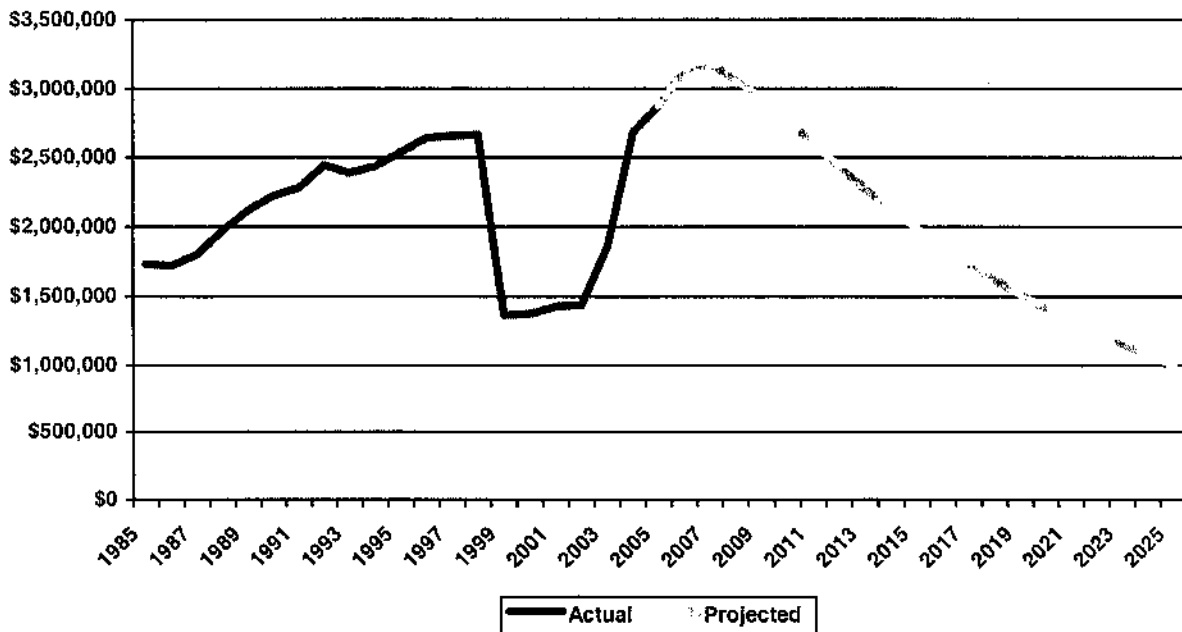
Graph 3(A) illustrates changes in the amortization payment through 2025. Graph 3(B) tracks the unfunded liability through 2025. The red lines indicate actual past changes in the amortization payment or unfunded liability and include scheduled increases and changes because of previous plan amendments, 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 two 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, 2005). If paid after July 1, the City's funding policy has been to pay interest at 9% from July 1, 2005 to the date paid.

The resulting estimated City contributions for fiscal years 2005 and 2006 are shown in Table 4(A).

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

	Fiscal 2005	Fiscal 2006
Normal cost	\$ 72,596	\$ 71,491 ^a
Amortization payment	<u>276,555</u>	<u>309,247</u>
Total City cost	\$ 349,151	\$ 380,738 ^b

- Based on estimated July 1, 2005 annual payroll. Actual normal cost will be based on actual fiscal 2006 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 2005, they totaled \$49.8 million.

Table 4(B) shows July 1, 2005 employee contribution rates.

4(B). Employee contribution rates effective July 1, 2005 (based on July 1, 2004 results)

	Municipal	Elected	Police	Fire
1967 Plan	3.75% ^a	N/A	6.00%	6.00%
Plan 87	1.99%	6.92%	5.00%	5.00%

- 6.00% on wages over the Social Security maximum taxable wage base — \$90,000 in 2005.

Quasi agency funding

Table 4(C) shows the quasi agencies funding rate as a percent of payroll for fiscal years 2005 and 2006.

EXECUTIVE SUMMARY

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

	Fiscal 2005	Fiscal 2006
Valuation date	July 1, 2003	July 1, 2004
Normal cost	5.249%	5.146% ^a
Amortization rate	<u>38.445%</u>	<u>48.112%</u> ^b
Total, year-end rate	43.694%	53.258%
Total, adjusted for quarterly payments	42.622%	51.951% ^c

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

b. $\$175,386 \div \$364,534$, see pages 15 and 11.

c. $.97546$ (quarterly adjustment factor) \times 53.258%.

Minimum municipal obligation

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

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

- The City uses a 34-year increasing amortization of its July 1, 1985 unfunded actuarial accrued liability, while Act 205 allows a 40-year increasing amortization schedule.
- Act 205 was amended in July 2004 to allow for a 30-year amortization of the portion of the July 1, 2003 unfunded liability attributable to the 2001 and 2002 calendar year investment returns. Investment losses are usually amortized over 15 years.
- The City applies the normal cost rates to the fiscal year's actual payroll. The MMO is based on the prior year's estimated payroll.
- No interest accumulates on the MMO if the payment is made by plan (fiscal) year-end. This was confirmed in a telephone conversation with the Public Employee Retirement Commission (PERC).
- The City's funding policy and the MMO use a one-year delay in applying actuarial valuation results to fiscal years. This July 1, 2004 valuation report determines the City's fiscal 2006 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 2006 MMO. These payments reflect the 40-year funding from July 1, 1985 with increasing payments at 4.5%.

The resulting fiscal 2006 MMO is summarized in Table 4(D).

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4(D). Fiscal 2006 minimum municipal obligation (thousands)

Valuation report	July 1, 2004
Normal cost	\$ 112,744
Amortization payment	235,673
Expected administrative expense	<u>6,500</u>
Subtotal	\$ 354,917
Expected member contributions	<u>(48,044)</u>
Minimum municipal obligation	\$ 306,873
Interest	<u>0^a</u>
Total	\$ 306,873 ^b

a. Interest applies if the MMO is not paid before the plan year-end (June 30th).

b. The City may use general state aid and state COLA reimbursement, estimated at \$49.8 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, 2003 and July 1, 2004 is shown in Table 4(E).

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

	2003	2004
Actuarial value of assets	\$ 4,548,145	\$ 4,333,057
Actuarial accrued liability	\$ 7,188,283	\$ 7,247,743
Funding ratio	63.3%	59.8%

EXECUTIVE SUMMARY

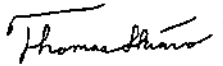
Certification

Mercer Human Resource Consulting has prepared the actuarial valuation of the City of Philadelphia Municipal Retirement System as of July 1, 2004 to determine contributions for the fiscal year ending June 30, 2006. The valuation is based on employee and financial data which were provided by the City of Philadelphia Board of Pensions and Retirement, and are summarized in this report.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures, in accordance with the provisions of current state statutes and regulations issued thereunder. The actuarial assumptions are selected jointly by the actuary and the Pension Board and, in our opinion, are considered reasonable. This report fully and fairly discloses the present actuarial position of the Plan on an ongoing basis.

There have been no changes in valuation procedures or actuarial cost methods since the last valuation of the Plan as of July 1, 2003.

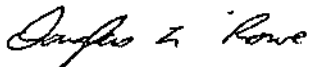
We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.



Thomas Skiavo, EA, MAAA
Enrollment Number: 02-6727

April 1, 2005
Date

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



Douglas Rowe, FSA, EA, MAAA
Enrollment Number: 02-2626

April 1, 2005
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, 2006. 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, 2004, 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, 2006.

Table 16 shows the annual payments needed to fund plan liabilities using the City's funding policy if the City does not move to the 10-year rolling amortization of the unfunded.

COST DERIVATION

5. July 1, 2004 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	7,602	1,492	679	1,925	18	1,689	394	13,799
b. Non-vested	118	6	0	10,756	5	3,130	820	14,835
c. Total	7,720	1,498	679	12,681	23	4,819	1,214	28,634
2. Total normal costs								
a. Service retirement	\$ 16,760	\$ 8,969	\$ 3,997	\$ 18,551	\$ 181	\$ 21,556	\$ 5,603	\$ 75,617
b. Preretirement death	1,900	610	302	2,202	17	1,210	361	6,602
c. Disability retirement	2,455	854	396	2,490	12	2,251	608	9,065
d. Vested termination	4,528	615	271	4,775	24	756	170	11,137
e. Refund of nonvested members' contributions	2,279	194	86	1,754	23	798	165	5,299
f. Health care benefit	0	34	17	0	0	90	28	170
g. Administrative expenses	2,956	1,169	424	1,318	4	501	128	6,500
h. Total	\$ 30,878	\$ 12,445	\$ 5,493	\$ 31,090	\$ 262	\$ 27,161	\$ 7,062	\$ 114,390
3. Expected employee contributions	\$ 13,670	\$ 5,244	\$ 2,344	\$ 9,327	\$ 161	\$ 12,195	\$ 3,035	\$ 45,976
4. City normal cost (2h) - (3)	\$ 17,208	\$ 7,201	\$ 3,149	\$ 21,763	\$ 101	\$ 14,966	\$ 4,027	\$ 68,414
5. Current total annual payroll	\$ 364,534	\$ 87,596	\$ 39,101	\$ 467,803	\$ 2,326	\$ 243,899	\$ 60,694	\$1,265,953
6. City normal cost as a percent of pay assuming beginning-of-year payment (4) ÷ (5)	4.721%	8.220%	8.053%	4.652%	4.332%	6.136%	6.635%	5.404%
7. City normal cost as a percent of pay assuming end-of-year payment (6) x 1.09	5.146%	8.960%	8.778%	5.071%	4.722%	6.688%	7.232%	5.890%

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2004 (dollars in thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Number of members								
a. Active	7,720	1,498	679	12,681	23	4,819	1,214	28,634
b. Retired	11,828	5,416	1,783	185	7	12	12	19,243
c. Beneficiary	5,446	2,132	934	56	4	55	21	8,648
d. Disabled	1,998	1,971	466	39	0	85	15	4,574
e. Terminated vested	656	19	4	106	1	15	8	809
f. DROP	1,806	610	363	67	1	5	1	2,853
g. Total	29,454	11,646	4,229	13,134	36	4,991	1,271	64,761
2. Total annual benefits								
a. Retired	\$ 196,777	\$ 122,151	\$ 44,642	\$ 1,907	\$ 220	\$ 128	\$ 107	\$ 365,931
b. Beneficiary	31,966	15,484	6,521	357	72	314	172	54,886
c. Disabled	28,832	32,353	8,572	702	0	2,252	365	73,076
d. Terminated vested	9,181	273	39	1,146	23	193	103	10,958
e. DROP	49,542	20,482	14,083	726	116	78	23	85,051
f. Total	\$ 316,298	\$ 190,743	\$ 73,857	\$ 4,838	\$ 431	\$ 2,965	\$ 770	\$ 589,902
3. Present value of benefits								
a. Active members								
Service retirement	\$ 1,085,988	\$ 404,442	\$ 192,393	\$ 365,901	\$ 9,048	\$ 503,490	\$ 121,240	\$ 2,682,502
Preretirement death	86,220	19,813	11,123	39,108	475	21,613	6,025	184,378
Disability retirement	47,961	8,607	2,805	31,898	108	32,952	8,120	132,452
Vested termination	137,345	2,433	504	97,529	411	17,528	3,599	259,349
Refund of nonvested members' contributions	998	152	87	15,498	41	8,170	1,655	26,602
Health care benefit	0	364	233	0	0	811	283	1,690
Subtotal	\$ 1,358,513	\$ 435,811	\$ 207,145	\$ 549,935	\$ 10,083	\$ 584,564	\$ 140,922	\$ 3,286,973
b. Nonactive members								
Service retired	\$ 1,478,776	\$ 1,010,263	\$ 356,467	\$ 15,100	\$ 1,993	\$ 1,274	\$ 1,100	\$ 2,864,975
Beneficiary	231,420	116,457	43,535	3,383	522	3,229	1,728	400,275
Disabled	229,682	265,673	68,935	6,613	0	23,768	3,697	598,369
Terminated vested	60,796	2,348	376	4,115	213	752	439	69,040
Nonvested members' contributions	2,029	155	45	1,594	0	272	66	4,161
Health care benefit	0	6,220	4,207	0	0	622	732	11,781
DROP annuity	460,575	197,634	131,512	5,567	967	784	201	797,240
DROP account	87,265	39,707	30,897	1,114	12	108	61	159,164
Subtotal	\$ 2,550,543	\$ 1,638,458	\$ 635,975	\$ 37,487	\$ 3,708	\$ 30,809	\$ 8,025	\$ 4,905,004
c. Total	\$ 3,909,056	\$ 2,074,269	\$ 843,120	\$ 587,422	\$ 13,791	\$ 615,373	\$ 148,947	\$ 8,191,978

Note: Numbers may not add because of rounding.

COST DERIVATION

6. Derivation of unfunded actuarial accrued liability as of July 1, 2004 (thousands) (continued)

	1967 Plan			Plan 87			Total	
	Municipal	Police	Fire	Municipal	Elected	Police		Fire
4. Present value of future normal costs								
a. Service retirement	\$ 129,216	\$ 61,670	\$ 24,694	\$ 152,594	\$ 867	\$ 233,036	\$ 58,252	\$ 660,330
b. Preretirement death	14,998	4,185	1,872	18,366	92	13,193	3,749	56,455
c. Disability retirement	19,542	5,901	2,451	21,923	77	24,590	6,405	80,890
d. Vested termination	37,800	4,409	1,706	43,349	159	8,711	1,919	98,053
e. Refund of nonvested members' contribution	19,311	1,368	534	15,131	135	9,172	1,847	47,498
f. Health care benefit	0	127	68	0	0	603	211	1,008
g. Total	\$ 220,868	\$ 77,660	\$ 31,325	\$ 251,364	\$ 1,330	\$ 289,305	\$ 72,383	\$ 944,234
5. Actuarial accrued liability (3) - (4)								
a. Active members								
Service retirement	\$ 956,772	\$ 342,772	\$ 167,699	\$ 213,307	\$ 8,181	\$ 270,454	\$ 62,988	\$ 2,022,172
Preretirement death	71,222	15,628	9,251	20,742	383	8,420	2,276	127,923
Disability retirement	28,419	2,706	354	9,975	31	8,362	1,715	51,562
Vested termination	99,545	(1,976)	(1,202)	54,180	252	8,817	1,680	161,296
Refund of nonvested members' contribution	(18,313)	(1,216)	(447)	367	(94)	(1,002)	(192)	(20,896)
Health care benefit	0	237	165	0	0	208	79	682
Subtotal	\$ 1,137,645	\$ 358,151	\$ 175,820	\$ 298,571	\$ 8,753	\$ 295,259	\$ 68,539	\$ 2,342,739
b. Nonactive members								
Service retirement	\$ 1,478,776	\$ 1,010,263	\$ 356,467	\$ 15,100	\$ 1,993	\$ 1,274	\$ 1,100	\$ 2,864,975
Beneficiary	231,420	116,457	43,535	3,383	522	3,229	1,728	400,275
Disabled	229,682	265,673	68,935	6,613	0	23,768	3,697	598,369
Terminated vested	60,796	2,348	376	4,115	213	752	439	69,040
Nonvested members' contribution	2,029	155	45	1,594	0	272	66	4,161
Health care benefit	0	6,220	4,207	0	0	622	732	11,781
DROP annuity	460,575	197,634	131,512	5,567	967	784	201	797,240
DROP account	87,265	39,707	30,897	1,114	12	108	61	159,164
Subtotal	\$ 2,550,543	\$ 1,638,458	\$ 635,975	\$ 37,487	\$ 3,708	\$ 30,809	\$ 8,025	\$ 4,905,004
c. Total	\$ 3,688,188	\$ 1,996,609	\$ 811,795	\$ 336,058	\$ 12,461	\$ 326,068	\$ 76,564	\$ 7,247,743
6. Assets for valuation purposes	\$ 2,170,265	\$ 987,026	\$ 466,111	\$ 325,526	\$ 11,014	\$ 299,719	\$ 73,395	\$ 4,333,057
7. Unfunded actuarial accrued liability (5c) - (6)	\$ 1,517,923	\$ 1,009,583	\$ 345,683	\$ 10,532	\$ 1,447	\$ 26,349	\$ 3,169	\$ 2,914,687

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, 2006 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation	\$ 1,399,927	\$ 936,519	\$ 326,158	\$ 2,571	\$ 164	\$ 16,602	\$ (491)	\$ 2,681,449
2. Changes in July 1, 2004 unfunded actuarial accrued liability due to actuarial experience	117,997	73,064	19,526	7,961	1,283	9,747	3,660	233,238
3. Changes in July 1, 2004 unfunded actuarial accrued liability due to plan changes	0	0	0	0	0	0	0	0
4. Actual unfunded actuarial accrued liability, July 1, 2004 (1) + (2) + (3)	\$ 1,517,923	\$ 1,009,583	\$ 345,683	\$ 10,532	\$ 1,447	\$ 26,349	\$ 3,169	\$ 2,914,687
5. Expected changes in unfunded actuarial accrued liability from July 1, 2004 to July 1, 2005:								
a. Interest (2 + 3) x .09	\$ 10,620	\$ 6,576	\$ 1,757	\$ 716	\$ 115	\$ 877	\$ 329	\$ 20,991
b. Increase/ (decrease) in unfunded actuarial accrued liability from July 1, 2004 to July 1, 2005 after FY 2005 amortization contribution	(29,800)	(27,568)	(6,240)	1,545	(25)	1,397	578	(60,114)
c. Subtotal	\$ (19,180)	\$ (20,992)	\$ (4,483)	\$ 2,261	\$ 90	\$ 2,274	\$ 907	\$ (39,123)
6. Expected July 1, 2005 unfunded actuarial accrued liability (4) + (5c)	\$ 1,498,743	\$ 988,591	\$ 341,200	\$ 12,793	\$ 1,537	\$ 28,623	\$ 4,076	\$ 2,875,564 ^a

Note: Numbers may not add because of rounding.

^a Does not include anticipated asset losses or gains per the smoothing of the valuation assets.

COST DERIVATION

8. Development of municipal division (1967 Plan) annual payment toward the unfunded actuarial accrued liability for fiscal year ending June 30, 2006 (thousands)

	<u>Fiscal Year Ending June 30, 2006</u>				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation					
a. Dombrowski	\$ 4,156	\$ 3,462	4	\$ 980	\$ 1,069
b. Remaining	<u>1,395,770</u>	<u>1,366,664</u>	—	<u>145,285^b</u>	<u>158,361^b</u>
c. Subtotal	\$ 1,399,927	\$ 1,370,126	—	\$ 146,266	\$ 159,430
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 117,997	\$ 128,616	15	\$ 14,639	\$ 15,956
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	\$ 117,997	\$ 128,616	—	\$ 14,639	\$ 15,956
3. Total (1c) + (2e)	\$ 1,517,923	\$ 1,498,743	—	\$ 160,904	\$ 175,386

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, 2006 (thousands)

	Fiscal Year Ending June 30, 2006				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation					
a. Dombrowski	\$ 2,659	\$ 2,214	4	\$ 627	\$ 684
b. Remaining	<u>933,860</u>	<u>906,737</u>	—	<u>102,148^b</u>	<u>111,342^b</u>
c. Subtotal	\$ 936,519	\$ 908,952	—	\$ 102,775	\$ 112,025
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 73,064	\$ 79,639	15	\$ 9,064	\$ 9,880
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	\$ 73,064	\$ 79,639	—	\$ 9,064	\$ 9,880
3. Total (1c) + (2e)	\$ 1,009,583	\$ 988,591	—	\$ 111,840	\$ 121,905

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, 2006 (thousands)

	<u>Fiscal Year Ending June 30, 2006</u>				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation					
a. Dombrowski	\$ 1,059	\$ 882	4	\$ 250	\$ 272
b. Remaining	<u>325,099</u>	<u>319,035</u>	—	<u>32,594^b</u>	<u>35,527^b</u>
c. Subtotal	\$ 326,158	\$ 319,917	—	\$ 32,843	\$ 35,799
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 19,526	\$ 21,283	15	\$ 2,422	\$ 2,640
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	\$ 19,526	\$ 21,283	—	\$ 2,422	\$ 2,640
3. Total (1c) + (2e)	\$ 345,683	\$ 341,200	—	\$ 35,266	\$ 38,440

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, 2006 (thousands)

	Fiscal Year Ending June 30, 2006				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment*
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation	\$ 2,571	\$ 4,115	—	\$ (1,171)	\$ (1,277)
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 7,961	\$ 8,678	15	\$ 988	\$ 1,077
b. Assumption change	0	0	20	0	0
c. Plan change	0	0	20	0	0
d. Inactive plan change	0	0	10	0	0
e. Subtotal	\$ 7,961	\$ 8,678	—	\$ 988	\$ 1,077
3. Total (1) + (2e)	\$ 10,532	\$ 12,793	—	\$ (184)	\$ (200)

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, 2006 (thousands)

	<u>Fiscal Year Ending June 30, 2006</u>				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation	\$ 164	\$ 138	—	\$ 42	\$ 46
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 1,283	\$ 1,399	15	\$ 159	\$ 174
b. Assumption change	0	0	20	0	0
c. Plan change	0	0	20	0	0
d. Inactive plan change	0	0	10	0	0
e. Subtotal	\$ 1,283	\$ 1,399	—	\$ 159	\$ 174
3. Total (1) + (2e)	\$ 1,447	\$ 1,537	—	\$ 201	\$ 220

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, 2006 (thousands)

	Fiscal Year Ending June 30, 2006				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation	\$ 16,602	\$ 17,999	—	\$ 113	\$ 123
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 9,747	\$ 10,624	15	\$ 1,209	\$ 1,318
b. Assumption change	0	0	20	0	0
c. Plan change	0	0	20	0	0
d. Inactive plan change	0	0	10	0	0
e. Subtotal	\$ 9,747	\$ 10,624	—	\$ 1,209	\$ 1,318
3. Total (1) + (2e)	\$ 26,349	\$ 28,623	—	\$ 1,322	\$ 1,441

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, 2006 (thousands)

	Fiscal Year Ending June 30, 2006				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment*
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation	\$ (491)	\$ 87	—	\$ (556)	\$ (606)
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 3,660	\$ 3,989	15	\$ 454	\$ 495
b. Assumption change	0	0	20	0	0
c. Plan change	0	0	20	0	0
d. Inactive plan change	0	0	10	0	0
e. Subtotal	\$ 3,660	\$ 3,989	—	\$ 454	\$ 495
3. Total (1) + (2e)	\$ 3,169	\$ 4,076	—	\$ (102)	\$ (111)

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, 2006 (thousands)

	<u>Fiscal Year Ending June 30, 2006</u>				
	Outstanding Balance July 1, 2004	Expected Balance July 1, 2005	Amortization Period Remaining	Annual Beginning- of-Year Payment	Annual End-of- Year Payment ^a
1. Expected July 1, 2004 unfunded actuarial accrued liability based on July 1, 2003 valuation					
a. Dombrowski	\$ 7,874	\$ 6,558	4	\$ 1,857	\$ 2,024
b. Remaining	<u>2,673,575</u>	<u>2,614,776</u>	—	<u>278,455^b</u>	<u>303,516^b</u>
c. Subtotal	\$ 2,681,449	\$ 2,621,334	—	\$ 280,312	\$ 305,540
2. Changes in unfunded actuarial accrued liability, July 1, 2004					
a. Experience (gains)/losses	\$ 233,238	\$ 254,229	15	\$ 28,935	\$ 31,539
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	\$ 233,238	\$ 254,229	—	\$ 28,935	\$ 31,539
3. Total (1c) + (2e)	\$ 2,914,687	\$ 2,875,564	—	\$ 309,247	\$ 337,080

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, 2004 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 Pay
	1967 Plan			Plan 87				Total			
	Municipal	Police	Fire	Municipal	Elected	Police	Fire				
2004	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$2,914,687	\$1,265,953	N/A
2005	\$160,904	\$111,840	\$35,266	\$ (184)	\$201	\$ 1,322	\$ (102)	\$309,247	2,875,564	1,322,921	23.4%
2006	186,389	118,160	39,326	2,798	300	4,232	585	351,791	3,135,185	1,382,452	25.4%
2007	197,566	124,979	42,281	4,164	297	5,504	890	375,681	3,186,499	1,444,663	26.0%
2008	194,396	127,188	43,153	4,065	242	5,549	919	375,513	3,063,791	1,509,673	24.9%
2009	200,121	130,958	44,673	4,135	252	5,622	926	386,688	2,930,224	1,577,608	24.5%
2010	197,116	130,097	44,997	4,345	173	5,489	969	383,186	2,772,454	1,648,600	23.2%
2011	198,728	131,921	46,050	4,280	189	5,518	998	387,684	2,604,302	1,722,787	22.5%
2012	200,799	133,441	46,990	4,328	232	5,622	1,060	392,471	2,416,114	1,800,313	21.8%
2013	210,594	137,924	49,529	4,604	231	5,987	1,120	409,989	2,205,771	1,881,327	21.8%
2014	216,990	135,876	50,218	4,805	266	6,229	1,227	415,611	1,957,402	1,965,986	21.1%
2015	228,317	129,526	54,842	12,677	556	13,978	3,222	443,119	1,680,552	2,054,456	21.6%
2016	233,091	126,799	54,613	12,872	552	14,216	3,367	445,509	1,348,802	2,146,906	20.8%
2017	237,390	132,420	54,020	13,336	558	14,060	3,300	455,084	984,590	2,243,517	20.3%
2018	215,797	122,664	50,870	10,737	505	10,937	2,923	414,431	577,161	2,344,475	17.7%
2019	45,616	23,153	9,327	5,072	321	7,175	1,852	92,516	177,375	2,449,977	3.8%
2020	29,359	14,089	6,904	4,055	162	5,966	1,398	61,934	92,496	2,560,226	2.4%
2021	10,097	5,328	2,767	1,166	64	3,306	747	23,476	33,312	2,675,436	0.9%
2022	1,745	2,735	1,705	(14)	-	999	232	7,403	10,721	2,795,830	0.3%
2023	-	1,588	801	-	-	998	233	3,620	3,620	2,921,643	0.1%
2024	-	-	-	-	-	-	-	-	-	3,053,117	0.0%

Note: Numbers may not add because of rounding. Includes anticipated losses on the valuation assets over the next two years and the amortization payments shown do not switch to the 10-year rolling amortization when advantageous.

COST DERIVATION

Estimated progress of fund

Table 17 shows the pension fund's estimated progress for fiscal years 2005 through 2024. The July 1, 2004 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 under the City's funding policy is used in the projection. The first year of the projection reflects the anticipated City contribution as of the July 1, 2003 valuation. Subsequent contributions are based on the July 1, 2004 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, 2024. 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 combined City and employee 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, 2004 through June 30, 2024 (thousands)

Fiscal Year Ending June 30	Fund at Beginning of Year	City Contributions^{a, c}	Employee Contributions^a	Benefit Payments^{a,b}	Investment Income	Net Increase	Fund at End of Year
2005	\$ 3,972,395	\$376,966	\$ 46,056	\$ 603,321	\$ 332,439	\$152,141	\$ 4,124,536
2006	4,124,536	415,007	48,060	608,944	345,968	200,091	4,324,627
2007	4,324,627	464,886	50,223	616,321	363,742	262,529	4,587,156
2008	4,587,156	494,591	52,483	625,405	387,063	308,731	4,895,887
2009	4,895,887	498,236	54,844	635,832	414,485	331,735	5,227,621
2010	5,227,621	514,420	57,312	647,756	443,916	367,891	5,595,513
2011	5,595,513	514,784	59,891	661,613	476,519	389,581	5,985,094
2012	5,985,094	507,284	62,587	677,814	510,973	403,030	6,388,124
2013	6,388,124	485,141	65,403	695,995	546,554	401,103	6,789,227
2014	6,789,227	464,961	68,346	717,029	581,840	398,118	7,187,344
2015	7,187,344	446,638	71,422	741,732	616,697	393,024	7,580,369
2016	7,580,369	430,074	74,636	767,518	651,053	388,245	7,968,614
2017	7,968,614	415,178	77,994	790,077	685,132	388,227	8,356,841
2018	8,356,841	401,866	81,504	813,173	719,191	389,387	8,746,228
2019	8,746,228	390,060	85,172	837,969	753,285	390,547	9,136,775
2020	9,136,775	379,691	89,004	887,716	786,368	367,347	9,504,122
2021	9,504,122	370,693	93,010	939,464	817,281	341,518	9,845,640
2022	9,845,640	363,007	97,195	992,817	845,805	313,189	10,158,829
2023	10,158,829	356,578	101,569	1,043,845	871,892	286,194	10,445,023
2024	10,445,023	351,359	106,139	1,092,320	895,674	260,852	10,705,875

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, 2004 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, 2004. 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, 2003 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, 2004. Inadvertently, the City did not include 643 DROP participants from last year in this year's data file. We assumed no status change for these participants.

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	- 251	- 0.9%
Retired	+ 1,171	+ 6.5%
Surviving spouses	- 19	- 0.3%
Other beneficiaries	+ 46	+ 3.2%
Disabled	- 49	- 1.1%
Terminated vested	+ 54	+ 7.2%
DROP Participants	- 671	- 19.0%
Total	+ 281	+ 0.4%

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, termination with a vested benefit, and new entrants. *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, 2003	8,673	1,747	794	11,844	23	4,645	1,159	28,885
New entrants and rehires	+ 52	+ 9	+ 4	+ 1,840	+ 1	+ 306	+ 88	+ 2,300
Separations from active service								
Refunded contributions	- 33	- 1	- 0	- 400	- 0	- 50	- 11	- 495
Terminated vested	- 52	- 0	- 0	- 23	- 0	- 6	- 2	- 83
Became disabled	- 54	- 0	- 0	- 9	- 0	- 4	- 2	- 69
Retired	- 176	- 37	- 6	- 29	- 0	- 5	- 3	- 256
DROP participants	- 510	- 197	- 85	- 25	- 1	- 2	- 0	- 820
Net other terminations ^a	<u>- 180</u>	<u>- 23</u>	<u>- 28</u>	<u>- 517</u>	<u>- 0</u>	<u>- 65</u>	<u>- 15</u>	<u>- 828</u>
Active, July 1, 2004	7,720	1,498	679	12,681	23	4,819	1,214	28,634
Retired members								
Retired, July 1, 2003	11,281	5,084	1,559	130	6	4	8	18,072
New retirees	+ 1,091	+ 479	+ 293	+ 62	+ 1	+ 8	+ 4	+ 1,938
Net other terminations	<u>- 544</u>	<u>- 147</u>	<u>- 69</u>	<u>- 7</u>	<u>- 0</u>	<u>- 0</u>	<u>- 0</u>	<u>- 767</u>
Retired, July 1, 2004	11,828	5,416	1,783	185	7	12	12	19,243
Surviving spouses								
Receiving benefit, July 1, 2003	4,268	1,958	892	27	3	12	5	7,165
New spouses	+ 253	+ 101	+ 41	+ 8	+ 0	+ 2	+ 4	+ 409
Net other terminations	<u>- 260</u>	<u>- 103</u>	<u>- 64</u>	<u>- 1</u>	<u>- 0</u>	<u>- 0</u>	<u>- 0</u>	<u>- 428</u>
Receiving benefit, July 1, 2004	4,261	1,956	869	34	3	14	9	7,146

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, 2003	1,158	174	62	18	1	33	10	1,456
New beneficiaries	+ 53	+ 8	+ 3	+ 4	+ 0	+ 8	+ 2	+ 78
Net other terminations	- 26	- 6	- 0	- 0	- 0	- 0	- 0	- 32
Receiving benefit, July 1, 2004	1,185	176	65	22	1	41	12	1,502
Disabled members								
Disabled, July 1, 2003	2,015	2,010	482	27	0	78	11	4,623
New disabilities	+ 91	+ 12	+ 3	+ 13	+ 0	+ 7	+ 4	+ 130
Net other terminations	- 108	- 51	- 19	- 1	- 0	- 0	- 0	- 179
Disabled, July 1, 2004	1,998	1,971	466	39	0	85	15	4,574
Terminated vested members								
Terminated vested, July 1, 2003	637	27	4	68	2	11	6	755
New vested terminations	+ 96	+ 0	+ 0	+ 39	+ 0	+ 7	+ 3	+ 145
Net other terminations	- 77	- 8	- 0	- 1	- 1	- 3	- 1	- 91
Terminated vested, July 1, 2004	656	19	4	106	1	15	8	809
DROP participants								
DROP participants, July 1, 2003	2,049	839	566	65	0	4	1	3,524
New DROP participants	+ 553	+ 198	+ 86	+ 29	+ 1	+ 2	+ 0	+ 869
Net other terminations	- 796	- 427	- 289	- 27	- 0	- 1	- 0	- 1,540
DROP participants, July 1, 2004	1,806	610	363	67	1	5	1	2,853

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, 2003	\$ 405,236	\$ 98,628	\$ 44,660	\$ 435,792	\$ 2,080	\$ 226,933	\$ 55,994	\$ 1,269,322
Net new entrants and pay increases	<u>(40,702)</u>	<u>(11,032)</u>	<u>(5,559)</u>	<u>32,011</u>	<u>246</u>	<u>16,966</u>	<u>4,700</u>	<u>(3,369)</u>
Active as of July 1, 2004	\$ 364,534	\$ 87,596	\$ 39,101	\$ 467,803	\$ 2,326	\$ 243,899	\$ 60,694	\$ 1,265,953
Retired members								
Retired as of July 1, 2003	\$ 174,625	\$ 108,603	\$ 35,420	\$ 1,289	\$ 195	\$ 34	\$ 75	\$ 320,242
Net new entrants	<u>22,152</u>	<u>13,548</u>	<u>9,222</u>	<u>618</u>	<u>25</u>	<u>94</u>	<u>32</u>	<u>45,689</u>
Retired as of July 1, 2004	\$ 196,777	\$ 122,151	\$ 44,642	\$ 1,907	\$ 220	\$ 128	\$ 107	\$ 365,931
Surviving spouses								
Receiving benefit as of July 1, 2003	\$ 24,855	\$ 13,707	\$ 5,770	\$ 131	\$ 41	\$ 87	\$ 37	\$ 44,629
Net new spouses	<u>933</u>	<u>689</u>	<u>291</u>	<u>111</u>	<u>0</u>	<u>26</u>	<u>79</u>	<u>2,129</u>
Receiving benefit as of July 1, 2004	\$ 25,788	\$ 14,396	\$ 6,061	\$ 243	\$ 41	\$ 113	\$ 116	\$ 46,758
Other beneficiaries								
Receiving benefits as of July 1, 2003	\$ 5,862	\$ 1,062	\$ 431	\$ 103	\$ 31	\$ 164	\$ 44	\$ 7,697
Net new beneficiaries	<u>316</u>	<u>37</u>	<u>29</u>	<u>11</u>	<u>0</u>	<u>37</u>	<u>11</u>	<u>441</u>
Receiving benefit as of July 1, 2004	\$ 6,178	\$ 1,099	\$ 460	\$ 114	\$ 31	\$ 201	\$ 55	\$ 8,137

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, 2003	\$ 28,101	\$ 33,041	\$ 8,759	\$ 533	\$ 0	\$ 2,092	\$ 244	\$ 72,770
Net new disabilities	<u>731</u>	<u>(688)</u>	<u>(187)</u>	<u>169</u>	<u>0</u>	<u>160</u>	<u>121</u>	<u>306</u>
Disabled as of July 1, 2004	\$ 28,832	\$ 32,353	\$ 8,572	\$ 702	\$ 0	\$ 2,252	\$ 365	\$ 73,076
Terminated vested members								
Terminated vested as of July 1, 2003	\$ 8,264	\$ 398	\$ 39	\$ 755	\$ 51	\$ 144	\$ 71	\$ 9,722
Net new vested terminations	<u>917</u>	<u>(125)</u>	<u>0</u>	<u>391</u>	<u>(28)</u>	<u>49</u>	<u>32</u>	<u>1,236</u>
Terminated vested as of July 1, 2004	\$ 9,181	\$ 273	\$ 39	\$ 1,146	\$ 23	\$ 193	\$ 103	\$ 10,958
DROP Participants (doesn't include account balance)								
DROP participants as of July 1, 2003	\$ 57,254	\$ 28,502	\$ 20,910	\$ 743	\$ 0	\$ 63	\$ 21	\$ 107,493
Net new DROP participants	<u>(7,712)</u>	<u>(8,020)</u>	<u>(6,827)</u>	<u>(17)</u>	<u>116</u>	<u>15</u>	<u>2</u>	<u>(22,443)</u>
DROP participants as of July 1, 2004	\$ 49,542	\$ 20,482	\$ 14,083	\$ 726	\$ 116	\$ 78	\$ 23	\$ 85,051

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, 2004 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	1	0	0	0	0	0	0	0	2
	31,368	36,066	0	0	0	0	0	0	0	33,717
30-34	0	10	44	15	0	0	0	0	0	69
	0	37,559	43,208	38,491	0	0	0	0	0	41,364
35-39	2	14	251	261	16	0	0	0	0	544
	27,243	42,872	45,354	44,620	47,847	0	0	0	0	44,945
40-44	3	19	339	664	271	10	0	0	0	1,306
	50,679	37,267	43,954	45,645	49,419	51,934	0	0	0	45,927
45-49	7	15	372	746	705	317	48	0	0	2,210
	46,789	42,923	43,418	44,586	52,948	51,695	48,674	0	0	48,161
50-54	8	12	270	591	455	622	472	77	2	2,509
	45,389	60,259	41,839	43,036	49,630	53,048	51,647	49,182	59,099	48,496
55-59	5	15	129	238	138	106	133	48	1	813
	62,634	42,719	41,805	41,991	49,760	52,044	52,518	51,974	62,435	47,068
60-64	1	2	32	70	27	17	15	4	5	173
	35,820	58,488	40,201	38,346	47,953	36,623	54,047	54,509	37,639	41,952
65-69	0	1	18	17	9	5	4	3	3	60
	0	29,908	35,755	40,333	37,959	36,139	35,954	50,334	52,326	38,888
70-74	1	0	3	5	2	4	1	0	2	18
	4,845	0	44,212	18,247	53,512	31,135	12,168	0	37,986	30,468
75+	1	0	3	4	1	2	2	1	2	16
	74,500	0	31,336	22,558	37,640	47,000	37,565	63,235	67,028	41,425
Total	29	89	1,461	2,611	1,624	1,083	675	133	15	7,720
	46,788	43,534	43,246	43,957	50,933	52,115	51,467	50,482	49,056	47,219

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	1	2	1	0	0	0	0	0	4
	0	51,726	54,595	52,426	0	0	0	0	0	53,335
35-39	0	1	14	33	3	1	0	0	0	52
	0	51,726	51,523	55,711	60,610	67,169	0	0	0	55,010
40-44	1	1	12	283	122	1	0	0	0	420
	46,439	51,726	52,368	56,558	61,050	65,297	0	0	0	57,728
45-49	0	0	1	212	271	94	0	0	0	578
	0	0	52,676	55,230	58,918	62,117	0	0	0	58,075
50-54	1	1	2	92	69	104	66	0	0	335
	68,019	52,426	53,443	54,458	60,290	62,563	62,266	0	0	59,742
55-59	0	0	0	22	16	25	25	11	0	99
	0	0	0	52,779	55,814	59,578	65,985	72,227	0	60,482
60-64	0	0	0	1	0	2	2	2	1	8
	0	0	0	52,426	0	55,445	65,960	101,572	68,269	70,831
65-69	0	0	0	0	0	0	0	1	1	2
	0	0	0	0	0	0	0	53,176	87,571	70,374
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	31	644	481	227	93	14	2	1,498
	57,229	51,901	52,209	55,635	59,563	62,019	63,345	75,059	77,920	58,475

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	57,091	0	0	0	0	0	57,091
35-39	0	0	6	10	1	0	0	0	0	17
	0	0	50,565	55,020	52,676	0	0	0	0	53,310
40-44	0	0	2	76	21	0	0	0	0	99
	0	0	48,047	55,312	56,312	0	0	0	0	55,377
45-49	0	0	1	84	65	23	0	0	0	173
	0	0	52,076	54,291	56,282	61,514	0	0	0	55,986
50-54	0	0	0	42	42	154	54	2	0	294
	0	0	0	53,621	57,128	58,832	62,330	73,507	0	58,586
55-59	0	0	2	2	8	32	33	10	0	87
	0	0	49,558	55,952	57,947	56,508	61,509	68,190	0	59,708
60-64	0	0	0	0	0	0	3	3	2	8
	0	0	0	0	0	0	72,044	65,243	69,486	68,854
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	0	11	215	137	209	90	15	2	679
	0	0	50,061	54,583	56,617	58,771	62,353	68,310	69,486	57,586

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	90	0	0	0	0	0	0	0	0	90
	10,732	0	0	0	0	0	0	0	0	10,732
20-24	559	33	0	0	0	0	0	0	0	592
	27,500	34,728	0	0	0	0	0	0	0	27,903
25-29	1,065	287	30	0	0	0	0	0	0	1,382
	35,096	37,660	40,285	0	0	0	0	0	0	35,741
30-34	935	787	162	17	0	0	0	0	0	1,901
	36,390	43,193	43,472	37,886	0	0	0	0	0	39,823
35-39	838	791	260	63	6	0	0	0	0	1,958
	34,375	42,134	45,029	43,454	37,045	0	0	0	0	39,225
40-44	905	780	249	101	18	1	0	0	0	2,054
	30,493	39,456	46,366	46,938	41,404	15,104	0	0	0	36,717
45-49	689	716	220	91	26	13	4	0	0	1,759
	33,132	39,005	43,830	49,390	45,693	41,431	39,327	0	0	37,963
50-54	516	552	202	62	13	17	17	3	0	1,382
	34,779	38,547	41,992	46,110	53,224	48,074	47,825	34,212	0	38,343
55-59	336	355	122	68	11	7	8	9	0	916
	33,204	37,342	40,161	43,356	51,220	32,465	45,956	42,788	0	36,904
60-64	130	174	39	21	2	2	4	6	5	383
	31,471	36,543	41,675	43,045	38,975	43,253	38,768	53,129	31,157	35,961
65-69	60	65	18	5	1	1	0	1	1	152
	16,159	27,645	40,004	32,380	24,923	27,320	0	60,000	105,000	25,432
70-74	37	22	8	1	0	0	2	0	1	71
	13,173	16,336	35,285	29,870	0	0	23,025	0	28,664	17,376
75+	16	18	5	2	0	0	0	0	0	41
	7,944	17,212	12,858	28,155	0	0	0	0	0	13,598
Total	6,176	4,580	1,315	431	77	41	35	19	7	12,681
	32,666	39,593	43,513	45,420	45,633	41,756	43,974	45,605	41,350	36,890

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
	98,000	0	0	0	0	0	0	0	0	98,000
40-44	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
45-49	0	0	2	1	0	0	0	0	0	3
	0	0	98,000	98,000	0	0	0	0	0	98,000
50-54	1	0	1	0	1	1	1	0	0	5
	98,000	0	93,944	0	98,000	98,000	103,000	0	0	98,189
55-59	0	1	1	0	2	0	0	1	0	5
	0	98,000	98,000	0	101,500	0	0	98,000	0	99,400
60-64	0	2	1	0	0	0	0	0	0	3
	0	99,000	123,135	0	0	0	0	0	0	107,045
65-69	0	0	1	0	1	0	0	0	0	2
	0	0	98,000	0	103,000	0	0	0	0	100,500
70-74	0	0	0	0	1	1	0	0	1	3
	0	0	0	0	98,000	105,000	0	0	123,000	108,667
75+	0	0	0	0	1	0	0	0	0	1
	0	0	0	0	98,000	0	0	0	0	98,000
Total	2	3	6	1	6	2	1	1	1	23
	98,000	98,667	101,513	98,000	100,000	101,500	103,000	98,000	123,000	101,134

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
	36,272	0	0	0	0	0	0	0	0	36,272
20-24	281	10	0	0	0	0	0	0	0	291
	41,519	46,124	0	0	0	0	0	0	0	41,678
25-29	450	401	1	0	0	0	0	0	0	852
	44,090	51,759	43,417	0	0	0	0	0	0	47,699
30-34	243	766	241	7	0	0	0	0	0	1,257
	44,279	52,011	53,752	54,235	0	0	0	0	0	50,862
35-39	108	462	553	129	2	0	0	0	0	1,254
	44,700	52,009	53,845	56,267	54,595	0	0	0	0	52,632
40-44	37	207	352	106	4	0	0	0	0	706
	44,275	51,805	53,495	54,932	53,927	0	0	0	0	52,734
45-49	20	80	181	51	2	0	0	0	0	334
	46,423	51,745	53,107	54,150	58,562	0	0	0	0	52,572
50-54	6	43	38	17	1	1	0	0	0	106
	47,164	51,261	52,633	53,194	52,426	52,076	0	0	0	51,850
55-59	2	10	0	1	0	1	0	0	0	14
	38,789	51,761	0	52,426	0	52,926	0	0	0	50,039
60-64	0	1	0	0	0	0	1	0	0	2
	0	57,463	0	0	0	0	40,139	0	0	48,801
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	1,150	1,980	1,366	311	9	2	1	0	0	4,819
	43,592	51,883	53,599	55,239	54,939	52,501	40,139	0	0	50,611

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	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
20-24	35	0	0	0	0	0	0	0	0	35
	39,595	0	0	0	0	0	0	0	0	39,595
25-29	126	23	0	0	0	0	0	0	0	149
	41,729	51,255	0	0	0	0	0	0	0	43,199
30-34	117	162	19	0	0	0	0	0	0	298
	43,909	53,595	50,324	0	0	0	0	0	0	49,583
35-39	68	141	105	8	1	0	0	0	0	323
	43,559	52,818	54,461	55,435	64,447	0	0	0	0	51,504
40-44	15	76	113	33	1	0	0	0	0	238
	43,496	51,869	53,910	54,463	52,076	0	0	0	0	52,671
45-49	13	23	64	26	1	0	0	0	0	127
	43,754	52,557	53,522	53,541	52,426	0	0	0	0	52,343
50-54	2	13	5	15	0	2	0	0	0	37
	44,881	51,194	54,016	52,816	0	52,251	0	0	0	51,949
55-59	1	2	1	0	0	0	0	0	0	4
	38,789	54,245	52,076	0	0	0	0	0	0	49,839
60-64	2	1	0	0	0	0	0	0	0	3
	51,881	51,726	0	0	0	0	0	0	0	51,829
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	379	441	307	82	3	2	0	0	0	1,214
	42,735	52,801	53,792	53,964	56,316	52,251	0	0	0	49,995

Note: Age represents attained age.

PLAN MEMBERSHIP

28. Terminated vested (1967 Plan and Plan 87) members, July 1, 2004

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
Under 40	54	\$ 538,823	12	\$ 146,683	3	\$ 38,389
40-44	95	1,443,696	16	261,821	6	66,507
45-49	181	2,529,934	2	19,273	1	16,482
50-54	336	4,814,371	2	16,640	1	14,470
55-59	48	520,855	0	0	0	0
60-64	22	224,045	1	7,128	0	0
Over 64	27	277,972	1	14,735	1	6,028
Total	763	\$ 10,349,694	34	\$ 466,280	12	\$ 141,876

Average Annual Pension

Municipal	\$ 13,564
Police	\$ 13,714
Fire	\$ 11,823

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

29. Disabled (1967 Plan and Plan 87) members, July 1, 2004

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	19	\$ 371,199	47	\$ 1,261,205	4	\$ 107,485
40-44	65	1,091,098	66	1,651,523	8	153,277
45-49	165	2,904,403	130	2,959,851	12	308,151
50-54	307	5,437,913	263	5,423,096	65	1,428,293
55-59	355	6,349,263	423	8,157,686	96	1,822,531
60-64	314	4,949,710	384	5,925,355	116	2,115,554
65-69	235	3,046,391	224	3,034,213	64	1,181,434
70-74	223	2,320,236	239	2,825,249	38	697,928
75-79	175	1,705,553	184	2,180,621	30	477,417
80-84	123	974,703	54	655,829	36	497,301
OVER 84	<u>56</u>	<u>383,072</u>	<u>42</u>	<u>530,681</u>	<u>12</u>	<u>147,468</u>
TOTAL	2,037	\$ 29,533,541	2,056	\$ 34,605,309	481	\$ 8,936,839

Average Annual Pension

Municipal	\$ 14,499
Police	\$ 16,831
Fire	\$ 18,580

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

30. Retired (1967 Plan and Plan 87) members, July 1, 2004

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	2	6,128	14	249,247	5	29,106
45-49	4	22,360	181	4,195,060	36	783,831
50-54	101	2,133,778	630	15,641,332	123	3,057,222
55-59	1,197	27,765,057	1,155	29,889,374	412	11,729,781
60-64	2,071	47,120,205	1,315	31,188,487	437	12,666,063
65-69	2,244	42,599,519	859	17,599,497	280	7,324,644
70-74	2,170	33,977,402	655	12,642,282	152	3,316,040
75-79	1,927	25,473,011	399	7,409,300	122	2,392,046
80-84	1,331	13,204,134	111	2,029,454	126	2,031,663
OVER 84	973	6,602,347	109	1,434,876	102	1,418,191
TOTAL	12,020	\$ 198,903,941	5,428	\$ 122,278,909	1,795	\$ 44,748,587

Average Annual Pension

Municipal	\$ 16,548
Police	\$ 22,527
Fire	\$ 24,930

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

31. Beneficiaries (1967 Plan and Plan 87) of members, July 1, 2004

Age	Municipal Members		Police Members		Fire Members	
	People	Annual Pension	People	Annual Pension	People	Annual Pension
UNDER 40	470	\$ 2,645,753	140	\$ 978,573	47	\$ 347,284
40-44	160	766,688	33	194,396	11	110,008
45-49	207	1,505,943	58	549,029	23	316,191
50-54	218	1,583,646	101	1,206,219	33	445,839
55-59	316	2,577,962	184	1,863,459	60	635,002
60-64	402	3,371,826	252	2,368,506	66	717,496
65-69	544	4,077,095	280	2,125,231	56	477,764
70-74	735	4,756,899	338	2,405,992	70	508,315
75-79	833	4,552,197	289	1,833,852	153	976,261
80-84	794	3,611,411	218	1,125,585	181	1,031,324
OVER 84	827	2,945,746	294	1,157,738	255	1,127,265
TOTAL	5,506	\$ 32,395,167	2,187	\$ 15,808,579	955	\$ 6,692,749

Average Annual Pension

Municipal	\$ 5,884
Police	\$ 7,228
Fire	\$ 7,008

Note: Numbers may not add because of rounding.

PLAN MEMBERSHIP

32. DROP (1967 Plan and Plan 87) members, July 1, 2004

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	121	3,415,338	13	397,433
50-54	0	0	254	8,247,964	110	4,003,085
55-59	1,263	37,632,253	192	6,718,687	201	7,904,188
60-64	436	9,736,022	42	1,892,246	38	1,718,186
65-69	120	2,126,626	5	228,633	1	35,835
70-74	39	622,333	0	0	1	47,542
75-79	12	172,280	1	57,791	0	0
80-84	3	87,128	0	0	0	0
OVER 84	<u>1</u>	<u>6,946</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1,874	\$ 50,383,589	615	\$ 20,560,660	364	\$ 14,106,269

Average Annual Pension

Municipal	\$ 26,886
Police	\$ 33,432
Fire	\$ 38,753

Note: Numbers may not add because of rounding.

FINANCIAL EXPERIENCE OF FUND

The July 1, 2004 Retirement System net assets are \$3,973,206,681 on a market value basis and \$3,631,759,576 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, 2004
- Table 36 summarizes 2004 fiscal year administrative expenses
- Table 37 shows July 1, 2004 adjusted market value of assets under the five-year spread gain asset valuation method
- Table 38 shows the July 1, 2004 allocation of adjusted assets among all divisions.

Table 34, the fund's receipts and disbursements during the fiscal year ending June 30, 2004, show that total contributions are almost 50% of total receipts. Of the disbursements, benefit payments accounted for more than 96% of all disbursements.

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, 2003	June 30, 2004
Cost value	-3.5%	7.1%
Market value	1.8%	16.6%
Adjusted market value	-2.2%	4.6%

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, 2003 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, 2004)

	Cost Value	Market Value
Assets		
Cash	\$ 9,916,549	\$ 9,916,549
Investment accounts	3,670,977,767	4,012,424,872
Accounts receivable	6,145,642	6,145,642
Interest and dividends receivable	10,497,357	10,497,357
Due from other funds	9,767,890	9,767,890
Due from other governmental units	2,464,962	2,464,962
Other assets	<u>11,220</u>	<u>11,220</u>
Total assets	\$ 3,709,781,387	\$ 4,051,228,492
Liabilities		
Vouchers payable	\$ 96,806	\$ 96,806
Accounts payable	2,864,503	2,864,503
Salaries and wages payable	96,987	96,987
Accrued expenses	901,908	901,908
Funds held in escrow	0	0
Deferred revenue	4,327,348	4,327,348
Other liabilities (including amounts due to brokers)	<u>69,734,259</u>	<u>69,734,259</u>
Total liabilities	\$ 78,021,811	\$ 78,021,811
Fund balance	\$ 3,631,759,576	\$ 3,973,206,681

FINANCIAL EXPERIENCE OF FUND

34. Statement of receipts and disbursements

	Market Value (Net of PAF)	PAF	Total Market Value
Balance as of July 1, 2003	\$3,790,120,876	\$ 696,044	\$3,790,816,920
Receipts			
Contributions:			
Commonwealth of Pennsylvania <i>Supplemental State Assistance</i> <i>(Act 205)</i>	\$ 0	\$ 0	\$ 0
City of Philadelphia ^a	196,601,890	0	196,601,890
Employees	50,487,148	0	50,487,148
Quasi-public agencies	6,224,986	0	6,224,986
Interest and dividends	68,260,240	115,505	68,375,745
Gain from sale of investments	198,333,975	0	198,333,975
Miscellaneous operating revenues	<u>2,155,065</u>	<u>0</u>	<u>2,155,065</u>
Total receipts	\$ 522,063,304	\$ 115,505	\$ 522,178,809
Disbursements			
Withdrawals	\$ 4,100,253	\$ 0	\$ 4,100,253
Benefit payments	657,549,075	0	657,549,075
Administrative expenses	6,272,809	0	6,272,809
Investment manager fees	<u>13,194,123</u>	<u>0</u>	<u>13,194,123</u>
Total disbursements	\$ 681,116,260	\$ 0	\$ 681,116,260
Change in unrealized appreciation/(depreciation)	\$ 341,327,212	\$ 0	\$ 341,327,212
Balance as of July 1, 2004	\$3,972,395,132	\$ 811,549	\$3,973,206,681
Approximate return on investments during year			16.6%

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

FINANCIAL EXPERIENCE OF FUND

35. Fiscal 2004 City contributions

Date	Amount
July 10, 2003	\$ 175,834,000
June 1, 2004	11,000,000
June 30, 2004	9,767,890
Various (Quasi-public agencies)	3,760,024
Accrued	<u>2,464,962^a</u>
Total	\$ 202,826,876

a. City-accrued contributions are \$0; quasi-public agencies accrued contributions are \$2,464,962.

**36. Statement of administrative expenses for year ending
June 30, 2004**

Personal services	\$ 3,251,517
Purchase of services	1,375,320
Materials and supplies	122,348
Employer's share of fringe benefits	1,244,307
Miscellaneous	<u>279,317</u>
Total	\$ 6,272,809

FINANCIAL EXPERIENCE OF FUND

37. Derivation of assets for valuation purposes as of July 1, 2004 — 5 year spread gain method

July 1	Total Gain or (Loss)	Year of Recognition					Unrecognized Amount
		2004	2005	2006	2007	2008	
2000	19,379,479	3,875,895	—	—	—	—	0
2001	(725,849,800)	(145,169,960)	(145,169,960)	—	—	—	(145,169,960)
2002	(645,231,661)	(129,046,332)	(129,046,332)	(129,046,333)	—	—	(258,092,665)
2003	(282,744,547)	(56,548,909)	(56,548,909)	(56,548,910)	(56,548,910)	—	(169,646,729)
2004	265,309,761	<u>53,061,952</u>	<u>53,061,952</u>	<u>53,061,952</u>	<u>53,061,952</u>	<u>53,061,953</u>	<u>212,247,809</u>
Recognized Total		(273,827,354)					
Unrecognized Total			(277,703,249)	(132,533,291)	(3,486,958)	53,061,953	(360,661,545)

1. July 1, 2004 market value	\$ 3,973,206,681
2. Pension Adjustment Fund (PAF)	811,549
3. July 1, 2004 market value net of PAF (1) – (2)	3,972,395,132
4. Unrecognized gain/(loss)	<u>(360,661,545)</u>
5. Initial July 1, 2004 adjusted market value (3) – (4)	\$ 4,333,056,677
6. 120% of July 1, 2004 market value net of PAF (3) x 1.2	4,766,874,159
7. 80% of July 1, 2004 market value net of PAF (3) x 0.8	3,177,916,106
8. July 1, 2004 adjusted market value (5), but not greater than (6), not less than (7))	\$ 4,333,056,677
9. Approximate actuarial value return on investments during year	4.6%

FINANCIAL EXPERIENCE OF FUND

38. Allocation of assets for valuation purposes between divisions as of June 30, 2004 (thousands)

	1967 Plan			Plan 87				Total
	Municipal	Police	Fire	Municipal	Elected	Police	Fire	
1. Assets for valuation purposes as of June 30, 2003	\$ 2,294,720	\$ 1,100,534	\$ 522,709	\$ 286,943	\$ 10,555	\$ 267,360	\$ 65,324	\$ 4,548,145
2. Transactions during period July 1, 2003 - June 30, 2004:								
a. Contributions								
City and commonwealth Employees	\$ 85,475	\$ 64,159	\$ 17,957	\$ 16,191	\$ 58	\$ 10,443	\$ 2,319	\$ 196,602
Quasi-public agencies	16,136	5,948	3,101	10,198	186	11,742	3,177	50,487
Employee contributions receivable	6,225	0	0	0	0	0	0	6,225
Miscellaneous income and (expenses)	0	0	0	0	0	0	0	0
b. Pension benefits	1,005	396	146	407	1	160	40	2,155
c. Withdrawals	327,810	227,600	98,570	262	283	2,480	544	657,549
d. Administrative expenses ^a	1,412	217	37	1,592	2	693	148	4,100
e. Net transactions	2,926	1,152	424	1,185	3	466	117	6,273
(f) (a) + (b) - (c) - (d) - (e)	\$ (223,307)	\$ (158,465)	\$ (77,828)	\$ 23,756	\$ (43)	\$ 18,708	\$ 4,727	\$ (412,453)
3. Total fund balance prior to allocation of realized and unrealized income (1) + (2f)	\$ 2,071,412	\$ 942,069	\$ 444,881	\$ 310,699	\$ 10,512	\$ 286,067	\$ 70,052	\$ 4,135,692
4. Realized and unrealized income for period July 1, 2003 - June 30, 2004 (allocated in proportion to (3))	98,853	44,958	21,231	14,827	502	13,652	3,343	197,365
5. Assets for valuation purposes as of June 30, 2004 (3) + (4)	\$ 2,170,265	\$ 987,026	\$ 466,111	\$ 325,526	\$ 11,014	\$ 299,719	\$ 73,395	\$ 4,333,057

Note: Numbers may not add because of rounding.

a. Allocated in proportion to the number of active and nonactive members in each division as of July 1, 2003.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
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 (\$87,900 in 2004 and \$90,000 in 2005) 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

	<i>MUNICIPAL (PLAN J)</i>	<i>UNIFORMED (PLANS D AND X)</i>
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 credited service to a maximum of 20 years plus 2% of the employee's average final compensation multiplied by 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 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 of 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 of 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 of credited service will receive a withdrawal benefit equal to his or her employee contributions (without interest).	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan		
	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
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 of 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 of 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 of 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 of credited service.	Same as municipal, except that fire employees only need five years of 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. 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, except police employees that have no service requirement are credited with a minimum of 10 years of credited service. 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	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. <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. <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. <i>Option 3</i> – Same as option 2 except only 50% of the reduced benefit is continued to the designated beneficiary.	Same as municipal.

MAJOR FEATURES OF THE RETIREMENT SYSTEM

1967 Plan

	MUNICIPAL (PLAN J)	UNIFORMED (PLANS D AND X)
Survivor benefit (continued)	<p><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.</p>	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 of 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 into a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2004). 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

MUNICIPAL
UNIFORMED (PLANS A AND B)

Municipal Retirement System	Mercer Human Resource Consulting
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.
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.
Total compensation	Total compensation means the base rate of pay, overtime, 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 producing the highest average.
Employee contributions	Total employee contributions equal 30% of the gross normal cost for all members in the municipal division. Except 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	Each municipal 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.
Eligibility	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.
Benefit amount	The service pension equals 2.2% 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

	<i>MUNICIPAL</i>	<i>UNIFORMED (PLANS A AND B)</i>
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 of credited service. As an alternative, a member is eligible if he or she has at least 33 years of 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 at least 25 years of credited service, regardless of age.
<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. 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		
<i>Eligibility</i>	An employee who terminates employment after completing 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, is eligible for a deferred vested retirement if his or her contributions have not been withdrawn.	Same as municipal.
<i>Benefit amount</i>	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		
<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>	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 of credited service (or five years of credited service if additional contributions were made) or who has reached age 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 of credited service (or five years of 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 of 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 of 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

	MUNICIPAL	UNIFORMED (PLANS A AND B)
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.
Benefit amount	<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.
Benefit offset	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		
Eligibility	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.
Benefit amount	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 of credited service (or five years of 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 of 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 (or five years of 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 of 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 with the provision that 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

	<i>MUNICIPAL</i>	<i>UNIFORMED (PLANS A AND B)</i>
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 into a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2004). 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 of 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 of 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 of credited service.
<i>Benefit amount</i>	The annual amount is calculated the same as service retirement, reduced by $\frac{1}{4}$ 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 of 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 before 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 of credited service will receive a withdrawal benefit equal to employee contributions (without interest).
Service-connected death	
<i>Eligibility</i>	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.
<i>Benefit amount</i>	<p>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.</p> <p>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.</p> <p>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.</p>
Ordinary death	
<i>Eligibility</i>	<p>The beneficiary of an active employee (or a terminated vested employee who did not withdraw contributions) who dies after completing 10 years of 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.</p> <p>The beneficiary of an active employee who dies before completing 10 years of credited service or reaching age 55 is eligible for 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 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).
<i>Lump sum payment</i>	The lump sum payment is equal to the deceased employee's average final compensation multiplied by years of 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	
<i>Eligibility</i>	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.
<i>Benefit amount</i>	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 of 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 with the provision that 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 into a DROP account and will earn interest at a specified rate (4.5% as of July 1, 2004). 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. Inadvertently, the City did not include 642 DROP participants from last year in this year's data file. We assumed no status change for these participants.

Valuation date

The plans were valued as of July 1, 2004.

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. In addition, an amendment to Act 205 in July 2004 allowed for a 30-year amortization of the portion of the July 1, 2003 unfunded liability attributable to the 2001 and 2002 calendar year investment returns.

ACTUARIAL COST METHOD, FACTORS, AND ASSUMPTIONS

Annual rate of withdrawal prior to retirement

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

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
68	.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 (unformed)

<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. For this year, the dollar value is \$6,500,000.

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, 2006 is \$306,872,602. This amount is summarized by division in Table 45 and is based on the July 1, 2004 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 2005, the total state payments are \$49,802,833. Amounts received during fiscal 2006 may be used to meet the \$306,872,602 obligation.

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

- The City uses a 34-year increasing amortization of its July 1, 1985 unfunded actuarial accrued liability, while Act 205 allows a 40-year increasing amortization schedule. The City chose to amortize the July 1, 1985 unfunded actuarial accrued liability over the 34 years remaining in their then-existing schedule, rather than adopting the 40-year phased-in schedule permitted under Act 205. The City's more aggressive funding policy has resulted in larger contributions than Act 205 requires.
- Act 205 was amended in July 2004 to allow for a 30-year amortization of the portion of the July 1, 2003 unfunded liability attributable to the 2001 and 2002 calendar year investment returns. Investment losses are usually amortized over 15 years.
- 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 plan year-end as confirmed in conversations with the Public Employee Retirement Commission (PERC).
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.

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 2006 (July 1, 2004 valuation report)

	Fiscal 2006 (dollars in thousands)			
	Non-Uniformed	Police	Fire	Total
Estimated FY 2005 payroll	\$ 872,222	\$ 346,412	\$ 104,286	\$ 1,322,921
Normal cost percent	6.943%	11.444%	12.027%	8.522%
Normal cost	\$ 60,559	\$ 39,642	\$ 12,543	\$ 112,744
Amortization payment ^a	123,657	87,427	24,589	235,673
Administrative expense	<u>4,278</u>	<u>1,670</u>	<u>552</u>	<u>6,500</u>
Subtotal	\$ 188,494	\$ 128,739	\$ 37,684	\$ 354,917
Expected member contributions	<u>(24,200)</u>	<u>(18,223)</u>	<u>(5,621)</u>	<u>(48,044)</u>
MMO ^b	\$ 164,294	\$ 110,516	\$ 32,063	\$ 306,873

- 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 2005, the total is \$49,803 (thousands). Also includes quasi agencies.

MINIMUM MUNICIPAL OBLIGATION

46. Unfunded liability payments toward MMO for fiscal 2006 (thousands) — July 1, 2004 valuation report

	Municipal			Police			Fire		
	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 919,669	21	\$ 64,633 ^a	\$ 590,375	21	\$ 41,491 ^a	\$ 235,430	21	\$ 16,546 ^a
July 1, 1986 additional amounts									
Active plan change	\$ 650	3	\$ 236	\$ 56	3	\$ 20	\$ 28	3	\$ 10
July 1, 1989 additional amounts									
Active plan change	\$ 3,512	2	\$ 2,816	\$ 982	2	\$ 787	\$ 457	2	\$ 366
Assumption change	<u>(3,833)</u>	2	<u>(3,073)</u>	<u>(1,115)</u>	2	<u>(894)</u>	<u>(447)</u>	2	<u>(358)</u>
Subtotal ^b	\$ (321)		\$ (258)	\$ (133)		\$ (107)	\$ 10		\$ 8
July 1, 1992 additional amounts									
Active plan change	\$ 234	4	\$ 63	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	<u>4,102</u>	1	<u>4,102</u>	<u>(484)</u>	1	<u>(484)</u>	<u>(200)</u>	1	<u>(200)</u>
Subtotal ^b	\$ 4,336		\$ 4,164	\$ (484)		\$ (484)	\$ (200)		\$ (200)
July 1, 1993 additional amounts									
Active plan change	\$ (720)	6	\$ (163)	\$ (479)	6	\$ (108)	\$ 0		\$ 0
(Gain)/loss	<u>(5,611)</u>	2	<u>(3,381)</u>	<u>(4,422)</u>	2	<u>(2,665)</u>	<u>(1,782)</u>	2	<u>(1,074)</u>
Assumption change	<u>(7,088)</u>	6	<u>(1,605)</u>	<u>57</u>	6	<u>13</u>	<u>(1,320)</u>	6	<u>(299)</u>
Subtotal ^b	\$ (13,419)		\$ (5,150)	\$ (4,844)		\$ (2,760)	\$ (3,103)		\$ (1,373)
July 1, 1994 additional amounts									
(Gain)/loss	\$ (3,711)	3	\$ (1,471)	\$ (568)	3	\$ (225)	\$ (2,200)	3	\$ (872)
July 1, 1995 additional amounts									
Active plan change	\$ 353	11	\$ 48	\$ 0		\$ 0	\$ 0		\$ 0
(Gain)/loss	<u>4,565</u>	6	<u>934</u>	<u>307</u>	6	<u>63</u>	<u>(1,981)</u>	6	<u>(405)</u>
Subtotal ^b	\$ 4,918		\$ 981	\$ 307		\$ 63	\$ (1,981)		\$ (405)
July 1, 1996 additional amounts									
(Gain)/loss	\$ 3,550	7	\$ 647	\$ 1,742	7	\$ 318	\$ (1,515)	7	\$ (276)
July 1, 1997 additional amounts									
Assumption change	\$ 40,281	13	\$ 4,936	\$ 4,929	13	\$ 604	\$ 2,076	13	\$ 254
(Gain)/loss	<u>(40,601)</u>	8	<u>(6,730)</u>	<u>(15,583)</u>	8	<u>(2,583)</u>	<u>(10,417)</u>	8	<u>(1,727)</u>
Subtotal ^b	\$ (320)		\$ (1,794)	\$ (10,653)		\$ (1,979)	\$ (8,341)		\$ (1,472)
July 1, 1998 additional amounts									
(Gain)/loss	\$ (12,454)	9	\$ (1,906)	\$ (10,167)	9	\$ (1,556)	\$ (9,139)	9	\$ (1,398)

MINIMUM MUNICIPAL OBLIGATION

	Municipal			Police			Fire		
	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment
July 1, 1999 additional amounts									
(Gain)/loss	\$ (109,041)	10	\$ (15,588)	\$ 802	10	\$ 115	\$ (39,582)	10	\$ (5,658)
Active plan change	13,276	15	1,511	0		0	0		0
Nonactive plan change	<u>26,512</u>	5	<u>6,253</u>	<u>11,800</u>	5	<u>2,783</u>	<u>4,380</u>	5	<u>1,033</u>
Subtotal ^b	\$ (69,253)		\$ (7,824)	\$ 12,602		\$ 2,898	\$ (35,202)		\$ (4,625)
July 1, 2000 additional amounts									
(Gain)/loss	\$ (22,635)	11	\$ (3,052)	\$ 31,483	11	\$ 4,244	\$ 645	11	\$ 87
July 1, 2001 additional amounts									
Assumption change	\$ (3,858)	17	\$ (414)	\$ (2,201)	17	\$ (236)	\$ (5,005)	17	\$ (537)
(Gain)/loss	<u>(17,384)</u>	12	<u>(2,227)</u>	<u>(20,817)</u>	12	<u>(2,667)</u>	<u>10,401</u>	12	<u>1,333</u>
Subtotal ^b	\$ (21,242)		\$ (2,642)	\$ (23,017)		\$ (2,903)	\$ 5,396		\$ 795
July 1, 2002 additional amounts									
Assumption change	\$ 15,156	18	\$ 1,588	\$ 10,050	18	\$ 1,053	\$ 7,911	18	\$ 829
Calendar year 2001 investment loss ^c	19,833	29	1,784	10,573	29	951	4,506	29	405
Other (Gain)/loss	<u>141,507</u>	13	<u>17,340</u>	<u>94,064</u>	13	<u>11,526</u>	<u>26,311</u>	13	<u>3,224</u>
Subtotal ^b	\$ 176,496		\$ 20,712	\$ 114,687		\$ 13,531	\$ 38,728		\$ 4,458
July 1, 2003 additional amounts									
Calendar year 2002 investment loss ^c	\$ 338,919	29	\$ 30,489	\$ 178,845	29	\$ 16,089	\$ 76,882	29	\$ 6,916
Other (Gain)/loss	77,949	14	9,185	11,148	14	1,314	8,294	14	977
Active plan change	0	19	0	23,145	19	2,372	9,256	19	949
Nonactive plan change	<u>0</u>	9	<u>0</u>	<u>32,745</u>	9	<u>5,011</u>	<u>9,790</u>	9	<u>1,498</u>
Subtotal ^b	\$ 416,868		\$ 39,674	\$ 245,883		\$ 24,786	\$ 104,222		\$ 10,340
July 1, 2004 additional amounts									
(Gain)/loss	\$ 146,771	15	\$ 16,705	\$ 88,662	15	\$ 10,091	\$ 26,074	15	\$ 2,968
Total^b	\$ 1,529,902		\$ 123,657	\$ 1,035,932		\$ 87,427	\$ 348,852		\$ 24,589

a. Level dollar amortization payment (21 years remaining).

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

b. Numbers may not add because of rounding.

c. The amendment to Act 205 in July 2004 allows for a 30-year amortization of the portion of the July 1, 2003 unfunded liability affected by the 2001 and 2002 calendar year investment returns.

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	\$ 4,036,707,000	\$ 2,322,678,000	\$ 888,359,000	\$ 7,247,743,000
Market value of assets ^a	\$ 1,750,466,000	\$ 955,015,000	\$ 343,464,000	\$ 3,048,945,000
Actuarial value of assets ^a	\$ 1,817,819,000	\$ 991,292,000	\$ 363,032,000	\$ 3,172,144,000
Unfunded actuarial accrued liability	\$ 2,218,888,000	\$ 1,331,386,000	\$ 525,327,000	\$ 4,075,599,000
Amortization Contributions				
1/1/85 initial liability				
Remaining amortization period	21	21	21	21
Level dollar contribution	\$ 82,595,000	\$ 53,022,000	\$ 21,144,000	\$ 156,761,000
Payroll-based contribution	\$ 121,738,000	\$ 78,149,000	\$ 31,164,000	\$ 231,051,000
Post-1/1/85 liability				
Remaining amortization period	21	N/A	N/A	N/A
Amortization contribution	\$ 48,496,000	\$ 16,672,000	\$ 2,758,000	\$ 67,926,000
Total amortization contribution	\$ 170,234,000	\$ 94,820,000	\$ 33,922,000	\$ 298,976,000

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, 2004 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2004 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 1,732,228	21	\$ 121,738	\$ 1,111,992	21	\$ 78,149	\$ 443,440	21	\$ 31,164
All changes prior to July 1, 2004	\$ 376,032		\$ 35,905	\$ 178,703		\$ 12,040	\$ 62,923		\$ 599
July 1, 2004 additional amounts (Gain)/loss	110,628	15	12,591	40,691	15	4,631	18,962	15	2,158
All changes including July 1, 2004 addition	\$ 486,661		\$ 48,496	\$ 219,393		\$ 16,672	\$ 81,886		\$ 2,758

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, 2003	\$ 1,589,773,564	\$ 882,792,473	\$ 347,210,131
Receipts			
Employer contributions	138,994,943	101,650,353	23,883,857
Employee contributions	26,519,171	17,690,305	6,277,672
State aid	25,768,362	18,898,252	5,136,219
Supplemental state assistance	0	0	0
Investment income (includes investment expenses)	107,389,358	59,118,989	22,280,970
Net change in market value	196,082,634	106,915,011	38,329,568
Other receipts	<u>1,413,593</u>	<u>555,678</u>	<u>185,794</u>
Total receipts	\$ 496,168,061	\$ 304,828,588	\$ 96,094,080
Disbursements			
Benefit payments	\$ 328,355,350	\$ 230,079,221	\$ 99,114,504
Refund of contribution	3,005,570	909,812	184,871
Administrative expenses	4,114,585	1,617,428	540,796
Other disbursements	<u>0</u>	<u>0</u>	<u>0</u>
Total disbursements	\$ 335,475,505	\$ 232,606,461	\$ 99,840,171
Assets at July 1, 2004	\$ 1,750,466,120	\$ 955,014,600	\$ 343,464,040

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%
7/1/04	4,333.1	7,247.7	2,914.7	59.79%	1,266.0	230.23%

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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%
2004	\$ 253,844	79.9%

- 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 17 years from July 1, 2004. Assets are valued as a five-year smoothing of gains and losses on the market value.

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

The following table summarizes the GASB Statement disclosure for fiscal years 1994 through 2004.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
ARC	\$ 223,750	\$ 212,838	\$ 222,482	\$ 237,016	\$ 252,080	\$ 256,704	\$ 168,928	\$ 167,616	\$ 178,239	\$ 195,514	\$ 253,844
Interest on NPO	—	(900)	(869)	(840)	(811)	(783)	(113,257)	(110,748)	(106,975)	(103,330)	(98,392)
Adjustment to ARC	—	1,241	1,198	1,158	1,118	1,080	156,130	152,672	147,470	142,446	135,638
Annual pension cost	\$ 223,750	\$ 213,179	\$ 222,811	\$ 237,334	\$ 252,387	\$ 257,001	\$ 211,801	\$ 209,540	\$ 218,734	\$ 234,630	\$ 291,090
Contributions made	233,750	212,838	222,482	237,016	252,080	1,506,704	183,928	167,616	178,239	179,757	202,827
Increase in NPO	(10,000)	341	329	318	307	(1,249,703)	27,873	41,924	40,495	54,873	88,263
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)	(1,093,243)
NPO at end of year	(10,000)	(9,659)	(9,330)	(9,012) ^a	(8,705)	(1,258,408)	(1,230,535)	(1,188,611)	(1,148,116)	(1,093,243)	(1,004,980)
Interest rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
15-year amortization factor (EOY)	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06	8.06

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

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