PENNSYLVANIA
MUNICIPAL RETIREMENT SYSTEM
COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDING DECEMBER 31, 2010

THE ROAD TO RETIREMENT 2010

The PMRS

Vision

To be Pennsylvania local governments' pension administrator ***of choice***.

&

Mission

The Pennsylvania Municipal Retirement System seeks to help Pennsylvania's local governments, regardless of size or resources, secure the future retirement of their employees by providing comprehensive, cost efficient and professional pension administration services through a pension plan tailored to the participants' and sponsors' requirements.

The Pennsylvania Municipal Retirement System

Comprehensive Annual Financial Report
For the Fiscal Year Ended
December 31, 2010

John A. Haiko, Chairman
Pennsylvania Municipal Retirement Board

James B. Allen, Secretary
Pennsylvania Municipal Retirement System

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Prepared by the Accounting and Operations Divisions of the Pennsylvania Municipal Retirement System

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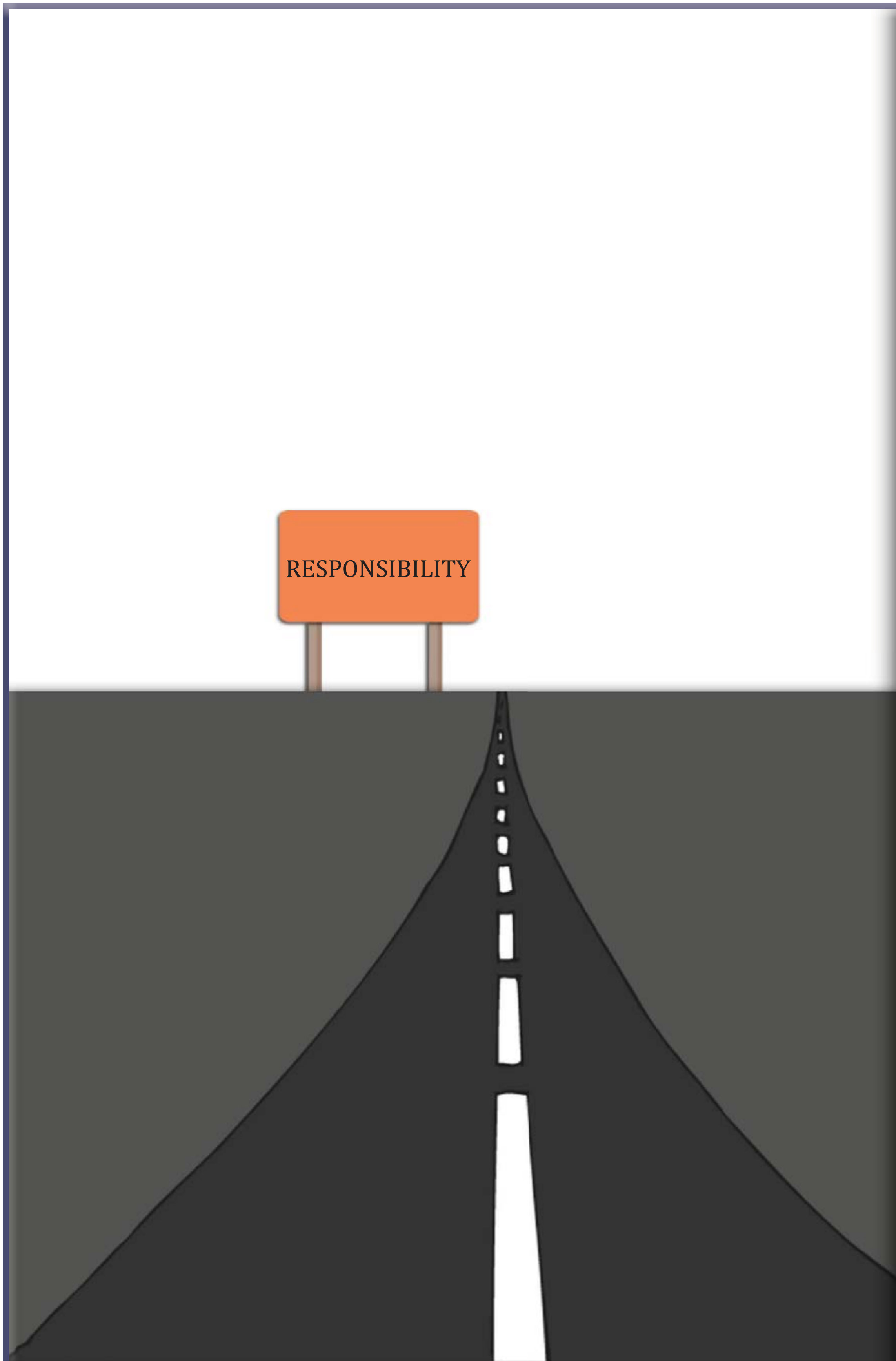

INTRODUCTION

pennsylvania
MUNICIPAL RETIREMENT SYSTEM

P.O. Box 1165, Harrisburg, PA 17108-1165

June 29, 2011

Pennsylvania Municipal Retirement Board
Pennsylvania Municipal Retirement System
P.O. Box 1165
Harrisburg, Pennsylvania 17108-1165

Consistent with the agency's commitment to full financial disclosure, we are honored to submit the Pennsylvania Municipal Retirement System's (the System) Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. As required by the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34, No. 15 (the Act) as amended, the System distributes the Comprehensive Annual Financial Report (CAFR) to our governing board, to the members of the General Assembly of Pennsylvania, to each participating municipal employer, and to all other interested parties upon request. The CAFR is also published on the System's website. The System is solely responsible for the accuracy of the data in this report. As the two individuals primarily responsible for the System's financial records, we offer our assurances that we have made every effort to present a comprehensive report. To the best of our knowledge, the enclosed information is accurate in all material respects.

OVERVIEW OF THE SYSTEM

The Pennsylvania Municipal Retirement System, which is an agent multiple-employer system, is headquartered in Harrisburg, Pennsylvania. The System is a state retirement agency created by act of the Pennsylvania General Assembly in 1974. Responsibility for the organization and administration of the System is vested in the eleven-member Pennsylvania Municipal Retirement Board (the Board).

The System administers sound, cost-effective pension plans on a contracted basis for local government employees throughout the Commonwealth. Our services include accounting services, actuarial valuations, employee consultation and record keeping, and asset management. Any Pennsylvania county, city, town, township, borough, municipal authority, or institution supported and maintained by a municipality may participate. The Statistical Section of this report lists all participating plans as of January 1, 2010.

The System offers various plan designs: defined benefit, cash balance, and hybrid. The annual benefit is dependent upon the individual municipality's contracted benefit package. Each pension plan is designed based on the plan sponsor's specific needs. Benefits provided to participants in the System are typically dependent upon both age and service requirements. In addition to standard monthly pension benefits, plans routinely include provisions for vesting, disability benefits, survivor benefits, and death benefits. A plan's cost is determined by the individual plan's benefit structure, demographics and financial condition. The System's individual plans may have an employer contribution and an employee contribution or just an employer charge. Employer contributions typically range from 4% to 12% of projected payroll for municipal employees and from 12% to 20% for police and firefighters. The employee contribution is determined by plan contract. In 2010, plan requirements ranged from no employee contribution to as high as 7.5% of earnings.

ECONOMIC ENVIRONMENT

The economic environment which the System operated in during 2010 was as financially rewarding as it was surprisingly unpredictable. In the System's 2009 CAFR we discussed the logical reversion to the mean. The application of this mathematical concept to the United States economy dictated that a rebound from the 2008 collapse in the financial markets was expected and was frankly predicted by most economists. While the bounce back in 2009 was predicted, the continuation and strength of the recovery was baffling in 2010 because it came without a return of the conventional supporting catalysts: jobs and housing construction. The return of consumer spending seemed to gradually fuel the moderate economic growth. The question baffling the economists though was what was generating the 15% return in the S&P 500 and the Russell 2000's eye-popping return of nearly 27%. Even the Barclay's Aggregate Index of fixed income securities had a 6.6% return for the year. The economic conditions did not seem to justify the situation in the financial markets.

The apparent reason for the strong return of the financial markets was productivity and profitability. The industries had apparently cut back so much during the lean years of 2008 and 2009 that when production was finally required due to the exhaustion of inventories, the capital was easily returned to use after being idled for so many quarters. Wages had been reduced and the marginal returns associated with increasing production allowed for significant profit. Investors came back into the markets with a vengeance. The good feelings generated by the profits overshadowed the sputtering attempts at job creation and the even more discouraging news of record foreclosures in the housing markets.

At the end of 2010 the Gross Domestic Product (GDP) was positive for the sixth consecutive quarter. Inflation was almost non-existent coming in at an annual rate of 0.8% for the year. This was the lowest annual rate of core inflation since the measure was started in 1958. The Federal Reserve was focused on job creation. It created a new, and somewhat controversial, support tool dubbed "quantitative easing." Not satisfied or sure that it was fully succeeding, The Reserve announced in the fourth quarter of 2010 a quantitative easing redux labeled "QE II." The goal was to keep long term interest rates down, stimulate borrowing by business and hopefully produce more jobs.

Inflationary expectations were a cause of concern at year's end as emerging market demand was directly impacting commodity prices. The Dow Jones Metals Index produced a staggering 42.7% return for the year. The price of oil was extremely volatile during the year, with prices increasing on news of emerging markets' demand and sinking on poor domestic job growth numbers. Demand for grains and meat products world wide caused concern and shortages in Russian grain exports also contributed to higher grocery prices.

Also at year-end, the fear of sputtering job growth was given some credence. While the December employment statistics showed the official unemployment rate dip from 9.8% to 9.4%, the 103,000 jobs that were created disappointed economists because the number wasn't enough to offset the number of new entrants into the labor market. The real reason for the 0.4% decline in unemployment was that many job seekers simply gave up looking for work. The housing market remained a drag on the economy throughout 2010. Home foreclosures continued at a record pace. When the rate of foreclosures slowed at the end of the year it was due to very public and embarrassing fraudulent or merely sloppy documenting procedures being used by the banks and mortgage holders. This created a temporary freeze on most pending foreclosures. Any meaningful stability in the housing market would not be found in 2010.

FINANCIAL INFORMATION

The System's financial statements were prepared in accordance with generally accepted accounting principles of the United States of America. The financial statements and the required supplementary information in the report have been prepared in accordance with the standards for disclosure following GASB Statement No. 25, 31, 34, 37, 40, and 50 guidelines. The independent auditor's report is located in the Financial Section on page 16 and the Management's Discussion and Analysis commences on page 17.

The accrual basis of accounting is used to record all financial transactions including assets, liabilities, revenues, and expenses. Gains and losses on sales and exchanges of investments are recognized on the transaction date. Significant accounting policies are detailed in the Financial Section under "Notes to Financial Statements."

The System's net assets totaled $1,542,288,103 as of December 31, 2010. In 2010, the System's net assets increased by $175,701,605. Investment-related gains increased the portfolio by $180,338,425 and contributions added $61,930,391. Benefit payments and administrative expenses reduced the total assets by $66,567,211. Additional information is detailed in the Financial Section ("Statements of Plan Net Assets" and "Statements of Changes in Plan Net Assets") located on page 21 and 22.

The System has established internal computerized control policies and procedures for the review and verification of all receipts and payments made to and from the fund. In addition, the System's staff prepares a yearly budget which must be adopted by the Board. The budget is also presented to and reviewed by the Local Government Committees of the Pennsylvania House and Senate at least two months prior to the beginning of the fiscal year. The committees can approve the budget, reject it, or take no action by the end of the year in which case the proposed budget becomes final. Budgetary controls include monthly review and presentation by management with bi-monthly Board reviews. The 2010 administrative budget was adopted in September 2009 and set at $3.60 million exclusive of investment fees. Expenditures (exclusive of investment fees) in 2010 amounted to $3,183,373. More information on the System's expenses is included in the Financial Section of this report ("Schedule 3 - Administrative Expenses").

REVENUES

The System was established by law to pay pension benefits when due. It accumulates sufficient funds to pay benefits through employee contributions, employer contributions, and investment earnings. The following schedule presents a summary of revenues for the fiscal year ended December 31, 2010, and also shows the amount and percentage of increases and decreases in relation to December 31, 2009, revenues.

Municipal contributions are based upon an actuarial valuation, using the Entry Age Normal Actuarial Cost Method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined.

Member contributions vary according to the type of pension plan. Under Articles II and III of the Act, members are required to contribute 3% to 8% of their salary. The amount a member contributes under Article IV of the Act is based upon contracted plan provisions and is principally expressed as a percent of compensation or salary.

Investment revenues are a combination of earnings from bonds, equities, real estate, and a short-term cash management fund. During the 2010 fiscal year, the fair value of the System's investment portfolio increased from $1,364,327,670 to $1,536,669,013. The largest portions of the investment revenue increase came from equities.

The final portion of revenue is derived from assessments. Each municipality is charged a $20 assessment per member to help cover administrative expenses incurred by the System. Any fluctuation in assessments is caused by the number of members per municipality and can be affected by employee turnover or new plans being added or plans leaving the System in previous years.

Nine-year historical trend information listing the System's revenues by source is presented in Part I of the Statistical Section of this report.

EXPENSES

The System's primary expense represents the purpose for which it was created: payment of benefits. The schedule on page 4 presents a summary of the System's expenses for the fiscal year ended December 31, 2010, and shows the percentage of increases and decreases in relation to December 31, 2009

Revenues

Additions to Plan Net Assets	2010 Amounts	Percent of Total	2009 Amounts	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Member Contributions	$ 20,684,591	8.54%	$ 19,331,869	$ 1,352,722	7.0%
Municipal Contributions	40,949,360	16.90	35,309,446	5,639,914	15.97
Assessments	296,440	0.12	292,660	3,780	1.29
Investment Income/(loss)	180,338,425	74.44	210,272,809	(29,934,384)	(14.24)
Total	**$242,268,816**	**100.00%**	**$265,206,784**	**($22,937,968)**	**(8.65)**

Expenses

Deductions from Plan Net Assets	2010 Amounts	Percent of Total	2009 Amounts	Increase (Decrease) from 2009	Percent of Increase (Decrease)
Annuity benefits	$54,771,528	82.28%	$52,267,003	$ 2,504,525	4.79%
Terminations	8,612,310	12.94	13,781,629	(5,169,319)	(37.51)
Administrative	3,183,373	4.78	3,203,478	(20,105)	(0.63)
Total	**$66,567,211**	**100.00**	**$69,252,110**	**($2,684,899)**	**(3.88)**

amounts. The major expense-related items for 2010 were payment of benefits, refunds of withdrawing plans, refunds of contributions due to termination or death, and administrative expenses. A breakdown of the System's expenses including nine-year historical trend information is presented in Part I of the Statistical Section of this report.

INVESTMENT HIGHLIGHTS

While the economic environment was struggling to gain strength, the growth of the financial markets continued in 2010 never stopping to catch its breath from the 2009 sprint. The equity markets continued to find their energy in corporate profit reports. The Standard & Poor's 500 Index was up 15.1% for the year. Small companies as represented by the Russell 2000 Index saw an even stronger return of 26.9%. The growth in international market returns continued but not at as strong a pace. The Standard & Poor's Broad Market Index Ex-US ended the year with a 12.1% return. The Standard & Poor's Broad Market Index for Emerging Markets did see a robust 20.1% return. The commercial real estate markets were not impacted by the housing market's malaise and finished the year up 13.1% as measured by the NACREIF Index. Even the somewhat maligned fixed income asset class saw a very solid return of 6.6% for the year as measured by the Barclay's Aggregate Index.

Year-over-year numbers saw the PMRS portfolio return 13.8%. This placed the System's portfolio in the 24th percentile of the Independent Consultants Cooperative (ICC) Universe. Two new investment managers were added under contract to the System during the year and one was terminated. While there does remain some concern that the long-term investment return numbers are not meeting the System's actuarial assumed rate of 6.0% the strength of the System's returns in 2009 and 2010 offers reassurance that the markets and the System are clearly returning to expected return levels. During the last ten years, the annualized return was 5.1%.

The returns by asset class and their weighting in the portfolio as of year-end are as follows: Large Cap Domestic Equity returned 14.0% (Class as percentage of portfolio – 24.3%); Fixed Income produced a return of 6.6% (18.0%); Small Cap Domestic Equity yielded a return of 29.1% (16.1%); International Equity produced a return of 11.9% (14.7%); Real Estate had a return of 7.6% (12.8%); and, the International Emerging Markets asset class had an annualized return of 18.1% (10.8%). At year-end, the portfolio had a commitment in cash equivalents representing 3.3% of the portfolio.

FUNDING

The System's level of funding is based on the actuarial reserve method. Funds are derived from the excess of revenues over expenses and are accumulated by the System in order to meet current and future benefit obligations to retirees and beneficiaries. As the funding level increases, the assets accumulate and strengthen the investment income potential. The increase in net assets for the 2010 fiscal year was $175,701,605. This represents an increase in the fund balance of 12.9% over the 2009 fund balance.

To comply with GASB Statement No. 25 disclosure requirements, the "Schedule of Funding Progress" was calculated based on the most recent actuarial valuation dated January 1, 2010. As illustrated in the schedules under "Required Supplementary Information," the System's funded ratio in relation to the System's current actuarial value of assets is adequate to fund the System's actuarial accrued liabilities. Additional information on the System's actuarial value, liabilities, and funding progress can be found in the Actuarial and Financial Sections of this report. As an agent multiple-employer Public Employee Retirement System (PERS), the System reports to each of the trustees of the plans it administers, providing the governing authority of the member plans with complete actuarial, accounting, and funding data. Detailed information on the System's plan funding can be found in the Financial Section (Schedules 1 and 2) and the Actuarial Section of this report on page 55.

MAJOR INITIATIVES

For the second year in a row the PMRS Board and staff found their initiatives dictated by Legislative and regulatory necessity. The year began with the Board focusing on the culmination of a two year project – the filing with the Internal Revenue Service for a tax qualification determination for the system and all our member plans. The Board in November of 2009 authorized the law firm of Duane Morris LLP to file an application with the IRS to participate in their Employee Plans Compliance Resolution System (EPCRS). This step was the first in our effort to bring about voluntary compliance with the IRS's tax-qualification rules.

In February the Board received the IRS's approval which put in motion a process to bring about the tax qualification by gaining the adoption of known legislative remedies for identified problems. The Board and staff working with the majority and minority leadership of both houses of the General Assembly and the Governor's Office was able to obtain the necessary legislative changes to Act 15 of 1974. The effort succeeded with Act 56 of 2010 being signed into law on July 9, 2010. It should be noted that in addition to the legislative effort, the Board also adopted or revised seven policy statements also intended to assist in the tax determination effort, including the establishment of a Deferred Retirement Option Plan (DROP) for PMRS-enrolled plans. These activities allowed the Board to take the next step in the process and actually file for a formal IRS determination. That determination is expected to be received in late 2011.

The second legislatively controlled initiative preoccupying the Board's attention in 2010 was the possible assumption of administrative responsibility for the City of Pittsburgh's three pension plans should the city find itself unable to attain a composite funding level of at least fifty percent by year-end 2010. While the city's funding level was outside of the PMRS' Board control, it was obvious to all who watched the city's efforts to address the problem that the hurdle to attain the fifty percent threshold would be very difficult and come with much effort. The role of PMRS in the considerations made by the City of Pittsburgh centered on efforts to inform the city officials how PMRS operates, what the likely charges would be if the System were to assume responsibility for the plans, and how the transition could be expected to unfold. Significant time and resources were devoted to this effort in the last four months of 2010 with the System's consulting actuaries from Cheiron being called upon to prepare cost studies on the city's three plans, comprised of over 7,000 active and retired members.

The outcome of this effort remains uncertain. The city must file its own actuarial valuation with the Public Employee Retirement Commission by September 1, 2011. The Commission is charged with determining whether the city's plans were, in the aggregate, fifty percent funded as of December 31, 2010.

And while it may appear that the Board spent considerable time in 2010 on investment manager relationship as part of their due diligence process, the reality is that this process was also significantly affected by recent legislation. Act 44 of 2009 provides a new set of contracting requirements for pension plans contracting for professional services (including PMRS). This process required the Board to issue three Requests for Proposal (RFPs). A coincidental act of numbering saw the Board also addressing the provisions of Act 44 of 2010. This legislation entitled the Protecting Pennsylvania's Investments Act is a state divestment law that controls direct holdings by public funds in companies that have a prohibited association with the nations of Sudan or Iran. It applies not only to the Pennsylvania Municipal Retirement System but also the Pennsylvania State Employees' Retirement System, the Pennsylvania Public School Employees' Retirement System and the Pennsylvania Treasury. Each of these public funds has authorized the State Treasurer to act as the lead in the compliance efforts with this legislation. The Board has taken actions to ensure the System is in compliance with the law's requirements.

As to the Board membership, 2010 saw the addition of three new members. David Perruso, Mayor of Wilson Borough, joined the Board in January as the named representative of the Pennsylvania State Association of Boroughs to fill the vacancy caused by R. Umstead's departure. Denise Hiester a retiree of the Centre Township Police Department, Berks County was named to fill the retiree position on the board. Ms. Hiester took the oath of office at the March Board meeting. Also taking the oath at that meeting was Barry Sherman, an enrolled police officer from Middlesex Township, Cumberland County who was named as the representative for the active police officers of the System.

PROFESSIONAL SERVICES

The financial information in this report has been audited by the independent accounting firm of Clifton Gunderson LLP, which is completing year one of a five-year contract. The actuarial information was prepared with the help of K. Kent, consulting actuary from Cheiron. Cheiron has completed year four of a five-year competitively bid contract. The investment information was prepared with the cooperation of the System's independent investment consultant, R. Dahab of Dahab Associates. This firm is completing year two of a five-year contract that was competitively bid. The Board and staff sincerely appreciate the cooperation and commitment of these three advisors in providing information for the preparation of this report.

INTERNAL CONTROLS

The management of the System is responsible for and has implemented systems of internal accounting controls. These controls are designed to assure the safeguarding of assets and the reliability of financial records. We believe that the internal accounting controls currently in place are adequate to meet the purpose for which they were intended. We also believe the financial statements, supporting schedules and statistical tables to be fairly presented in all material respects.

ACKNOWLEDGMENTS

The preparation of a Comprehensive Annual Financial Report is a team effort. The dedicated members of our team were led by Ms. Donna Miller, Chief of the Accounting Division. A new member of the team who greatly assisted in the data gathering, assembling, writing and proofing for this document was Tom Garrett of our Operations Division staff. Ms. Miller's drive, devotion to accuracy, and commitment to PMRS coupled with Mr. Garrett's fresh eyes, genuine enthusiasm, and willingness to tackle any task assigned him has resulted in this product. We acknowledge their efforts and sincerely express our appreciation.

The PMRS staff relies on a number of key outside consultants whose contributions also make this CAFR a product in which we can take pride. Recognition must be given to the professionals associated with the accounting firm of Clifton Gunderson, the actuarial firm of Cheiron Inc, and the investment-consulting firm of Dahab Associates, Inc. Their contributions, support and expertise have been indispensable. These individuals have advanced the mission of PMRS and for that we are deeply indebted.

To have a clear goal or mission an entity has to have a dedicated leader or leaders. PMRS is fortunate to have a Board composed of volunteers who are willing to set aside their time and energy and act in a fiduciary capacity for our members. That willingness should not go unacknowledged. Neither should the product of that time and energy – an agency dedicated to the financial security of our plans and our plan members. Chairman John Haiko led the Board through a demanding year with a steady hand, a clear sense of purpose and the interests of our members always foremost in his actions. In other places in this CAFR we discuss the challenges the system faced in 2010. The Board has unwaveringly faced these challenges. They too deserve special recognition.

The final acknowledgement is given to our most important contributors – our members. The PMRS Board and staff never forget that we are an organization that exists because of our members' belief in and trust of the agency. We try to never forget that our members have chosen to use our services. We understand that our customers are the reason we exist. Our Board has stated it clearly in our vision statement. We remain committed to being "Pennsylvania local governments' pension administrator of choice." A very sincere thank you to our members for choosing PMRS.

James B. Allen
Secretary

Donna L. Miller
Chief of Accounting

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Pennsylvania Municipal Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Pennsylvania Municipal Retirement Board
as of December 31, 2010

PHOTO UNAVAILABLE

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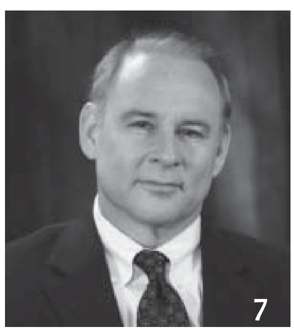
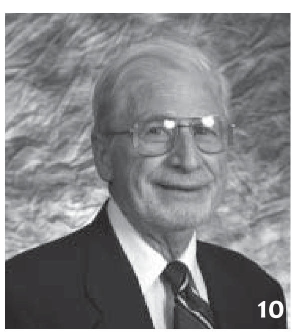




1 John A. Haiko
Chairman

Represents Pennsylvania State Association of Township Supervisors

2 Paul Corbin
Vice-Chairman

Represents Pennsylvania State Association of County Commissioners

3 Pedro A. Cortés

Secretary of the Commonwealth (ex-officio) represented by Thomas J. Weaver, Deputy Secretary for Administration

4 Duane L. Filchner

Represents Pennsylvania Municipal Authorities Association

5 Denise Hiester

Represents Pennsylvania Municipal Retirement System retired members

6 William J. Junkin III

Represents Active Fire Fighters enrolled in PMRS

7 Robert M. McCord

State Treasurer (ex-officio) represented by Sandy Leopold

8 David Perruso

Represents Pennsylvania State Association of Boroughs

9 Barry Sherman

Represents Active Police Officers enrolled in PMRS

10 Anthony Spagnolo

Represents Pennsylvania State Association of Township Commissioners

11 Trish Ward

Represents Pennsylvania League of Cities

Staff, Consultants, & Managers
as of December 31, 2010

Administrative Staff

Secretary
James B. Allen

Assistant Secretary
Kristine M. Cline

Accounting Division Chief
Donna L. Miller

Information Technology Office Chief
Michael G. Mortimer

Membership Services Division Chief
Diane L. Castner

Municipal Services Division Chief
Tina M. Eisenhart

Operations Division Chief
Wanita J. Hoke

Professional Consultants

Actuary
Cheiron
McLean, VA
Kenneth Kent, FSA, FCA, MAAA, EA

Auditor
Clifton Gunderson LLP
Timonium, MD
Thomas G. Heseltine, CPA, Partner

Comptroller
Commonwealth of Pennsylvania
Harrisburg, PA
Joseph Natoli, Central Services

Investment Consultant
Dahab Associates, Inc.
Bay Shore, NY
Richard E. Dahab, CFA, President

Legal Counsel
Commonwealth of Pennsylvania
Harrisburg, PA
Gerald Gornish, Chief Counsel

Master Custodian
BNY Mellon
Pittsburgh, PA
Gordon Sapko, Relationship Manager

Investment Managers [1]

Century Capital Management
Boston, MA
Paul E. Berg, Managing Director

Chase Investment Counsel Corporation
Charlottesville, VA
Peter Tuz, President

Denver Investment Advisors, LLC.
Denver, CO
Dean Graves, Partner

DePrince, Race, & Zollo
Winter Park, FL
Richard Wells, Director of Marketing

Emerald Advisers, Inc.
Lancaster, PA
John V. Thompson, Senior Vice-President

Forest Investment Associates, Inc.
Atlanta, GA
V. Scott Bond, Director of Marketing

GlobeFlex Capital, L.P.
San Diego, CA
Jerre Bridges, Vice-President

LSV Asset Management
Chicago, IL
Keith Bruch, Director, Client Portfolio Services

M&I Investment Management
Milwaukee, WI
Thomas Nolte, Senior Vice-President

Mercator Asset Management, L.P.
Boca Raton, FL
James E. Chaney, President, JXC Corp.

Polen Capital Management
Boca Raton, FL
Stan C. Moss, Chief Operating Officer

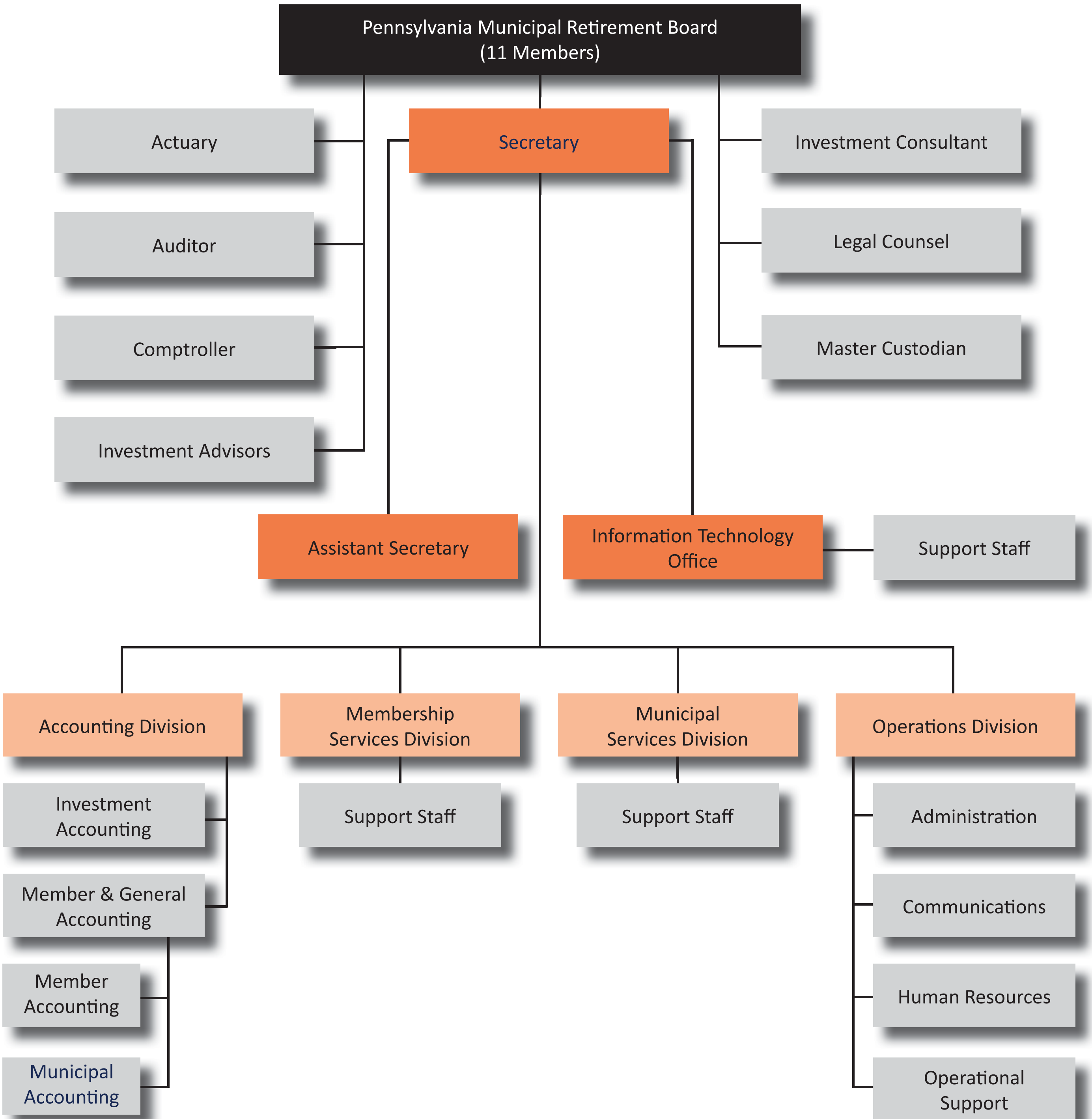
Prudential Real Estate Investors
Parsippany, NJ
Lester F. Lockwood, Principal

State Street Global Advisors
Boston, MA
James Thorsen, Vice-President and Principal

TIAA-CREF Global Real Estate
New York, NY
Susan L. Amato, Managing Director

Wentworth, Hauser and Violich
San Francisco, CA
Miriam E. Ballert, Vice-President

[1] Manages the long-term portfolio of investments reported on the Statement of Plan Net Assets. All information in the Investment Section pertains to the activity of these investment managers.


Pennsylvania Municipal Retirement Board
(11 Members)
Actuary
Auditor
Comptroller
Investment Advisors
Secretary
Investment Consultant
Legal Counsel
Master Custodian
Assistant Secretary
Information Technology Office
Support Staff
Accounting Division
Membership Services Division
Municipal Services Division
Operations Division
Investment Accounting
Member & General Accounting
Member Accounting
Municipal Accounting
Support Staff
Support Staff
Administration
Communications
Human Resources
Operational Support

pmrs pennsylvania
MUNICIPAL RETIREMENT SYSTEM

P.O. Box 1165, Harrisburg, PA 17108-1165

June 29, 2011

Dear Members:

The Pennsylvania Municipal Retirement System's 2010 Comprehensive Annual Financial Report (CAFR) has been designed with the theme "The Road to Retirement." In keeping with that theme let me share how proud I am to be associated with a team of individuals who are clearly focused on getting you, our members, where you want to be in retirement. Whether you are just starting out on the trip or you are nearing the destination, I can assure you that you have a dedicated group of individuals to guide you along the way. If my tenure on the Pennsylvania Municipal Retirement Board has taught me nothing else, it has taught me that the Road to Retirement involves many twists and turns. There are times we appear to be coasting along on a four lane highway. Other times the road is so bumpy and filled with potholes you will wonder if we are lost. Let me assure you that we know the way to get to retirement. It follows a number of streets that you may have already known about: Security, Stability, Dependability, Responsibility, and Discipline. I am pretty sure that as you review this CAFR you will come to see that the faith you have exhibited in choosing to let PMRS be your driver on the Road to Retirement was the right choice.

One of the guiding principles of the agency's board and staff is the commitment to full public disclosure. This CAFR details the System's financial standing as of December 31, 2010. It also provides significant insight to the year's financial activities. Perhaps it sounds a little bit too much like a cliché, but it is something we believe – The more you know about PMRS, the more you will like us and what we are doing for you. If at anytime you have questions about our operations and the way we are attempting to meet our fiduciary duties to serve you, I invite you to contact me as Chairman.

This CAFR contains reports about the financial markets of 2010 and the initiatives the Board has undertaken to secure your financial future. It is a privilege to have been given your trust. We appreciate the opportunity to lead you along the Road to Retirement. We look forward to delivering you to the destination so that you may have a long and prosperous stay.

Yours truly,

John A Haiko

John A. Haiko,

Chairman

Phone: (717) 787-2065 (800) 622-7968 Fax: (717) 783-8363

Our Vision: To be Pennsylvania local governments' pension administrator ***of choice.***

INTRODUCTION

The System offers a variety of alternative pension plans. Municipalities may design their own pension benefit structures. Most municipalities select this option and work with the System to create a combination of benefits that meet the individual needs of the municipality and its employees. Additionally, the System has two basic benefit plans designed by the State General Assembly: one for municipal employees and one for police and firefighters.

SUPERANNUATION AND EARLY ANNUITY ELIGIBILITY BENEFITS

Under the basic plans, the minimum normal retirement age is 65 for municipal employees and 55 for police and firefighters. A member may retire early at any age after 24 years of service. Under an optional plan design, a municipality may choose any age or service requirement permitted under its particular municipal code. Early retirement under the optional plan may also be designed to meet the needs of the municipality.

There are two approaches to accumulating retirement benefits. Under the cash balance approach, the benefit accrues based on the level of contributions and the investment earnings credited to the fund. The defined benefit approach depends upon the individual's age, years of credited service, and an actual benefit formula which usually includes a salary factor.

DISABILITY ANNUITY ELIGIBILITY BENEFITS

A member who is unable to work because of serious injury or illness may apply for a disability annuity. The application and required medical documentation will be reviewed by the Board and the System's medical examiners to determine whether the member is eligible for the disability benefit.

A disability that results directly from doing one's job is classified as a service-connected disability. A disability that is not caused by one's work is termed a non-service disability.

Conditions for disability benefits are defined in the municipality's contract. The System's basic plans provide for (1) a service connected disability annuity of 50% of the disabled individual's final average salary offset by worker's compensation, and (2) a non-service disability with a minimum of 10 years' service and a 30% final average salary annuity.

VESTING ANNUITY ELIGIBILITY BENEFITS

Conditions for vesting are defined in the municipality's contract. The basic plans have a twelve-year service requirement for vesting.

A member who terminates service before retirement may elect to leave the member's accumulated contributions in the System and defer receipt of benefits until normal retirement age. Then when the member receives the vested benefits, checks will include the member contributions and the municipal contributions.

BENEFIT PAYMENT OPTIONS

Depending on the municipality's contractual agreement, employees may choose individual alternatives for the monthly retirement allowance or may select one from a list of options. Typical options are as follows:

- ♦ Single Life Annuity: Provides a continual income throughout the annuitant's lifetime with no beneficiary benefit
- ♦ Option 1: Reduced lifetime benefit with remaining lump sum value of account to beneficiary
- ♦ Option 2: Joint and 100% survivorship annuity
- ♦ Option 3: Joint and 50% survivorship annuity

[1] Descriptions are not identical to those in the audit report. Information has been rewritten for ease of understanding.

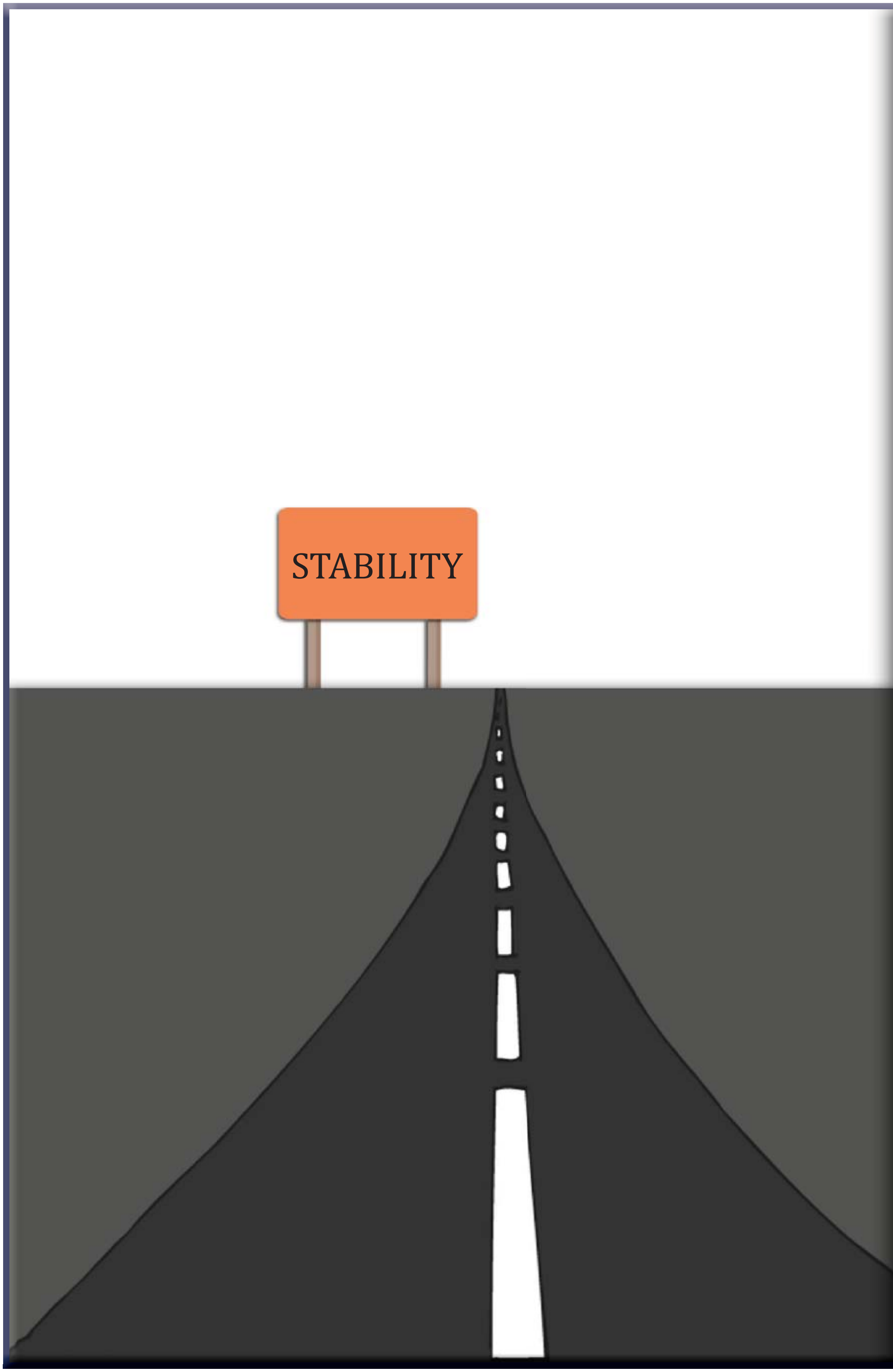
DEATH BENEFIT ELIGIBILITY

A death benefit provides some continuation of payment or presentation of benefits to a beneficiary given certain eligibility requirements of the covered individual. If an active member or vestee with minimum years of service dies, the death benefit goes into effect provided the municipality has included this feature in its plan.

TERMINATION OF SERVICE

A member always receives the accumulated deductions and interest earned at the regular rate of interest, currently 6.0%. Depending upon the municipality's contract structure, the member might also receive excess investment monies upon withdrawal.

If a member terminates employment and goes to work for another municipality which is a member of the System, the employee may transfer the service credits unimpaired to the new municipal employer.



FINANCIAL

Clifton Gunderson LLP
Certified Public Accountants & Consultants

Independent Auditor's Report

Pennsylvania Municipal Retirement Board
Pennsylvania Municipal Retirement System
Harrisburg, Pennsylvania

We have audited the accompanying basic financial statements of the Pennsylvania Municipal Retirement System (the System) as of and for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the System's plan net assets as of December 31, 2010 and 2009, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and Supplemental Schedules of Funding Progress and Required Employer Contributions (Schedules 1 and 2) and Actuarial Methods and Significant Assumptions are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Introduction, Investments, Actuarial and Statistical sections, as well as Supplemental Schedules 3 through 5, as listed on the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental Schedules 3 through 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are presented fairly, in all material respects, in relation to the basic financial statements taken as a whole. The Introduction, Investment, Actuarial and Statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Gunderson LLP

Lancaster, Pennsylvania
June 29, 2011

Offices in 17 states and Washington, DC

Member of HLB International

This section presents management's discussion and analysis of the Pennsylvania Municipal Retirement System's (PMRS, the System) financial performance for the fiscal years ended December 31, 2010 and 2009. It is presented as required supplemental information to the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

PMRS administers sound, cost-effective pension plans on a contracted basis for local government employers throughout the Commonwealth. Any Pennsylvania county, city, town, township, borough, municipal authority, or institution supported and maintained by a municipality may participate.

The Statements of Plan Net Assets provide a snapshot of the financial position of PMRS at December 31, 2010, including comparative amounts for the prior year.

The Statements of Changes in Plan Net Assets summarize the System's financial activities that occurred during the fiscal period from January 1, 2010 to December 31, 2010, including comparative amounts for the prior year.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the financial statements. The notes are an integral part of the financial statements and include detailed information not readily evident in the basic financial statements.

The Required Supplementary Information immediately following the Notes to Financial Statements provide two schedules showing historical information concerning the funded status of PMRS and the employers' contributions.

The remaining supplementary schedules provide additional detailed information concerning the operating expenses, investment expenses, and payments to non-investment consultants. All of this supplemental information is considered useful in understanding and evaluating the financial activities of PMRS.

FINANCIAL HIGHLIGHTS

- The System's plan net assets increased by $175.7 million from $1,366.6 million at December 31, 2009 to $1,542.3 million at December 31, 2010. The System's plan net assets increased by $196.0 million from $1,170.6 million at December 31, 2008 to $1,366.6 million at December 31, 2009. These changes are primarily attributable to a net gain on investments.

- The funded ratio decreased from 106.1% at January 1, 2009 to 103.8% as of the last valuation date of January 1, 2010. In aggregate the System has been in a net surplus where the actuarial value of assets exceeds the actuarial liability. That surplus has decreased from $88.5 million as of January 1, 2009 to $59.8 million as of January 1, 2010.

- The rate of return for the year ended December 31, 2010 was a net gain of 13.8% compared to a net gain of 18.8% and a net loss of 24.8% for the years ended December 31, 2009 and 2008, respectively.

- Total employee and employer contributions increased from $54.9 million in 2009 to $61.9 million in 2010 primarily due to an increase in employer required contributions. Total employee and employer contributions increased from $49.7 million in 2008 to $54.9 million in 2009.

- Total pension plan benefit payouts decreased by 4.0% from $66.0 million during 2009 to $63.4 million during 2010 primarily due to fewer plans withdrawing in 2010 than 2009. Total pension plan benefit payouts increased by 22.8% from $53.8 million during 2008 to $66.0 million during 2009.

- Administrative expenses decreased by $0.1 million to $3.1 million for 2010. Expenses increased $0.2 to 3.2 million for 2009 and increased $.01 to 3.0 million in 2008. Administrative expenses were within PMRS' budgeted amounts for all three years.

FUNDED STATUS

PMRS uses an actuarial reserve method of funding that is financed by member contributions, employer contributions, and earnings from invested assets. The System has historically chosen to have actuarial valuations performed bi-annually. The January 1, 2010 actuarial valuation was derived from actual values for the five defined benefit plans that are required to redetermine contribution levels bi-annually on even years and actuarial adjustments to the January 1, 2009 liabilities for those municipalities required to redetermine contribution levels bi-annually on odd years. The January 1, 2009 liabilities were adjusted to reflect January 1, 2010 actual active counts to estimate the liabilities for these plans to provide an overall measure of the funded status of the system. An actuarial valuation was performed as of January 1, 2009 for the cash balance and defined benefit plans that are required to redetermine contributions levels bi-annually on odd years.

As part of this valuation, the progress toward funding pension obligations of the retirement system is measured by comparing the actuarial value of assets to the actuarial accrued liability. This measurement is referred to as the funded ratio or funded status. PMRS is 100% funded, which is one indicator of the financial soundness of the plan. The most recent actuarial valuation reports that PMRS is 103.8% funded as of January 1, 2010.

INVESTMENTS

PMRS is a long-term investor and the Board manages the Fund with long-term objectives in mind. A primary element of PMRS' investment philosophy is that diversification among various asset classes is the best way to achieve its goals. PMRS makes estimates of future long-term market returns and establishes an asset allocation plan taking into account the risk associated with each asset class as well as the financial objectives of the Fund.

For 2010, the System's rate of return on investments was a net gain of 13.8% which is primarily attributable to returns in the domestic and international equity markets and real estate investments. The annualized rate of return over the past three and five years ended December 31, 2010 was 0.5% and 4.4%, respectively. The Fund's long-term actuarial investment return assumption is 6.0%.

The asset distribution of the System's investment portfolio at December 31, 2010, 2009, and 2008, at fair market value is listed on page 20

SHORT TERM

Short term increased by approximately $13.3 million from December 31, 2009 to December 31, 2010 and increased approximately $8.2 million from December 31, 2008 to December 31, 2009. Neither the increase for 2010 or 2009 was intentional but rather the normal cash flow to meet expenses and fund managers.

FIXED INCOME

Fixed income increased by approximately $17.0 million from December 31, 2009 to December 31, 2010, primarily due to appreciation. Fixed income decreased approximately $3.4 million from December 31, 2008 to December 31, 2009, primarily due to asset allocation rebalancing.

COMMON AND PREFERRED STOCK

Common and preferred stock including international stock increased approximately $97.7 million from December 31, 2009 to December 31, 2010 due to appreciation in domestic and international markets, and increased approximately $216.0 million from December 31, 2008 to December 31, 2009, also primarily due to appreciation in the domestic and international equity markets.

REAL ESTATE EQUITY

Real estate equity increased approximately $44.3 million from December 31, 2009 to December 31, 2010. The increase was due to appreciation in fair values and increased allocation to this sector, and decreased approximately $21.5 million from December 31, 2008 to December 31, 2009 The decreased was due to depreciation in fair values.

CONTRIBUTIONS AND INVESTMENT INCOME

During 2010, contributions from employers and members totaled $61.9 million compared to $54.9 million during 2009 and $49.7 million during 2008. Net investment gains during 2010 were $180.3 million compared to net investment gain of $210.2 million during 2009 and net investment loss of $(387.1) million during 2008. Investment gains/losses were primarily attributable to appreciation/depreciation in fair values in the domestic and international equity markets as well as real estate equity during the last two years. Investment expenses increased $0.7 million from $5.1 million during 2009 to $5.8 million during 2010 and decreased $1.0 million from $6.1 million during 2008 to $5.1 million during 2009. The investment expenses are based on the fair value of the quarterly average balance of investments under management.

PENSION PLAN BENEFITS AND EXPENSES

The primary source of expense during 2010 was for payment of pension benefits totaling $63.4 million compared to $66.0 million during 2009 and $53.8 million during 2008. Pension benefits decreased by $2.6 million from 2009 to 2010 due to fewer plans withdrawing from PMRS in 2010 than 2009. Pension benefits increased by $12.2 million from 2008 to 2009 due to increased payments to retirees and the withdrawal of 4 plans from PMRS. Administrative expenses totaled $3.1 million during 2010 as compared to $3.2 million during 2009 and $3.0 million in 2008.

FINANCIAL CONTACT

The System's financial statements are designed to present users with a general overview of the System's finances and to demonstrate the trustee's accountability. If you have any questions about the report or need additional information, contact the Chief, Accounting Division, Pennsylvania Municipal Retirement System at P. O. Box 1165, Harrisburg, PA 17108-1165.

Summary of Plan Net Assets

as of December 31, 2010, 2009, and 2008

Analysis of Plan Assets	2010	2009	2008
Assets		(In Thousands)	
Receivables	$ 8,403	$ 7,737	$ 12,389
Investments	1,536,669	1,364,328	1,165,033
Capital assets	176	209	229
Total assets	1,545,248	1,372,274	1,177,651
Liabilities	2,960	5,687	7,019
Total plan net assets	**$1,542,288**	**$1,366,587**	**$1,170,632**

Summary of Changes in Plan Net Assets

for years ended December 31, 2010, 2009, and 2008

Analysis of Plan Assets	2010	2009	2008
Additions		(In Thousands)	
Contributions	$ 61,930	$ 54,934	$ 49,694
Net investment gain/(loss)	180,338	210,273	(387,078)
Total additions	242,268	265,207	(337,384)
Deductions			
Benefit payments and terminations	63,384	66,049	53,771
Administrative expenses	3,183	3,203	2,987
Total deductions	66,567	69,252	56,758
Total changes in plan net assets	**$175,701**	**$195,955**	**$(394,142)**

Asset Distribution at Fair Market Value

as of December 31, 2010, 2009 and 2008

	2010	%	2009	%	2008	%
Asset Class			(In Thousands)			
Short term [1]	$ 53,231	3.5%	$ 39,908	2.9%	$ 31,696	2.7%
Fixed income	276,641	18.0	259,608	19.0	263,054	22.6
Common preferred stock	619,971	40.3	564,227	41.4	503,506	43.2
International stock	390,954	25.4	349,020	25.6	193,729	16.6
Real estate equity	195,872	12.8	151,565	11.1	173,048	14.9
Total	**$1,536,669**	**100.0%**	**$1,364,328**	**100.0%**	**$1,165,033**	**100.0%**

[1] Short term includes cash and equivalents held by investment managers and the Pennsylvania Treasury Department.

Statements of Plan Net Assets

As of December 31, 2010 and 2009

Assets	2010	2009
Receivables		
Plan members	$ 2,095,948	$ 1,947,164
Municipal employers	4,497,801	3,436,169
Accrued investment income	1,261,348	1,126,653
Investment sales receivable	548,054	1,226,691
Total receivables	8,403,151	7,736,677
Investments, at fair value		
Short-term and other investments	53,230,655	39,907,876
U.S. Government fixed income pulled funds	177,548,578	153,843,575
Corporate bond pulled funds	99,093,021	105,764,213
Common and Preferred stocks	619,970,867	564,227,315
Real estate equity	195,872,013	151,564,810
International equities	390,953,879	349,019,881
Total investments	**1,536,669,013**	**1,364,327,670**
Capital assets (net of accumulated depreciation of $191,765 and $204,391 respectively)	175,773	209,359
Total assets	**$1,545,247,937**	**$1,372,273,706**
Liabilities		
Accounts payable and accrued expenses	2,016,410	1,697,184
Investment purchases payable	943,424	3,990,024
Collateral held under securities lending program	-	-
Total liabilities	**2,959,834**	**5,687,208**
Net Assets Held in Trust For Pension Benefits	**$1,542,288,103**	**$1,366,586,498**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Plan Net Assets

Years Ended December 31, 2010, and 2009

Additions	2010	2009
Contributions		
Plan members	$ 20,684,591	$ 19,331,869
Municipal employers	40,949,360	35,309,446
Assessments	296,440	292,660
Total contributions	**61,930,391**	**54,933,975**
Investment income/(loss)		
From investing activities:		
Net appreciation/(depreciation) in fair value of investments	175,868,423	200,069,406
Short-term and other investments	716,263	426,192
Common and Preferred stocks	8,015,827	7,834,772
Real estate equity	(3,320,980)	2,315,269
International equities	4,643,969	4,272,958
Miscellaneous income	184,779	424,717
Less investment expenses	(5,769,855)	(5,070,505)
Total investing activities income/(loss)	**180,338,425**	**210,272,809**
Total additions	**242,268,816**	**265,206,784**
Deductions		
Annuity benefits	54,771,528	52,267,003
Terminations	8,612,310	13,781,629
Administrative expenses	3,183,373	3,203,478
Total deductions	**66,567,211**	**69,252,110**
Net increase/(decrease)	**175,701,605**	**195,954,674**
Net assets held in trust for pension benefits		
Balance, beginning of year	**1,366,586,498**	**1,170,631,824**
Balance, end of year	**$1,542,288,103**	**$1,366,586,498**

The accompanying notes are an integral part of the financial statements.

(1) Organization and Description of the System

ORGANIZATION

The Pennsylvania Municipal Retirement System (the System) was created by the Pennsylvania General Assembly in 1974 with the passage of the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34, No. 15 (the Act). The System is an agent multiple-employer system, and its designated purpose is to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of the System is vested in the eleven-member Pennsylvania Municipal Retirement Board (the Board). Under the Act, each individual municipality has authority to establish or amend its respective benefits and employee contribution rates subject to Board approval. Employer contributions are actuarially determined by the System's actuary.

Membership in the System is optional for Pennsylvania's local governments. When a municipality joins the System, its full-time employees contractually become members. Part-time, seasonal and temporary employees as well as elected officials may also become members through contractual agreement. As of January 1, 2010, there were 702 municipalities with defined benefit plans and 213 with cash balance plans. The tables (at right) reflect municipal membership and individual membership.

PENSION BENEFITS

The System has the broad authority of enabling a municipality to design its own retirement benefit structure. As an alternative, the System has two basic benefit structures: one for municipal employees (Article II of the Act) and one for uniformed employees (police and fire fighters) (Article III of the Act). Certain elected officials are not permitted to become System members, as outlined in individual municipal ordinances. Members are eligible for monthly retirement benefits upon reaching the age of 65 and 55, under Articles II and III, respectively, or upon accumulating 24 years of service. Under Articles II and III of the Act, vesting occurs after 12 years of service.

Participating Local Government Employers

	Defined Benefits	Defined Contributions
Counties	5	0
Cities	19	0
Boroughs	146	31
Townships of the First Class	18	1
Townships of the Second Class	156	113
Authorities and Other Units	168	57
Police	180	11
Firefighters	10	0
Total*	**702**	**213**

*Total includes plans with no active members.

Individual Membership

Active Members	
Defined Benefit Plans	
Municipal	7,446
Police	757
Firefighters	154
Total	**8,357**
Cash Balance Plans	
Municipal	988
Police	6
Firefighters	0
Total	**994**
Total active members	**9,351**
Retirees and Beneficiaries	
Retirees	3,449
Beneficiaries	460
Total retirees and beneficiaries	**3,909**
Inactive Participants with Rights to Deferred Pension (Vested)	
Defined benefit	647
Cash balance	187
Total vested	**834**
Defined benefit	23
Cash balance	0
Total non-vested	**23**
Total individual memberships	**14,117**

Such benefits under Articles II and III are generally equal to (a) the actuarial value of the members' contributions and (b) a municipal annuity that is based upon a percentage of a member's salary or compensation.

The benefit structures also provide death, disability, and early retirement benefits. These benefit provisions and all other requirements are established under Articles II and III of the Act.

Under Article IV of the Act, municipalities may provide for benefits different from those available under Articles II and III. Vesting provisions, if any, under Article IV may vary.

Automatic postretirement benefit increases are optional in plan contracts. Some member municipalities include the automatic increase; others occasionally grant an ad hoc cost-of-living (COLA) increase. The most common method of granting a postretirement benefit increase is through the System's excess interest award. (See Note 3 for an explanation of excess interest.)

Member municipalities interested in amending benefits contact the System's staff to discuss desired amendments and to obtain a cost study. Amendments are submitted to the System's staff, reviewed by the Chief Counsel's Office to be certain everything is in order, and submitted to the Board for formal approval.

(2) Significant Accounting Policies

BASIS OF ACCOUNTING

The System's financial statements are prepared on the accrual basis of accounting. Employee and employer contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Expenses are recorded when the corresponding liabilities are incurred.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of additions and deductions during the reported period. Actual results could differ from those estimates.

INVESTMENTS

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate investments is based on independent appraisals every three years. In years for which an appraisal is not performed, real estate investments and investments that do not have an established market value are reported at estimated fair values. The estimates of the fair value of the real estate investments are based on periodic relevant financial information, the value of comparables, and other relevant data. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

CAPITAL ASSETS

Capital assets, primarily office furniture and equipment, are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, typically eight years for software and office furniture and equipment.

FEDERAL INCOME TAXES

Management has taken a number of steps to insure that the System meets the definition of an Internal Revenue Service (I.R.S.) Tax Qualified Governmental Plan. The System considers itself exempt from federal income taxes. The most recent action in this regard was the acceptance of the System into the I.R.S. Employee Plans Compliance Resolution System (EPCRS). That participation allowed the System to self-identify deficiencies and offer corrective action. Compliance with the EPCRS was effectuated in August 2010 after the General Assembly passed and the Governor of Pennsylvania signed into law Act 56 of 2010. In January 2011 the System filed an application with the I.R.S. to obtain the formal determination as a Tax Qualified Governmental Plan. The I.R.S. determination is not expected before the Fall of 2011.

(3) Contributions and Reserves

CONTRIBUTIONS

Contributions to the System are made by members and municipalities. Under Articles II and III of the Act, members are required to contribute 3% to 8% of their salary. The amount a member contributes under Article IV of the Act is based upon contracted plan provisions and is principally expressed as a percent of compensation or salary. The contributions required of municipalities are based upon an actuarial valuation, using the Entry Age Normal Actuarial Cost Method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined. The required contributions from municipalities for the years ended December 31, 2010 and 2009 consisted of the following:

	2010	2009
Municipality normal cost	$38,933,706	$38,132,235
Amortization of unfunded actuarial accrued liability	(7,371,781)	(7,500,919)
Total [1]	**$31,561,925**	**$30,631,316**

Total contributions to the System during 2010 amounted to $61,930,391 of which $20,684,591 and $40,949,360 were made by its members and municipalities, respectively and $296,440 was from assessments.

Total contributions to the System during 2009 were $54,933,975 of which $19,331,869 and $35,309,446 were made by its members and municipalities, respectively and $292,660 was from assessments.

The difference between the municipalities' required and actual contributions is due to the municipalities transferring state aid money to the System as required under the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205).

Each municipality is also charged a $20 assessment per member to help cover administrative expenses incurred by the System. The remaining costs of administering the plan are financed by investment income.

CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The System's funding policy requires actuarially determined annual required contributions (ARC) of plan member municipalities at rates that accumulate sufficient assets to pay benefits when due. The System's actuary used the Entry Age Normal Cost Actuarial Method to determine plan liabilities and normal cost. Under this method, a normal cost is calculated that would fund each employee's benefits during the employee's career as a level percent of pay.

At each valuation date, the unfunded actuarial accrued liability is calculated as the present value of all plan benefits, less the present value of future normal cost accruals, less current assets (actuarial value).

The normal cost rate is applied to the projected payroll, and projected employee contributions are deducted. Actuarial gains (or losses) are reflected by decreases (or increases) in the unfunded actuarial accrued liability. Under Act 205, and amended under Act 44 [2], the unfunded accrued liability is amortized as a level dollar amount over the lesser of:

1. a. 30 years with respect to the initial liability as of January 1, 1985 (or first valuation);

   b. 15 years with respect to changes in actuarial assumptions;

(1) Total does not include $20 per member administrative charges to municipalities.

(2) Act 44 of 2009 made amendments to Act 205 which changed certain amortization periods. However, these changes do not affect the cost calculations for PMRS plans until 2011.

c. 20 years with respect to actuarial gains and losses; and with respect to state-mandated changes to plan provisions;

d. 10 years with respect to local benefit changes for active members,

e. 1 year with respect to local changes in benefit for current retired members; or

2. the average assumed working lifetime of active employees as of the date the liability was established.

Significant actuarial assumptions used to compute the actuarially determined contribution requirement include (a) a rate of return on the investment of present and future assets of 6.0% a year (net of investment and certain administrative expenses) compounded annually, (b) projected salary increases of 3.0% a year compounded annually for inflation, with an additional age-based component to reflect merit/seniority, (c) postretirement cost-of-living increases of 3.0% per annum until the maximum is reached (optional in contracts), and (d) pre- and post-retirement mortality based on the 1994 Group Annuity Mortality Static Table for males and females, and an additional set forward of 10 years for disabled lives.

RESERVE DESCRIPTIONS

The Act defines the following funds to be maintained by the System:

Members' Reserve Account

The Members' Reserve Account is credited with all contributions made by active members of the System. Interest is added to each member's individual account at an annual rate determined by the Board. The System's current interest rate is 6.0%.

Upon retirement or disability of an active member, the member's accumulated contributions plus interest are transferred to the Retired Members' Reserve Account for subsequent benefit payments. Withdrawals of the contributions of members not eligible for benefits are paid from this reserve.

As of December 31, 2010 and 2009, the balance in the Members' Reserve Account was $395,048,320 and $384,265,369, respectively. The account is fully funded.

Municipal Accounts

Separate municipal accounts are maintained for each municipality. The Municipal Reserve Account is credited with each municipality's contributions toward the superannuation retirement and death benefits of its members. Annual interest is added to each separate municipal account at the current rate of 6.0%.

As of December 31, 2010 and 2009, the balance in the Municipal Reserve Account was $735,092,318 and $712,686,650, respectively. The account is fully funded.

Retired Members' Reserve Account

The Retired Members' Reserve Account represents the amounts transferred from the Members' Reserve Account, the Municipal Accounts, and the Disability Reserve Account. All retirement benefits and retirees' death benefits are paid from this reserve. Annual interest is credited to the Retired Members' Account at the current rate of 6.0%.

As of December 31, 2010 and 2009, the balance in the Retired Members' Reserve Account was $580,171,196 and $519,449,655, respectively. The account is fully funded.

Disability Reserve Account

The Disability Reserve Account is credited with the contributions made by municipalities toward the disability retirement of member employees. The disability reserves are limited to 150% of the largest value of transfers to retired reserves over the most recent three years.

As of December 31, 2010 and 2009, the balance in the Disability Reserve Account was $65,140 and $374,105 respectively. The account is fully funded.

Undistributed Earnings Designation

In addition to regular interest, the System may also award excess interest. Excess interest is investment earnings on the System's assets in excess of that required for allocation to regular interest and administrative expenses. Rates for excess interest are determined annually by the Board with advice from the System's actuary. The excess interest is distributed to the member accounts, the municipal accounts, and the retiree accounts as directed by the municipality.

The System did not distribute excess interest in 2010 or 2009. Such calculation would have been prepared in accordance with a Board approved formula and would have been based on the actuarial value (fair value) of the Systems assets as of December 31, 2008 and 2007, respectively, and the expected cash flows of the System for 2010 and 2009 if excess interest had been distributed.

As of December 31, 2010 and 2009, the Undistributed Earnings Designation Account had a balance of $(168,088,871) and $(250,189,281), respectively. While this balance is of concern, historical data argues that the markets' reversion to the mean will resolve the shortfall. The long term outlook of the System remains positive.

(4) Investments

Members of the Board are trustees of the System's assets. They have exclusive responsibility for the management of such assets and have full power to invest the System's assets, subject to the terms, conditions, limitations, and restrictions imposed by Commonwealth law upon fiduciaries.

The Board has authorized investments in U.S. Government and agency securities, foreign government bonds denominated in U.S. dollars and rated "AA," corporate bonds rated "A" or better, equity securities, direct real estate, and real estate commingled funds allowing for equity participation. The Board specifically prohibits investments in commodities, mineral rights, and options. Additionally, short-selling and margin purchase transactions are prohibited.

The Board achieves day-to-day management of the investment portfolio through the use of investment managers. Restrictions concerning diversification within each manager and among managers are provided by the adopted Investment Policy.

The System invests in the Commonwealth of Pennsylvania Treasury Department's short-term cash management fund. The fund comprises various short-term investments, including repurchase agreements. Restrictions on these repurchase agreements are outlined below.

Repurchase agreements are allowable if (a) collateralized by United States Government Obligations deemed acceptable by the Treasury Department prior to the transaction; (b) the market value of collateral equals at least 102% of the principal and accrued interest; and (c) the collateral is delivered to the Treasury's bank account. For tri-party agreements, collateral shall be delivered to the Treasury's account with an independent third party sub-custodian (either a money center bank or a nationally recognized non-bank financial institution).

CUSTODIAL CREDIT RISK

The System's exposure to the risk of loss of investments due to errors and omissions on behalf of its advisors is covered by the contractual obligation for the advisors to maintain errors and omissions insurance. The investment managers also must provide proof of a fidelity bond covering the advisor, the office, and its employees.

In accordance with a contract between the Treasurer of the Commonwealth of Pennsylvania and the Treasurer's custodial agent, the System may participate in a securities lending program. Under this program, the custodial agent, acting as the lending agent, lends securities (equities, fixed income, and money market instruments) to independent brokers and dealers in exchange for collateral in amounts up to 105% of the fair value of securities lent. Collateral is marked-to-market daily. If the fair value of the collateral held falls below the minimum guidelines for securities lent, additional collateral is obtained. In lieu of securities or cash, the borrower may deliver to the lending agent irrevocable bank letters of credit, government securities, or repurchase agreements as collateral. If the collateral obtained consists in whole or in part of cash, the lending agent may use or invest the cash in accordance with reinvestment guidelines approved by the State Treasurer.

All securities loans can be terminated on demand by either the System or the borrower. Cash collateral is invested in the lending agent's short-term investment pool. The relationship between the maturities of the investment pool and the System's loans is affected by the maturities of the securities loans made by other entities that use the lending agent's pool, which the System cannot determine. The System cannot pledge or sell collateral securities received unless the borrower defaults.

As of December 31, 2010 and 2009, the System had no credit risk exposure to borrowers because participation in the program was temporarily halted in 2008.

CREDIT RISK CONCENTRATION

Investments (other than those issued or guaranteed by the U.S. Government) in any one organization that represented 5% or more of the plan's net assets at December 31, 2009 and 2008 are shown below.

Credit Risk Concentration

Security	Fair Value
2010	
State Street Index Fund	$564,565,583
2009	
State Street Index Fund	530,530,982
Forest Investment Associates	$70,598,872

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investments as of December 31, 2010 and 2009. The System invests in certain pooled index funds with State Street Bank and Trust Company. The pooled fixed income funds are presented in the Statement of Plan Net Assets based on the underlying fixed income securities comprising the fixed income funds. The fixed-income portfolio consists of the following:

2010 Interest Rate Risk

Security	Quality Rating*	Modified-Adjusted Duration	Fair Value
State Street Bond Index Fund U. S. Government Bonds	AAA	4.9	$177,548,578
State Street Bond Index Fund Corporate Bonds	AA	4.9	$ 99,093,021
State Treasury STIF	NR	0.1	$ 31,485,696

* Index is not rated as a security but the average rating of the securities held in the index is AA2

2009 Interest Rate Risk

Security	Quality Rating*	Modified-Adjusted Duration	Fair Value
State Street Bond Index Fund U.S. Government Bonds	AAA	4.6	$153,843,575
State Street Bond Index Fund Corporate Bonds	AA	4.6	$ 105,764,213
State Treasury STIF	NR	0.1	$ 36,093,938

* Index is not rated as a security but the average rating of the securities held in the index is AA2

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. As part of the System's program of diversification, the System invests in non-U.S. markets. At December 31, the System had the following non-U.S. currency exposure:

2010 Foreign Currency Risk

Currency	Equity	Short-Term	Total
Euro Currency Unit	$37,114,694	$4,535,928	$41,650,622
Japanese Yen	39,186,213	156,489	39,342,702
British Pound Sterling	26,977,476	70,824	27,048,300
Swiss Franc	25,204,616	72,116	25,276,732
Hong Kong Dollar	10,648,557	3,182	10,651,739
Canadian Dollar	9,836,838	17,434	9,854,272
Australian Dollar	9,236,316	171,563	9,407,879
South Korean Won	5,410,720	0	5,410,720
Singapore Dollar	3,634,296	75,494	3,709,790
Thailand Bath	3,032,275	0	3,032,275
Norwegian Krone	2,656,470	62,076	2718,546
Swedish Krona	1,521,687	71,865	1,593,552
Indonesian Rupian	1,125,532	0	1,125,532
Danish Krone	0	46,052	46,052

2009 Foreign Currency Risk

Currency	Equity	Short-Term	Total
Euro Currency Unit	$51,029,305	$64,140	$51,093,445
British Pound Sterling	27,963,476	13,440	27,976,916
Japanese Yen	26,335,494	95,650	26,431,144
Swiss Franc	19,435,039	49,943	19,484,982
Canadian Dollar	7,955,705	5,630	7,961,335
Hong Kong Dollar	7,554,090	86,784	7,640,874
Norwegian Krone	6,370,051	58,497	6,428,548
Australian Dollar	5,684,578	199,452	5,884,030
South Korean Won	4,694,743	0	4,694,743
Singapore Dollar	4,003,591	47,844	4,051,435
Thailand Bath	2,282,178	0	2,282,178
Danish Krone	193,222	3,823	197,045

(5) Securities Lending

Under the securities lending program, the lending agent provides indemnification to the Commonwealth if the borrowers fail to return the underlying securities (and the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them. As of December 31, 2010 and December 31, 2009, the System had no securities out for loan because of a continued Board policy temporarily terminating participation in securities lending which was adopted in 2008. The System had no cash collateral invested in the custodial agent's short-term collateral investment pool as of December 31, 2010 and 2009.

(6) Pension Plan for Employees of the System

The System contributes to the Commonwealth's State Employees' Retirement System (SERS), a cost sharing multiple-employer defined benefit pension plan. SERS provides retirement, death, and disability benefits to plan members and beneficiaries according to Commonwealth statute. SERS issues a publicly available financial report that can be obtained by writing SERS, 30 N. Third Street, P.O. Box 1147, Harrisburg, Pennsylvania 17108-1147.

The contribution requirements of plan members and the System are mandated by Commonwealth statute. Most SERS plan members are required to contribute 5% or 6.25% of the annual covered payroll depending upon service class. The System is required to contribute at an actuarially determined rate. The rates applied to annual covered payroll were 4.11% at July 1, 2010, 3.15% at July 1, 2009 and 3.29% at July 1, 2008. The System's annual required contributions to SERS for the years ending December 31, 2010 and December 31, 2009 were $47,136 and $44,443 respectively.

(7) Relationships with Other Commonwealth Agencies

Responsibility for the organization and administration of the System is vested in the eleven-member Pennsylvania Municipal Retirement Board. The State Treasurer and the Secretary of the Commonwealth serve on the Board by virtue of statute. Eight Board members are also appointed by the Governor after being nominated by their respective organizations.

One member each represents the Pennsylvania League of Cities, Pennsylvania Municipal Authorities Association, Pennsylvania State Association of Boroughs, Pennsylvania State Association of County Commissioners, Pennsylvania State Association of Township Commissioners, Pennsylvania State Association of Township Supervisors, the active police officers, and the active firefighters. In addition, one Board position is filled by a retired member of the System. Interested individuals submit an application, and then the Governor appoints someone from the list of applicants.

The System is not included as a component unit of the Commonwealth of Pennsylvania for financial reporting purposes because the System is not financially accountable to the Commonwealth as there is no imposition of will, no financial benefit/burden, nor fiscal dependency associated with the System toward the Commonwealth.

(8) Plan Termination

Member municipalities may withdraw from the System if the conditions for withdrawal under the Act have been met. Requirements include a minimum of five years of membership, approval of a minimum of 75% of the plan's active, vested and retired members and approval of the Board. In the event of withdrawal, a municipality is entitled to receive a net refund of the amount then standing to the credit of the municipality in the municipal account, the member employees' account, and the retired members' reserve account. In no event shall the municipality refund exceed the pro rata interest of the withdrawing municipality in the net assets of the entire fund based on market value of the fund investments as of the date of receipt of the application for permission to withdraw. Liability for any continuation of retirement or disability benefits being paid from the System shall attach to the withdrawing municipality.

(9) Risk Management

Exposure of the System through Board or staff activity is covered by various means. The System acts under the cover of sovereign immunity, participation in the Employee Liability Self-Insurance Program of the Commonwealth of Pennsylvania, the Commonwealth's fidelity bond, and the State Insurance Fund. The Board also adopted a self-insurance indemnification policy in 2004. There have been no significant reductions in insurance coverage from the prior year. Settlements did not exceed insurance coverage for the past three fiscal years.

The System's implementation policy is to allow contracted external managers to decide what action to take regarding their respective portfolio's foreign currency exposures. The System has no specific policies for interest rate risk and foreign currency risk.

(10) Commitments and Contingencies

The System leases office facilities under an operating lease that expires November 2011 with an option to extend for two years. Future minimum lease payments under this lease are as follows:

2011	-	110,250
2012	-	111,750
2013	-	103,830

Total rental expenses for the years ended December 31, 2010 and 2009 were $108,275 and $108,706, respectively.

The System has remained committed to fund a real estate investment of approximately $15.4 million as of December 31, 2010. The expected funding date for this commitment extends through 2017, with two one-year extensions, if needed.

(11) Additional Plan Disclosures as Mandated by GASB 50

(a) Plan Description

The Pennsylvania Municipal Retirement System (the System) was created by the Pennsylvania General Assembly in 1974 with the passage of the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34, No. 15 (the Act). The System is an agent multiple-employer system, and its designated purpose is to administer sound, cost-effective pensions for local government employees. Responsibility for the organization and administration of the System is vested in the eleven-member Pennsylvania Municipal Retirement Board (the Board). Under the Act, each individual municipality has authority to establish or amend its respective benefits and employee contribution rates subject to Board approval. Employer contributions are actuarially determined by the System's actuary. The System issues a publicly available financial report that includes financial statements and required supplementary information.

The System's investments are reported at fair value as discussed in Note 2, Summary of Significant Accounting Policies. The annual required contribution (ARC) is actuarially determined. The System's actuary used the Entry Age Normal Cost Actuarial Method to determine plan liabilities and normal cost. Under this method, a normal cost is calculated that would fund each employee's benefits during the employee's career as a level percent of pay.

(b) Funding Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was 103.8% funded. The actuarial accrued liability for benefits was $1,560,357,536 and the actuarial value of assets was $1,620,150,779 resulting in an unfunded actuarial accrued liability (UAAL) of ($59,793,243). The covered payroll (annual payroll of active employees covered by the plan) was $377,960,930, and the ratio of the UAAL to the covered payroll was (15.8%) percent.

The schedule of funding progress, presented in the actuarial section, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(c) Actuarial Methods and Assumptions

In the December 31, 2010 actuarial valuation, the Entry Age Normal Actuarial Cost Method, computed as a percentage of the total compensation of all active members during the period for which the amount is determined was used. The actuarial assumptions included (a) 6.0% investment rate of return, and (b) projected salary increases ranging from 3.0 to 7.8% with an average increase of 5.0%, including a 3.0% rate of inflation. The assumptions did not include a cost-of-living adjustment. The amortization method uses level dollar for plan bases and an average for Aggregate Gain/Loss based on an open amortization period, 10% of surplus is credited against aggregate cost where applicable. The remaining amortization period at December 31, 2010, was 10-30 years. The single amortization period is determined individually for each of our participating plans. The weighted average of the separate amortization periods is 10.80 years.

(12) Risk and Uncertainties

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of investment securities may occur in the near term and such changes could materially affect the amounts reported in the financial statements.

Schedule 1

Schedule of Funding Progress [1]

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)
1/1/2010	$1,620,150,779	$1,560,357,536	$(59,793,243)	103.8%	$377,960,930	(15.8)%
1/1/2009	1,540,152,742	1,451,637,264	(88,515,478)	106.1	372,370,037	(23.8)
1/1/2008	1,458,148,442	1,376,536,031	(81,612,411)	105.9	364,865,185	(22.4)
1/1/2007	1,336,009,295	1,282,021,998	(53,987,297)	104.2	358,690,830	(15.1)
1/1/2005	1,219,130,000	1,154,858,200	(64,271,800)	105.6	319,004,918	(20.1)
1/1/2003	1,084,828,900	955,259,400	(129,569,500)	113.6	293,388,800	(44.2)

See accompanying Actuarial Methods and Significant Assumptions.

Schedule 2

Schedule of Required Employer Contributions for Last Six Years

Year Ended December 31	Annual Required Contributions (ARC) [2]	Actual Employer Contribution	Percentage Contributed [3]
2010	$31,561,925	$40,949,360	130%
2009	30,631,316	35,309,446	116
2008	29,300,378	31,532,859	108
2007	27,118,435	29,059,248	107
2006	17,182,233	21,148,089	123
2005	16,235,077	19,890,494	123

See accompanying Actuarial Methods and Significant Assumptions.

(1) The System has historically chosen to have actuarial valuations performed bi-annually for purposes of calculating the actuarial accrued liability as allowed by GASB Statement No. 25. The January 1, 2010, actuarial valuation was derived from actual values for the five defined benefit plans that are required to redetermine contribution levels bi-annually for even years, and actuarial adjustments to the January 1, 2009, liabilities for those municipalities required to redetermine contribution levels bi-annually for odd years. The January 1, 2009, liabilities were adjusted to reflect January 1, 2010, actual active counts to estimate the liabilities for these plans to provide an overall measure of the funded status of the System. An actuarial valuation was performed as of January 1, 2009 for the cash balance and defined benefit plans that are required to redetermine contributions levels bi-annually on odd years. The January 1, 2008, actuarial valuation was derived from actual values for the four defined benefit plans that are required to redetermine contribution levels bi-annually for even years, and actuarial adjustments to the January 1, 2007, liabilities for those municipalities required to redetermine contribution levels bi-annually for odd years. An actuarial valuation was performed as of January 1, 2007, 2005 and 2003 for the cash balance and defined benefit plans that are required to redetermine contributions levels bi-annually on odd years. No actuarial valuation was performed as of January 1, 2006 or January 1, 2004 except for the four defined benefit plans required to redetermine contribution requirements bi-annually for even years.

2) The Annual Required Contribution is calculated using the actuary's determined Normal Cost percentage for each plan and the employers' anticipated payroll for each participating plan. It also may include the amortization payment calculated by the actuary or the over-funding credit required under Pennsylvania state law, Act 205 of 1984. The composite figure is assembled by the Agency's staff.

(3) The difference between the municipalities' required contributions and the percentage contributed is due to various factors including plan takeovers and the municipalities transferring state aid money to the System as required under the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205).

Actuarial Methods and Significant Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2010
Actuarial cost method	Entry age normal
Amortization method	Level dollar for plan bases and open for aggregate gain/(loss) based on an open amortization period
Remaining amortization period	- 30 years with respect to the initial liability as of January 1, 1985 (or first valuation) - 20 years with respect to changes due to plan provisions and actuarial assumptions - 20 years with respect to actuarial gains and losses, or the average assumed working lifetime of active employees as of the date the liability was established - 10 years with respect to changes in benefits for currently retired members
Asset valuation method	Sum of all audited reserve accounts plus any additional investment income to be distributed as excess interest
ACTUARIAL ASSUMPTIONS	
Investment rate of return	6.0% compounded annually (net of investment and certain administration expenses)
Projected salary increases	3.0% inflation and age-related scale for merit/seniority (eg., age 30 - 5.9%; age 40 - 4.5%; age 50 - 4.1%)
Inflation at	3.0%
Post-retirement cost-of-living adjustments	3.0% per annum until maximum is reached (optional in contracts)

Supplemental Schedules

Years Ended December 31, 2010, and 2009

Schedule 3 - Administrative Expenses

Comparative Two-Year Schedule

	2010	2009
PERSONNEL COSTS		
Salaries and wages	$1,264,713	$1,357,429
Social security contributions	99,724	108,451
Retirement contributions	47,136	44,443
Insurance contributions	436,252	438,689
Other employee benefits	1,892	5,532
Total personnel costs	**1,849,717**	**1,954,544**
PROFESSIONAL COSTS		
Investment Consultant	162,342	108,992
Actuarial	338,386	251,486
Data processing	9,986	14,287
Audit	104,700	99,800
Legal	175,133	240,216
Miscellaneous professional	70,450	88,164
Total professional costs	**860,997**	**802,945**
COMMUNICATION COSTS		
Printing	10,543	15,156
Telephone	26,943	27,231
Postage	49,656	49,188
Travel	26,983	14,489
Advertising	5,068	4,140
Total communication costs	**119,193**	**110,204**
OTHER SERVICES AND CHARGES		
Contracted EDP services	152,490	139,382
Office space rental	108,275	108,706
Equipment leasing	12,314	4,092
Supplies	18,109	18,754
Maintenance	13,326	10,412
Bonding and insurance	1,081	1,497
Dues and subscriptions	2,350	2,547
Total other services and charges	**307,945**	**285,390**
DEPRECIATION	**45,521**	**50,395**
Total administrative expenses	**$3,183,373**	**$3,203,478**

Schedule 4 - Investment Expenses

Comparative Two-Year Schedule

	2010	2009
Investment management fees	$5,759,556	$5,061,066
Custodial fees	10,299	9,439
Total investment expenses	**$5,769,855**	**$5,070,505**

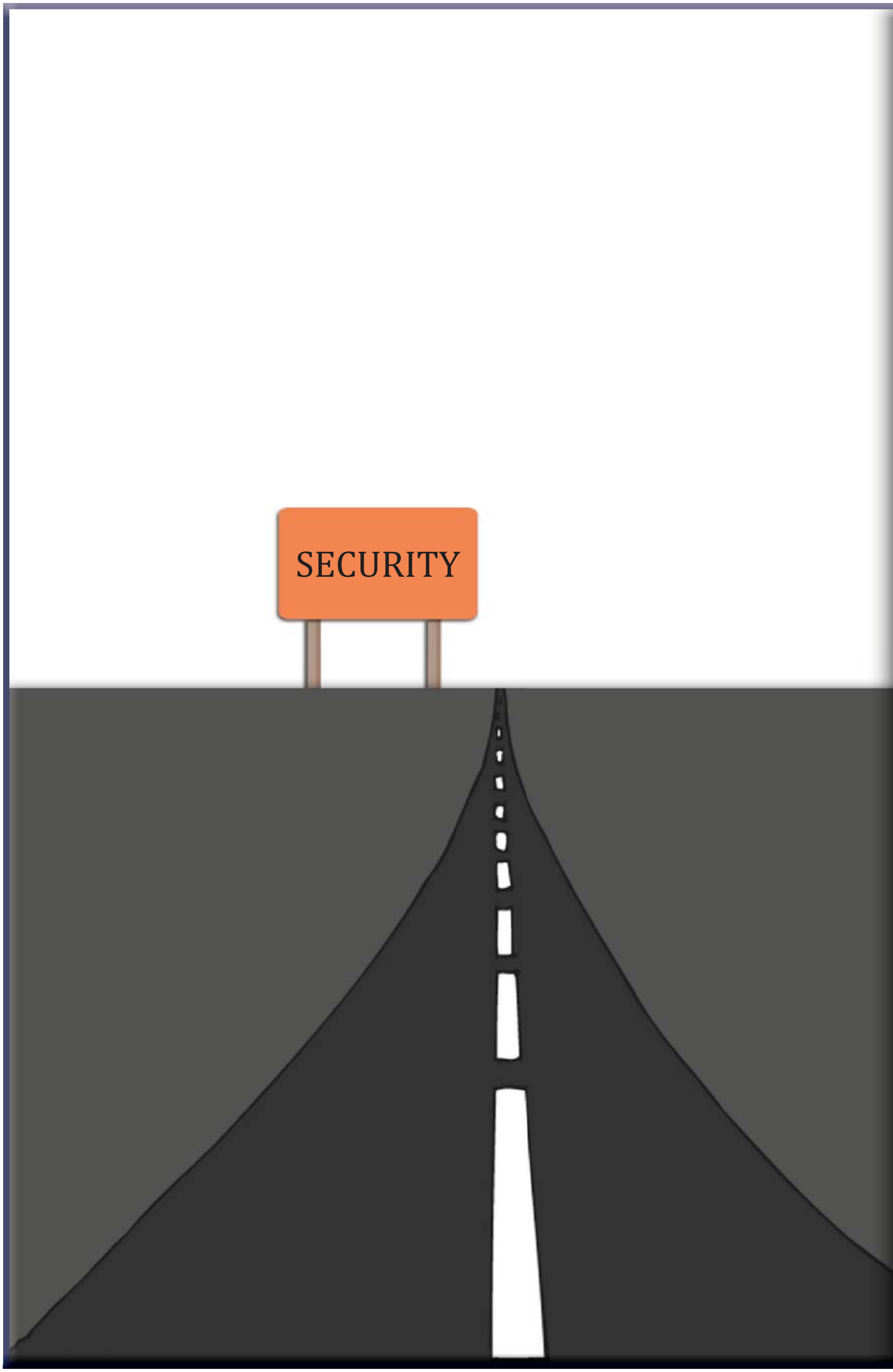
Schedule 5 - Payments to Consultants

Comparative Two-Year Schedule

Years Ended December 31, 2010, and 2009

Firm Name	Nature of Service	2010	2009
Clifton Gunderson, LLP	Auditor	$104,700	$99,800
Dahab Associates, Inc.	Investment Consultant	162,342	108,992
Cheiron	Actuary	338,386	251,486
Total		**$605,428**	**$460,278**

INVESTMENTS



INVESTMENT RETURN[1]

On December 31st, 2010, the Pennsylvania Municipal Retirement Board's investment portfolio was valued at $1,535,851,441, which was an increase of $174,736,447 from the December 2009 ending valuation of $1,361,114, 994. During the calendar year of 2010, the System recorded aggregate net withdrawals of $10,686,163 and a net investment return of $185,462,612.

For the period between December 31, 2005, and December 31, 2010, the System recorded net withdrawals totaling $83,788,100 and a net investment return of $298,929,568. If the fund had earned an annualized compounded rate of 6.0% during that period, it would have been worth $1,667,541,000, or $131,689,559 more than the actual value at the end of the year.

ECONOMIC ENVIRONMENT

The U.S. economy has now expanded for six consecutive quarters, completely offsetting the declines in 2008 and 2009. Economic data continued to improve during the last quarter, all but erasing fears of a double-dip recession.

Inflation remains in check. Core inflation for the full year was just 0.8% which was mainly attributed to the persistent high unemployment rate and corporate willingness to absorb higher costs at the wholesale level to stay competitive. The 2010 CPI change was the smallest since 1958, when record-keeping started!

High unemployment and weak housing sales were the two big drags on economic growth. December's employment statistics showed the official unemployment rate dip from 9.8% to 9.4% but the real reason for the 0.4% decline was that many job seekers simply gave up looking for work. Housing also pulled down the GDP numbers as home foreclosures continued at a record pace through the fall. A meaningful housing turnaround is probably at least year away.

Early in the quarter, the Federal Reserve implemented a second round of quantitative easing measures known as QE II. This Treasury bond purchase program was designed to lower long term interest rates from their already low levels by: providing a floor for residential real estate; liquefying the money center banks; stimulating lending to small businesses; and encouraging job creation. It remains to be seen whether QE II will benefit the 2011 economy.

Inflationary expectations and emerging market demand directly impacted commodity prices. While American consumers may applaud the CPI numbers, they find little comfort at the gas pump or in the grocery store.

EQUITY MARKET

Buoyed by glowing corporate profits, performance was strong among all of the major indices. Fourth quarter returns ranged from 10.8% for the S&P 500 up to 17.1% for the Russell 2000 Growth Index. Growth stocks did better than their value counterparts; but the more notable differences were between small-cap and large-cap names. For example, the Russell 2000 surged 26.9% vs. 16.1% for the Russell 1000.

INTERNATIONAL EQUITIES

The MSCI EAFE Index rose a healthy 6.7% in the fourth quarter, but performance was not as strong as in the US stock market. This was attributable to the performance of the weakest European stock markets. Suffering from years of profligate spending, governments averted bankruptcy thanks to EMU bailouts and forced belt tightening. Far East performance was a bright spot, climbing 10.9%. Key among the players was Japan, which continued to dominate the Pacific market region. Canada, which is not an EAFE Index component, surged 12.3%. That market is largely comprised of energy, food and other commodity companies whose products are in great demand. The emerging markets performed a tad better than the developed countries' EAFE Index. The MSCI Emerg-

[1] The System's investment assets reported in the Investment Section are presented on the same basis of accounting as described in Note 1 of the Notes to Financial Statements with the following exceptions: The Investment Section includes those investments under management of advisors which are under contract by the agency and does not include pending sales and purchases. The investment consultant, Dahab Associates, oversees these investments. In addition, PMRS maintains a pool for certain short-term funds that is used to fund administrative and benefits payments.

ing Markets Index returned 7.4%. Although emerging market gains appear to have slowed, some of 2010's biggest Initial Public Offerings (IPOs) have taken place in China, South Korea, India, Poland and Singapore (an EAFE component). Clearly, investors remain enamored of the developing world economies.

BOND MARKET

QE II was supposed to lower interest rates. Instead, Federal and state deficit concerns and a shift to potentially higher return asset classes pushed up interest rates all along the yield curve. Other components of the Barclays Aggregate Index fared better than Treasuries. Highlighting bond performance for 2010, the Aggregate Index returned 6.5%, with the best gains posted by investment grade corporates (+9.0%) and especially CMBS (+20.4%).The general consensus is for equities to beat bonds in 2011. That's a tall order, considering how well several bond sectors performed in 2010.

CASH EQUIVALENTS

Cash equivalents were not the place to be in 2010. Ninety day T-bills returned 14 basis points and yielded only 0.13% as of December 31st.

RELATIVE PERFORMANCE

Total Fund

The time-weighted rate of return for the System's investments during the fiscal year ended December 31, 2010 was 13.8%, ranking in the 24th percentile of all balanced funds. This performance level was 1.1% above the median balanced fund's return of 12.7%. The cumulative five-year return for December 2005 through December 2010 was 4.4% on an annualized basis and ranked in the 57th percentile. For comparison the median balance fund's return was 4.5%.

Large Cap Equities

Over the trailing twelve months, the large cap equity portfolio returned 14.0%, which was 1.1% less than the benchmark's 15.1% performance and ranked in the 73rd percentile. For the last five years, this component returned 1.8% per annum and ranked in the 76th percentile. The S&P 500 returned an annualized 2.3% during the same time frame.

Small Cap Equities

This component returned 29.1%, which was 2.2% greater than the benchmark's 26.9% performance, ranking in the 35th percentile for the trailing twelve months. For the five year period, this component returned 3.7% annualized and ranked in the 87th percentile. For comparison, the Russell 2000 returned an annualized 4.5% over the same period.

Developed International Equities

This segment's return was 11.9% over the trailing year, which was 0.2% less than the benchmark's 12.1% return, ranking in the 43rd percentile. For the five-year period, this component returned 4.7% on an annualized basis and ranked in the 40th percentile. For comparison, the S&P BMI Developed Ex-US Index returned an annualized 4.3% during the same time frame.

Emerging Markets Equities

Over the trailing year, the emerging markets equity portfolio returned 18.1%, 2.0% below the benchmark's 20.1% return, ranking in the 65th percentile. PMRS entered the Emerging Market Equities during October and November 2008 so there is no performance information for the trailing 3, 5 or 10 years. For 2009 this portion of the portfolio returned 77.8% which was 6.8% below the 84.6% performance of the S&P BMI Emerging Market index and ranked in the 43rd percentile.

Fixed Income

Over the trailing year, this component returned 6.6%; that return was equal to the benchmark's 6.6% return, ranking in the 74th percentile. For the five-year period, this component returned 5.8% annualized and ranked in the 72nd percentile. For comparison, the Barclays Aggregate Index also returned an annualized 5.8% over the same period.

Real Estate

Over the trailing twelve-month period, this segment returned 7.6%, which was 5.5% below the benchmark's 13.1% performance. For the cumulative five-year period, this component returned 0.9% per annum, while the NCREIF Property Index returned an annualized 3.5% over the same time frame.

The table on page 41 compares rates of return for the System's total investment portfolio with standard indexes for the last year, three years, five years and ten years.

Asset Allocation

On December 31st, the allocation of assets was as follows*:

Large cap equities	24.3%	$373,477,895
Small cap equities	16.1%	$246,968,302
Int'l developed mkts	14.7%	$226,151,273
Int'l emerging mkts	10.8%	$165,631,685
Total equities	65.9%	$1,012,229,155
Fixed income	18.0%	$276,641,599
Real estate	12.8%	$196,699,611
Cash and equivalents [1]	3.3%	$50,281,074
Total portfolio	100.0%	$1,535,851,441

* Numbers may not add due to rounding.

(1) Cash and equivalents includes funds held by the Pennsylvania Treasury Department.

Portfolio Rates of Return [1]

Last 10 Years

The following table compares rates of return for the System's total investment portfolio with standard indexes for the last five years. The calculations of yields were prepared using a time weighted rate of return based on the market rate. The System's returns have been competitive with other professionally managed funds.

PERFORMANCE SUMMARY

	1 Year	3 Year	5 Year	10 Year
Total Portfolio	13.8%	0.5%	4.4%	5.1%
Public Fund Rank [2]	(24)	(55)	(57)	(31)
Shadow Index [3]	14.7	1.1	4.8	5.1
Large Cap Equity	14.0	-3.5	1.8	2.5
Large Cap Rank [4]	(73)	(74)	(76)	(58)
S&P 500	15.1	-2.9	2.3	1.4
Small Cap Equities	29.1	2.1	3.7	5.5
Small Cap Rank [4]	(35)	(74)	(87)	(87)
Russell 2000	26.9	2.2	4.5	6.3
International Equity	11.9	-4.2	4.7	5.0
International Equity Rank [5]	(43)	(39)	(40)	(74)
S&P BMI Ex-US	12.1	-4.5	4.3	5.7
Emerging Markets Equity	18.1			
Emerging Markets Rank [6]	(65)			
S&P BMI EMGM	20.1	1.0	15.2	16.7
Real Estate	7.6	-7.5	0.9	5.9
NCREIF	13.1	-4.2	3.5	7.4
Fixed Income	6.6	6.0	5.8	5.8
Core Fixed Income Rank [7]	(74)	(69)	(72)	(75)
Barclays AGG	6.6	5.9	5.8	5.8

Report prepared by DAHAB ASSOCIATES, INC.

(1) Rate of return is a mathematical measure of the rate of change in the asset value of a fund. All rates of return are based on the fair value of the assets. Rates of return reflect both realized and unrealized capital gains and losses as well as total earnings from interest and dividends received.

(2) Ranked against balanced funds.

(3) The shadow index is a customized index created by the System's investment consultant. It is constructed at the asset class level with corresponding benchmark allocations matching the portfolio on a quarterly basis. The following asset classes and corresponding benchmarks have been utilized: Large Cap Equity -- S&P 500; Fixed Income -- Barclays Aggregate Index; Cash & Equivalent -- 90-Day T Bills; Real Estate -- NCREIF Property Index; International Equity -- S&P Citigroup BMI Ex-US Index; Small Cap Equity -- Russell 2000; Emerging Market -- MSCI Emerging Markets. Ranked against equity oriented funds.

(4) Ranked against equity oriented funds.

(5) Ranked against international developed markets oriented funds.

(6) Ranked against international emerging markets oriented funds. PMRS entered emerging markets equities late 2008.

(7) Ranked against fixed income oriented funds.

Basis of Presentation

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgage-backed securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals every three years. In years for which an appraisal is not performed, real estate investments and investments that do not have an established market value are reported at estimated fair values. Purchases and sales of investments are recorded on a trade-date basis.

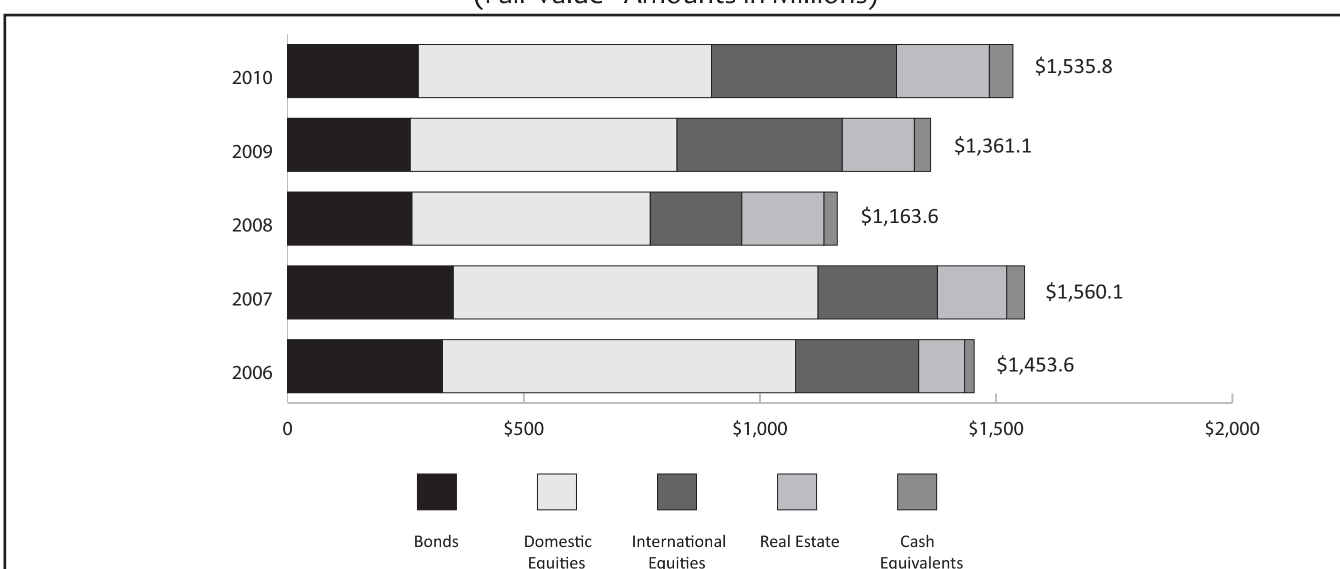
Returns for actively-managed funds presented throughout the Investment Section are gross of external manager fees; returns for passively managed funds are net of external manager fees. Overdraft charges, debit interest, registration expenses and stamp duties and taxes spent on foreign securities are deducted and are not included in the calculation of returns. In addition, the securities lending money market returns are net of custodial fees, transfer agent expenses and professional fees.

On December 31, 2010, the System's investment assets were valued at $1,535,851,441[1], an increase in value of $174,736,447 over the December 31, 2009 valuation of $1,361,114,994. During the last five years, the System has increased from $1,453.6 million to $1,535.8 million. The following graph shows the System's five-year trend of investment assets at fair value.

The data presented in the Investment Section by the System's independent investment consultant has been prepared by using rates of return using a time-weighted rate of return methodology based upon market values. The Investment Section includes only those investments under management of advisors which are under contract with the System. These investments are valued in a manner consistent with information presented in the Financial Section with the exception of the recognition of pending sales and purchases and cash held by real estate managers. The difference noted above represents the difference between the investment balance of $1,535,851,441 presented in the Financial Section and the balance of $1,536,669,013 reported in this section.

Portfolio Distribution - Five-Year Trend [1]

(Fair Value - Amounts in Millions)

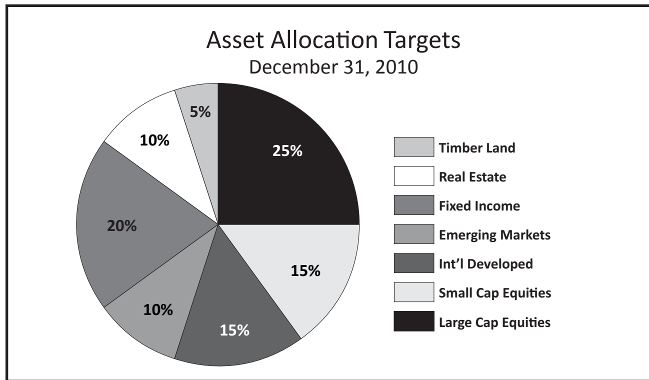


[1] Amounts in the Investment Section do not include cash held by real estate managers.

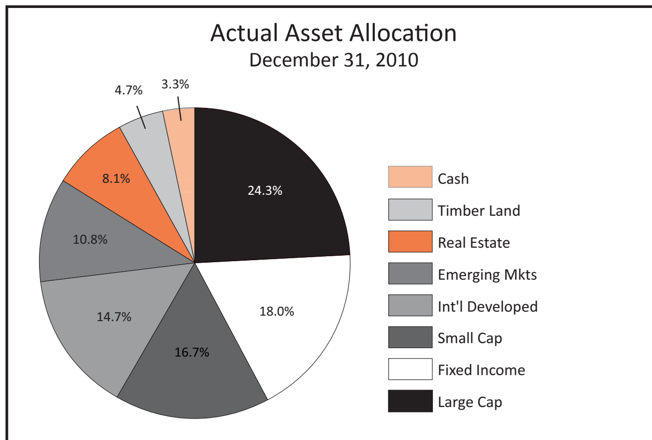
Asset Allocation

On January 21, 2010, the Board adopted Policy Statement 10 - 1 Investment Guidelines which established its allocation goals as follows:

Equities (large capitalized firms)	25%
Equities (small capitalized firms)	15%
Equities (international developed markets)	15%
Equities (emerging markets)	10%
Fixed Income	20%
Real Estate	10%
Timber Land	5%



The System's asset allocation as of December 31, 2010, was $620.4 million committed to domestic equities ($373.5 Large Cap and $246.9 Small Cap), $391.8 million to international equities ($226.2 International Developed and $165.6 Emerging Markets), $276.6 million to bonds, $196.7 million to real estate (including timberland $71.7) and $50.2 million to cash equivalents. The percentage distribution is illustrated below.



Asset Allocation
December 31, 2010

Sector	Target Allocation	Target Dollar	Current Allocation	Current Dollar Allocation	Variance/Dollar	Variance/Percent
Fixed Income	20%	$307,170,288	18.0%	$276,641,599	($30,528,689)	-1.99%
Large Cap	25%	383,962,861	24.3%	373,477,897	(10,484,964)	-0.68%
Small Cap	15%	230,377,716	16.1%	246,968,302	16,590,586	1.08%
Int'l Developed	15%	230,377,716	14.7%	226,151,273	(4,226,443)	-0.28%
Emerging Mkts	10%	153,585,144	10.8%	165,631,685	12,046,541	0.78%
Real Estate	10%	153,585,144	8.1%	124,995,166	(28,589,978)	-1.86%
Timber	5%	76,792,572	4.7%	71,704,445	(5,088,127)	-0.33%
Cash	0.0%	0	3.3%	50,281,074	50,281,074	3.27%
TOTAL	100%	$1,535,851,441	100%	$1,535,851,441	0	0

Investment Summary

Ten Largest Common Stock Holdings

As of December 31, 2010 (Fair Value)

Stock	Shares	Fair Value	% of Stock Portfolio
Apple Inc	38,840	$ 12,528,230	0.93%
Microsoft Corp	336,080	9,379,993	0.70
Oracle Corp	279,200	8,738,960	0.65
BHP Billiton Limited	148,300	6,878,675	0.51
Chevron Corp	74,940	6,838,275	0.51
Varian Medical Systems Inc	97,930	6,784,590	0.51
Starbucks Corp	183,450	5,897,140	0.44
Google	9,790	5,814,966	0.43
Qualcomm Inc	109,000	5,394,410	0.40
CH Robinson Worldwide Inc	65,450	5,248,436	0.39

A complete list of portfolio holdings can be obtained from the System.

Summary of Investment Expenses

Comparative Two-Year Schedule
Years ended December 31, 2010 and 2009

Firm Name	2010	2009
Century Capital Management	$ 264,728	$ 256,767
Chase Investment Counsel	537,837	573,396
Denver Investment Advisors	415,252	310,554
DePrince, Race & Zollo	288,367	222,098
Emerald Advisors	195,167	151,401
Globeflex Capital	258,849	223,243
LSV Asset Management	541,089	510,681
M&I Investment Management (1)	57,852	
Mercator Asset Management	686,952	608,986
Polen Capital Management (1)	118,593	
State Street Global Advisors	256,761	224,938
Wentworth, Hauser and Violich	401,382	325,164
Forest Investment Associates	633,894	703,570
Prudential Real Estate Investments	793,503	672,176
TIAA-CREF Global Real Estate	309,330	278,091
Total Investment Management Fees	**5,759,556**	**5,061,065**
Custodial Fees - BNY Mellon	10,299.00	9,439
Total Investment Expenses	**$5,769,855**	**$5,070,504**

(1) Investment managers funded in 2010.

Portfolio Summary

As of December 31, 2010

Type of Investment	Cost Value	Fair Value	% of Total Fair Value
Corporate and government bonds			
U.S. Government bonds	$ 171,412,818	$ 177,548,578	12%
Corporate bonds	95,668,544	99,093,021	6
Total	**267,081,362**	**276,641,599**	**18**
Common stock			
Domestic	527,817,774	620,446,197	40
International	284,110,401	391,782,958	26
Total	**811,928,175**	**1,012,229,155**	**66**
Other investments			
Real estate equity	214,170,334	196,699,611	13
Cash equivalents	50,281,074	50,281,074	3
Total	**264,451,408**	**246,980,685**	**16**
Grand total	**$1,343,460,945**	**$1,535,851,441**	**100%**

Portfolio Quality

Two-Year Comparative Analysis

Years Ended December 31, 2010, and 2009

Bond Rating	Fair Value	% of Total Fair Value	% of Total Carrying Value
December 31, 2010			
AAA	$177,548,578	64%	64%
AA	99,093,021	36	36
A	0	0	0
Total bonds	276,641,599	100%	100%
December 31, 2009			
AAA	153,843,575	59%	59%
AA	105,764,213	41	41
A	0	0	0
Total bonds	259,607,788	100%	100%

Summary of Commissions Paid to Brokers

Year Ended December 31, 2010

Broker Name	Commissions Paid
Abel Noser Corp, New York	$28,407.60
ABG Secs, Oslo	3,819.06
Abn Amro Bk Nv (Secs Trading) Hong Kong	4,546.02
Ancora Securities Inc.Jersey City	110.81
Asent LLC. Hoboken	148.40
Avondale Partners LLC, Nashville	1,898.00
Baird, Robert W & Co Inc, Milwaukee	7,145.72
Banco Bilbao Vizcaya, Madrid	2,856.88
Banco Santander, New York	5,778.55
Banque Paribas, Paris	2,978.27
Barclays Capital LE, Jersey City	30,714.28
Baypoint Trading LLC, New York	1,908.75
Bernstein Sanford C & Co, New York	89,579.70
Bloomberg Tradebook LLC, New York	27,665.61
BMO Capital Markets Corp, New York	300.00
BNP Paribas Peregrine Sec Ltd, Hong Kong	1,186.35
BNY Convergex, New York	57,055.34
Boenning & Scattergood, W Conshohocken	101.20
Bouzet (du) S A Societe de Bourse, Paris	28.97
Bradesco S/A Ctvm, Sao Paulo	1,288.00
Brean Murray, Carret & Co, Lake Success	451.00
Broadcourt Cap Corp/Sub of Mlpf&s, New Yorkl	470.00
Brown Bros Harriman & Co, New York	417.00
Buckingham Research Grp Inc, Brooklyn	752.00
Calyon, Madrid	2,966.55
Canaccord Adams Inc, Jersey City	2,390.84
Cantor Fitzgerald & Co Inc, New York	724.13
Cantor Fitzgerald & Co, New York	4,539.37
Cap Instl Svcs Inc-Equities, Dallas	12,209.60
Capital One Southcoast Inc, New Orleans	753.08
Caris & Company Inc, Jersey City	1,210.80
Carnegie Asa, Oslo	934.15
Carnegie Fondcommission, New York	941.85
Chicago Analytic Trading Co, Jersey City	7,153.05
CIBC World Markets Corp, New York	88.00
Citigroup Gbl Mkts Inc, New York	3,677.03
CJS Securities Inc, White Plains	258.00
Clearstream Banking Ag, Frankfort	2,430.45
Clearview Correspondent Srvs, LLC, Richmond	3,948.16
Collins Stewart LLC, New York	16,160.60
Cowen and Company LLC, New York	6,939.12
Craig Hallum, Minneapolis	1,208.56
Credit Agricole Cheuvreux Nordc, Stockholm	405.76
Credit Agricole Cheuvreux, Courbevoie	30,155.43
Credit Agricole Indosuez Chx, Milano	3,686.41
Credit Lyonnais Sec, Seoul	1,342.30
Credit Lyonnais Secs (Asia), Hong Kong	5,779.20
Credit Lyonnais Secs, Singapore	2,582.04
Credit Suisse (Europe), London	3,794.36
Credit Suisse, New York	28,034.71
Daewoo Securities Co Ltd, Seoul	2,495.36
Daiwa Secs Amer Inc, New York	7,418.50
Davenport & Co of Virginia, Richmond	388.00
Davidson(D A) & Co Inc, New York	1,016.80
Davy Stockbrokers, Dublin	368.68
Deutsche Bk Secs Inc, NY	2,909.48
Dougherty Company, Brooklyn	2,406.92
Dowling & Partners, Jersey City	1,564.00
Exane, Paris	349.09
Fox River Execution Tech, LLC, Jersey City	11,962.29
Friedman Billings, Washington DC	1,625.30
FX-Banco Portugues Do Atlantico, Lisbon	380.00
G-Trade Services Ltd, Hamilton	2,510.73
Goldman Sachs & Co, NY	10,160.10
Green Street Advisors, Jersey City	1,443.00
Greentree Brokerage Services, Jersey City	3,274.64
Howard Weil Incorporated, New Orleans	300.00
HSBC Bank Plc (Midland bk) (jac) London	212.81
ICAP Corporates LLC, Jersey City	3,730.00
Instinet Corp, New York	136.25
Instinet Corp, NY	2,159.50
Intermonte Sec Cim, Milan	3,908.50
Investment Technology Group, New York	2,519.30
ISI Group Inc, NY	4,199.50
Island Trader Securities, Lake Success	1,012.00
ITG (Europe) Ltd, Dublin	2,602.92
ITG Australia Ltd, Melbourne	2,439.51
J P Morgan Sec, Sydney	1,716.59
J P Morgan Secs Ltd, London	10,958.87
J P Morgan Securities Inc, Brooklyn	9,303.55
J P Morgan Clearing Corp, New York	295.63
Janney Montgomery Scott, Philadelphia	4,652.48
Jefferies & Co Inc, New York	38,935.54
JMP Securities, San Francisco	3,231.50
Jonestrading Instl Svcs, Westlake	40,136.69
J P Morgan Secs Asia Pacific, Hong Kong	5,247.66
J P Morgan Secs, Singapore	610.48
Keefe Bruyette and Woods, Jersey City	4,611.76

Broker Name	Commissions Paid
Kellogg Partners, New York	1,396.50
Keybank Capital Markets Inc, New York	1,804.16
King (Cl) & Associates, Albany	1,895.36
Knight Equity Markets L.P, Jersey City	148.00
Knight Sec Broadcort, Jersey City	13,315.35
Lasker Stone & Stern, New York	292.00
Lazard Capital Markets LLC, New York	403.04
Leerink Swann & Co, Jersey City	2,455.68
Liquidnet Inc, Brooklyn	7,436.86
Longbow Securities LLC, Jersey City	1,501.56
Macquarie Bank Ltd, Sydney	1,394.32
Macquarie Capital Ltd, London	4,561.97
Macquarie Secs (Singapore) Singapore	355.38
Macquarie Securities Limited, Hong Kong	1,875.07
Macquarie Securities (USA) Inc, Jersey City	576.80
Merrill Lynch Intl London Equities	1,417.89
Merrill Lynch Pierce Fenner Smith Inc NY	14,987.95
Merrill Lynch Pierce Fenner, Wilmington	1,324.82
Merrill Lynch Professional Clrg, Purchas	1,442.86
Mesirow Financial Inc, Chicago	96.00
Mitsubishi UFJ Sec (USA), New York	3,073.03
Mizuho Securities USA Inc, New York	4,821.35
MKM Partners LLC, Greenwich	852.04
MKM Partners, Greenwich	653.00
Morgan Joseph & Co Inc, Brooklyn	42.40
Morgan Keegan & Co Inc, Memphis	5,987.20
Morgan Stanley & Co Inc, New York	15,870.34
National Finl Svcs Corp, New York	1,315.00
Needham & Co, New York	4,334.52
Nesbitt Burns, Toronto	82.01
Nomura Financial & Investment, Seoul	3,310.12
Nomura Secs Co Ltd, Seoul	1,490.15
Nomura Secs Intl Inc, New York	23,866.48
Nomura Secs Intl, London	1,562.14
Oneil William & Co Inc/Bcc, Los Angeles	1,156.00
Oppenheimer & Co Inc, New York	9,972,82
Pacific Crest Sec, Portland	4,928.76
Pershing LLC, Jersey City	966.79
Pickering Energy Partners, Houston	961.00
Pipeline Trading Systems LLC, New York	80.00
Piper Jaffray & Co, Minneapolis	9,884.96
Pritchard Capital Partners, Jersey City	820.00
Pulse Trading LLC, Boston	490.40
Raymond James & Assoc Inc, St Petersburg	10,984.67
RBC Capital Markets Corp, Minneapolis	3,673.00

Broker Name	Commissions Paid
RBS Securities Inc, Stamford	2,844.40
Roth Capital Partners LLC, Irvine	360.40
Royal Bank of Scotland N.V. London	1,588.67
Sandler O'Neil & Partners, New York	1,289.36
Sanford C Bernstein & Co Inc, London	10,745.42
SG Sec (London) Ltd, London	6,013.88
Sidoti & Co LLC, New York	3,827.54
Sis Segaintersettle Ag, Zurich	3,257.54
Skandinaviska Enskilda Banken, London	4,870.83
Soleil Securities Corp, Jersey City	228.00
Stephens Inc, Little Rock	1,813.50
Sterne Agee & Leach Inc	2,038.72
Stifel Nicolaus	8,299.58
Suntrust Capital Markets Inc, Atlanta	7,496.24
Svenska Handelsbanken, New York	2,514.86
Thinkequity Partners LLC, Minneapolis	470.00
Thomas Weisel Partners, San Francisco	1,654.90
UBS Equities, London	162.17
UBS Securities LLC, Stamford	35,816.00
Union Bank Switzerland Secs, London	4,361.60
Wedbush Morgan Secs Inc, Los Angeles	1,731.76
Wedge Securities LLC, Jersey City	812.00
Weeden & Co, New York	32,336.48
William Blair & Co, Chicago	6,627.00
Wunderlich Securities Inc, Baltimore	731.28
Total Brokerage Commissions Paid	**$918,866.87**

INTRODUCTION
The following represents highlights from the Board's investment guidelines adopted on January 21, 2010. These guidelines, which set forth the Board's expectations, restrictions, and policy decisions, were developed to assist the System's staff and consultants in the daily management of the System's assets.

BACKGROUND
The System is currently experiencing a positive cash flow, however, it is expected that this will gradually decline in the future. The System currently meets routine benefit payments from incoming revenue as opposed to any depletion of invested assets.

PHILOSOPHY
The Board considers itself a conservative fiduciary, placing the greatest emphasis on quality of investments and consistency in return. Despite this conservative posture, the Board still believes that the five-year rate of return on investments should exceed the recognized market indices for the various asset vehicles. After consideration of the System's 2007 asset allocation study as well as current market trends, the Board established its allocation goals as follows:

Equities (large capitalized firms)	25%
Equities (small capitalized firms)	15%
Equities (international developed markets)	15%
Equities (emerging markets)	10%
Fixed income	20%
Real estate	10%
Timber land	5%

OBJECTIVE
The Board's investment objective is to benefit PMRS member municipalities by adding value to their assets. Recognizing that inflation can erode value, the Board's goal is to have the fund earn at least 2% more annually than the average annual inflation rate over a long period of time. While this is the System-wide goal, individual investment managers' performance measures rely on other characteristics that are specifically spelled out in the individual contractual service agreement.

PORTFOLIO CONSTRUCTION
Short-Term Considerations
It is the Board's desire to remain as fully invested as possible. Therefore, any manager in a cash or cash equivalent position must either invest in vehicles authorized by the System or utilize the System's depository relationship with the State Treasurer who, in turn, invests all cash on a daily basis. No management fee will be paid by the System for any portion of a manager's average assets in excess of 5% remaining in cash equivalents at Treasury after the end of any given quarter.

Fixed Income Considerations
The Board seeks to bring income and stability to the overall portfolio through fixed income vehicles. The bond portfolio must be invested in quality vehicles, and it is expected to be diversified from a geographic and industrial standpoint. No single holding of an investment manager other than a U.S. Government bond is to account for more than 5% of the fair value of an investment manager's bond portfolio. The System shall not hold as assets more than 10% of any one bond issue nor more than 5% of the bonds of any one issuing agent. Corporate bonds of any given industry are not to account for more than 25% of the fair value of the bond portfolio.

Equity Investment Policy
The System's equity portfolio reflects the Board's desire to include growth through market appreciation. The Board requires an equity portfolio with diversification, quality issuance, and underlying value. No single equity holding may account for more than 7.5% of the fair value of the System's equity portfolio. Generally, no single sector should account for more than 20% of the value of an individual manager's portfolio. No more than 1% of the capitalization of any company is to be held by the System. The cumulative holdings

of a manager for all of that manager's clients shall account for no more than 5% of the outstanding voting common stock of a corporation.

Real Estate Policy

The Board believes that diversification in investment vehicles should enhance the potential return on investments without significantly altering the overall risk of the portfolio. Investment decisions regarding the real estate portfolio shall be guided by the objectives to preserve capital, maximize cash distributions and income, achieve a total return competitive with the other asset classes, and maintain a broad diversification of assets and managers. Real estate vehicles may be both direct equity participation and participation in commingled funds that involve equity participation with consideration given to types of properties and geographic location. The investment process and specific limitations shall be detailed in each real estate manager's contract.

Prohibited Transactions

The Board prohibits (1) purchasing of commodities, mineral rights, and warrants except those previously authorized; (2) short selling and the purchasing of securities on margin; and (3) selling or buying options or future contracts on either fixed income or equity instruments. Leveraged derivatives of any nature or the use of derivatives to create leverage are strictly prohibited.

Execution and Operation

The System utilizes The Bank of New York Mellon as a master custodian and the Pennsylvania State Treasury as the depository.

Investment managers are directed to execute orders on the best net execution/price basis. Transactional costs and the rate of turnover are monitored. Active equity managers are expected to execute trades on the auction market at a rate close to the execution-only cost (currently averaging three cents per share or less).

The investment managers may enter into agreements with certain brokerage houses in order to participate in a recapture program whereby a designated percentage of the System's trades handled by these brokerage firms will be returned as cash to the System and be treated as new income for the benefit of the membership. It is expected that under such an arrangement, the average execution cost of all trades will approximate the execution-only price.

The Board assumes full responsibility for exercising the voting privilege contained in proxy solicitations generated by companies domiciled in the U.S. and has adopted specific guidelines for staff guidance. These guidelines as adopted and hereafter amended are an integral part of the System's investment guidelines. Proxy solicitations by non-U.S. domiciled companies are handled by the investment manager that holds the security of that company in their portfolio.

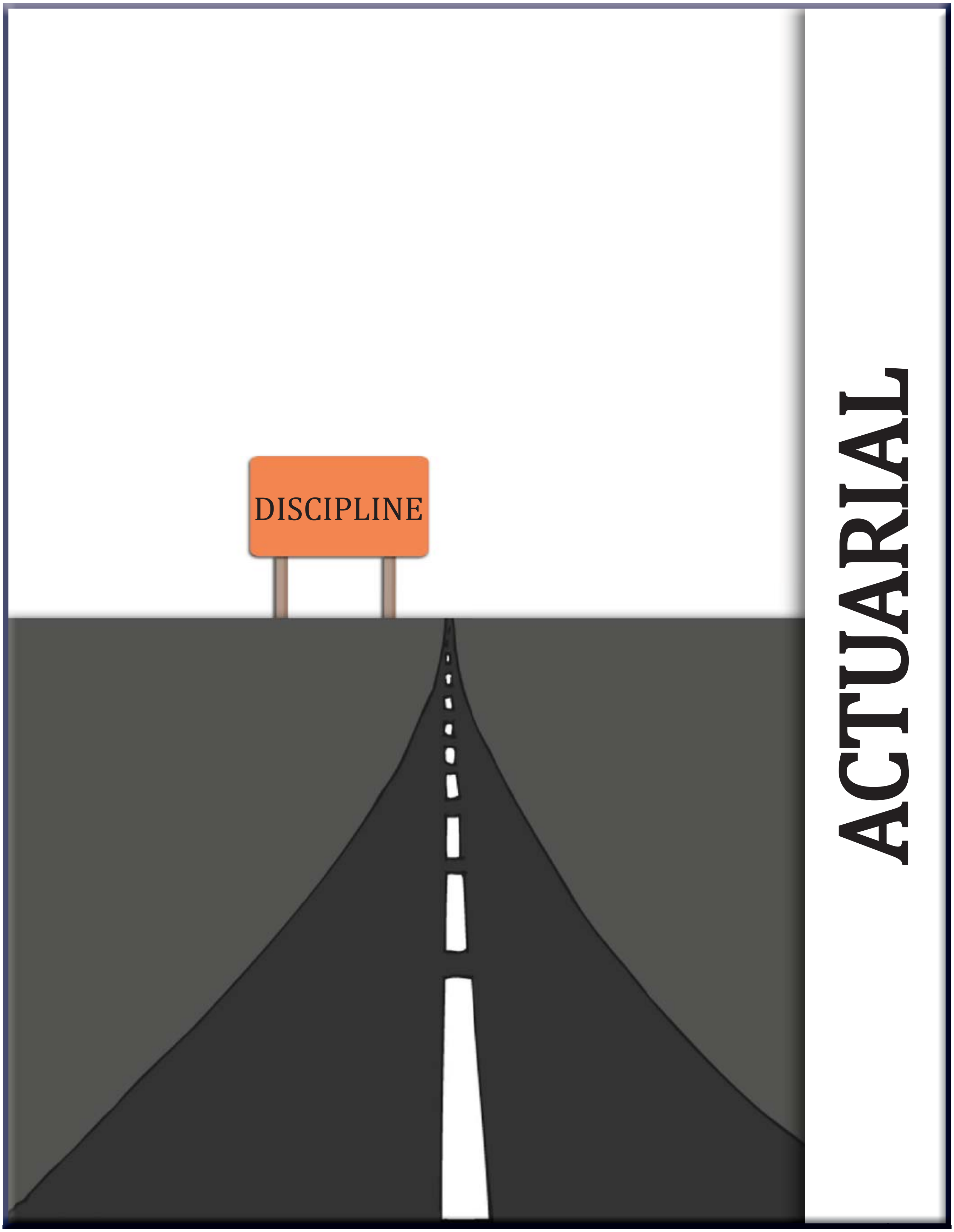
Communications

The Board expects an open and constant line of communication between the System's staff and investment managers. Reports required of investment managers to the Board and staff include a timely confirmation of all transactions, a monthly summary of transactions, a quarterly statement of asset values at cost and fair value, any explanation of contemplated major shifts in investment strategy or manager style before implementation, and an explanation of major changes in organization or the personnel associated with the System's account. Active equity managers are required to report on a quarterly basis the average commission price per share traded during the quarter. In addition to the written reports, the investment managers are obligated to make periodic personal appearances before the Board as specifically spelled out in the investment manager's contract.

Investment managers' fees are paid in hard dollars. The cost for each investment manager is based on the fair value of the firm's quarterly average balance in the System's portfolio.

Monitoring

The System monitors the performance of its investment managers through direct involvement of the Board, the System's staff, and any consultant hired for this purpose by the Board.


DISCIPLINE
ACTUARIAL

Actuary's Certification Letter

CHEIRON Classic Values, Innovative Advice

May 4, 2011

Pennsylvania Municipal Retirement Board of the
Pennsylvania Municipal Retirement System
c/o James B. Allen, Secretary
P.O. Box 1165
Harrisburg, PA 17108-1165

Dear Members of the Board:

At your request, we have conducted the annual actuarial valuation of the Pennsylvania Municipal Retirement System (System) as of January 1, 2010. This report includes the valuation of the five county plans and reflects a roll forward of all other plans administered by the System. The results of the valuation are contained in this report. The purpose of the valuation is discussed in the Foreword.

This report contains information on System assets, as well as analyses which combine asset and liability performance and projections. As a single retirement system made up of plans for participating municipalities and counties in which assets and liabilities are separately accounted for, this report reflects aggregate valuation results for the System which is considered a multiple employer plan. The report provides statistics on employer contribution levels for the defined benefit portion of the municipal plans participating in the System as of the valuation date as well as required disclosures under the Governmental Accounting Standards Board Statement #25 for the entire System.

Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions on which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief. All municipalities that were required to file an Act 205 form as of January 1, 2009, had their liabilities actuarially adjusted and included in this report to maintain a true valuation of the System from year to year. All county plans reported to the State for the Act 293 2010 System Year are the actual values. Additionally, we rely on future System experience conforming to the underlying assumptions. To the extent that actual System experience deviates from the underlying assumptions, the results would vary accordingly.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the System. This information includes, but is not limited to, the plan provisions, employee data, and financial information.

We hereby certify that, to the best of our knowledge, this report and its contents, which are work products of Cheiron, Inc., are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices, except as noted in our report, which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board.

Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Kenneth A. Kent, FSA, FCA	Karen M. Zangara, FSA
Principal Consulting Actuary	Consulting Actuary

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PENNSYLVANIA MUNICIPAL RETIREMENT SYSTEM

FOREWORD

Cheiron has performed the actuarial valuation of the Pennsylvania Municipal Retirement System (System) as of January 1, 2010. The purpose of this report is to:

1) Measure and disclose, as of the valuation date, the financial condition of the System;

2) Indicate trends in the financial progress of the System;

3) Determine the average contribution rate to be paid by the System's individual municipalities; and

4) Provide specific information and documentation required by the Governmental Accounting Standards Board (GASB).

An actuarial valuation establishes and analyzes System assets and liabilities on a consistent basis and traces the progress of both from one year to the next. It includes measurement of the System's investment performance as well as an analysis of actuarial liability gains and losses.

Section I presents a summary containing our findings and disclosing important trends experienced by the System in recent years.

Section II contains details on various asset measures, together with pertinent performance measurements.

Section III shows similar information on System liabilities, measured for actuarial, accounting, and government reporting purposes.

Section IV shows the distribution of the municipalities' contribution rates by component.

Section V includes the required disclosures under GASB Statement Number 25.

The appendices to this report contain a summary of the System's membership at the valuation date, and the actuarial methods and assumptions used in the valuations.

As this System is a multiple employer plan in which each of the participating municipalities are entitled to define and submit to the Board for amendment the benefit provisions for their respective employees, the actual plan provisions are not included in this report. We based our results on the plan provisions defined and submitted to the State under the 2009 Act 205 filings and 2010 Act 293 filings in preparing this valuation. Because the System is bound by Act 205 to complete a biennial valuation for each employer, we have developed liabilities for 2010 for all county plans required to submit a valuation as of January 1, 2010. For the municipalities valued as of January 1, 2009 we used the 2009 results and current active counts to estimate the liabilities for these plans to provide an overall measure of the funded status of the System. This method is referred to as a "roll forward" and is used throughout this report in all 2010 calculations for the municipalities to provide a reasonable estimate of the aggregate System results.

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In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Office of System's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information.

The actuarial assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Finally, in preparing this report, we have conformed to generally accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board.

To the extent the laws of the Commonwealth of Pennsylvania and/or the administrative practices of the System differ from Actuarial Standards of Practice, we have identified such deviations within the assumption section of this report.

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Solvency Test

Aggregate Accrued Liabilities for

Valuation Date January 1,	Active Member Contributions (1) [1]	Retirees & Beneficiaries (2)	Active Member Employer Financed Contributions (3)	Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
2010	$348,126,106	$589,362,501	$622,868,929	$1,620,150,779	100%	100%	110%
2009	333,142,928	538,733,517	579,760,819	1,540,152,742	100%	100%	115%
2008	321,567,969	461,965,617	593,667,414 [2]	1,458,148,442	100%	100%	114%
2007	293,593,948	471,770,821	516,657,229	1,336,009,295	100%	100%	110%
2005	231,122,200	395,061,900	528,674,100	1,219,130,000	100%	100%	112%
2003	213,174,400	329,766,100	412,318,900	1,084,828,900	100%	100%	131%

Funded Status of Actuarial Liabilities

GASB Statement No. 25 Disclosure

Valuation Date January 1,	Actuarial Value of Assets (A)	Actuarial Liability (AL) Entry Age (B)	Unfunded AL (Surplus) (B-A)	Funded Ratio (A/B)
2010	$1,620,150,779	$1,560,357,536	$(59,793,243)	103.8%
2009	1,540,152,742	1,451,637,264	(88,515,478)	106.1%
2008	1,458,148,442	1,377,201,000 [2]	(80,947,442) [2]	105.9%
2007	1,336,009,295	1,282,021,998	(53,987,297)	104.2%
2006	60,678,307	55,251,080	(5,427,227)	109.8%
2005	1,219,130,000	1,154,858,200	(64,271,800)	105.6%
2004	54,024,249	45,580,670	(8,443,579)	118.5%
2003	1,084,828,900	955,259,400	(129,569,500)	113.6%

The actuarial assumptions as of January 1, 2010, are shown in the assumptions and methods section. The above information was derived from the following membership data, as provided by the System, regarding:

- ♦ Five defined benefit plans required to re-determine contribution levels as of January 1, 2010;
- ♦ 696 defined benefit county and non-county plans and 203 cash balance only plans as of January 1, 2009;
- ♦ Four defined benefit plans required to re-determine contribution levels as of January 1, 2008 (prior year non-county benefit plans estimated from the January 1, 2007 valuation);
- ♦ 679 defined benefit county and non-county plans and 177 cash balance only plans as of January 1, 2007;
- ♦ Four defined benefit plans required to re-determine contribution levels as of January 1, 2006;
- ♦ 678 defined benefit county and non-county plans and 169 cash balance plans as of January 1, 2005;
- ♦ Four defined benefit plans required to re-determine contribution levels as of January 1, 2004;
- ♦ 656 defined benefit county and non-county plans and 163 defined contribution only plans as of January 1, 2003;

(1) This includes the sum of the active member employee contribution balances, the member separate annuity account balances, the municipal for separate annuity account balances, and the excess interest allocations.(

2) The liability was changed to address an inconsistency in the report.

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Note to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2010
Actuarial cost method	Entry age
Amortization method	Level dollar for Plan Bases and an average for Aggregate Gain/ Loss, 10% of surplus is credited against aggregate cost where applicable
Actuarial assumptions:	
Investment rate of return [1]	6.0%
Projected salary increases [1]	3.0% - 7.8%
[1] Includes inflation at	3.0%
Cost-of-living adjustments	ad hoc

The rate of employer contributions to the System is composed of the normal cost, amortization of the unfunded actuarial liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial liability. The allowance for administrative expenses is based upon the System's actual administrative expenses.

Schedule of Retirees and Beneficiaries

Added to and Removed from Rolls in Last Six Years

Valuation Date January 1,	Added to Roll	Average Annual Annuities Added [2]	Deleted from Roll	Average Annual Annuities Removed [2]	Number on Roll	Annual Annuities	Percentage Increase in Annuities	Average Annual Annuities	Percentage Increase in Average Annual Annuities
2010	296	$16,030	137	$9,458	3,909	$48,897,954	7.7%	$12,509	3.3%
2009	271	13,883	119	11,494	3,750	45,414,210	5.9	12,110	1.6
2008	236	12,780	97	8,921	3,598	42,895,559	7.6	11,922	3.4
2007	252	12,828	170	N/A	3,459	39,870,509	5.1	11,527	2.6
2006	268	N/A	83	N/A	3,377	37,943,181	9.4	11,236	3.4
2005	251	N/A	116	N/A	3,192	34,691,928	8.4	10,868	3.8

(1) The actuarial assumptions used have been recommended by the actuary and adopted by the System's Board based on the most recent review of the System's experience completed in 2004.

(2) The System contracted a new actuary and implemented a computer software package. Historical information is not available.

Schedule of Total Membership

Six Year Trend

Valuation Date January 1,	Active Members Defined Benefit Plans	Active Members Cash Balance Plans	Retirees	Beneficiaries	Deferred Pensions	Inactive Members	Total
2010	8,357	994	3,449	460	834	23	14,117
2009	8,411	978	3,289	461	847	0	13,986
2008	8,383	950	3,173	425	744	7	13,682
2007	8,314	918	2,965	494	723	33	13,447
2006	8,374	896	2,941	436	675	66	13,388
2005	8,341	867	2,768	424	602	165	13,167

Funded Status of Actuarial Liabilities

Schedule of Total Membership Over Last Six Years

	As of January 1[1]					
	2010	2009	2008	2007	2006	2005
a. Retirees currently receiving benefits	3,449	3,289	3,173	2,965	218	2,768
b. Beneficiaries currently receiving benefits	460	461	425	494	8	424
c. Terminated vested employees entitled to future benefits from DB plans	647	650	570	561	53	464
d. Terminated non-vested employees entitled to contribution refunds from DB plans	23	0	7	33	7	165
e. Active employees in defined benefit plans	8,357	8,411	8,383	8,314	717	8,341
i. Aggregate salary	$377,960,930	$372,370,037	$364,865,185	$358,690,830	$23,905,899	$319,004,918
ii. Vested[2]	5,025	4,952	4,913	4,430	358	4,603
iii. Non-vested	3,333	3,459	3,470	3,884	359	3,738
f. Participants in cash balance-only plans	1,181	1,175	1,124	1,080	--	1,005
i. Aggregate salary[3]	$35,104,086	$32,811,919	$31,107,136	$28,213,485	--	$26,807,519
ii. Active	994	978	950	918	--	867
iii. Inactive	187	197	174	162	--	138

[1] Years 2005, 2007, 2008, 2009 and 2010 include defined benefit non-county plans, defined benefit county plans, and cash balance-only plans. 2006 includes defined benefit county plans only.

[2] Count of vested participants estimated based on service as of valuation date.

[3] Actual salary for preceding valuation date. Projected salary at 5% for year following valuation for 2008 only.

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Schedule of Active Member Valuation Data

Last Six Years

Valuation Date 1/1	Number of Active Members	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll	Percentage Increase in payroll	Average Annual Salary	Percentage Increase in Average Annual Salary
Defined Benefit Plans								
2010	8,357	(0.6)%	697	.1%	$377,960,930	1.5%	$45,227	2.2%
2009	8,411	0.3	696	.5	372,370,037	2.0	44,272	1.7
2008	8,383	0.8	692	1.3	364,865,000	1.7	43,524	0.9
2007	8,314	(0.7)	683	0.0	358,691,000	7.6	43,143	8.4
2006	8,374	0.4	683	0.9	333,300,000	4.5	39,807	4.1
2005	8,341	(1.8)	678	2.4	319,005,000	0.7	38,245	2.5
Cash Balance Plans								
2010	994	1.6%	203	(.5)%	35,104,086	6.9%	$35,316	5.3%
2009	978	3.0	204	10.0	32,811,919	5.5	33,550	2.5
2008	950	3.5	183	3.4	31,107,000	10.3	32,744	6.5
2007	918	2.5	177	2.9	28,213.000	1.0	30,734	(1.6)
2006	896	3.3	172	1.8	27,970,000	4.3	31,218	1.0
2005	867	(3.8)	169	(3.4)	26,808,000	6.0	30,920	10.3

Actuarial Assumptions and Methods

Actuarial Assumptions

The current PMRS actuarial assumptions used in this study are as follows.

A. Healthy Life Mortality rates: Sample rates are:

(a) Type of Death:

(i) 15% of mortality is assumed to be service related for municipal plans, and

(ii) 50% of mortalities are assumed to be service related for uniform plans.

B. Disabled Life Mortality Rates: Mortality under healthy life table for a life 10 years older.

Healthy Life Mortality Rates

Age	Retirees Prior to January 1, 2005 (1983 GAM Males; females setback 6 years)		New Retirees on or after January 1, 2005 (1994 GAM)	
	Male	Female	Male	Female
50	0.39%	0.19%	0.26%	0.14%
55	0.61	0.35	0.44	0.23
60	0.92	0.57	0.80	0.44
65	1.56	0.84	1.45	0.86
70	2.75	1.39	2.37	1.37
75	4.46	2.48	3.72	2.27
80	7.41	4.04	6.20	3.94
85	11.48	6.71	9.72	6.77

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C. Termination Rates Before Retirement:

For all plans with 25 or more active members, the termination rates indicated below were used; for municipalities with between 6 and 24 members, a percentage of the indicated rates where such percentage equals 100 percent less 5 percent x (25 – number of members); for municipalities with 5 or fewer members, no terminations were assumed.

Termination Rates Before Retirement

	Current Valuation Rate [1]		
	Uniformed	Municipal	
Years of Service	M&F	Male	Female
Less than 1	13%	13%	16%
1 but less than 2	10	12	15
2 but less than 3	7	10	13
3 but less than 4	7	9	11
4 but less than 5	6	6	9
5 but less than 6	5	6	8
6 but less than 7	4	6	7
7 but less than 8	3	5	7
8 but less than 9	3	4	6
9 but less than 10	3	3	5
10 or more	3	2	4

D. Disability Incidence Rates:

Municipal - 40% of 1964 OASDI (Social Security) Experience for Males. Sample rates are to the left:

Municipal Rates

Age	Current Valuation Rate (%)
25	0.034%
35	0.059
45	0.144
55	0.404
65	0.928

Uniformed plans - 60% of 1964 OASDI (Social Security) Experience for Males. Sample rates are shown at right:

Uniformed Rates

Age	Current Valuation Rate (%)
25	0.051%
35	0.088
45	0.216
55	0.605
65	1.393

Type of disability:

(i) 15% of disablements are assumed to be service related for municipal plans

(ii) 50% of disablements are assumed to be service related for uniform plans.

E. Workers compensation:
Service related disability benefits payable from municipal plans are offset by 25% of final average salary.

F. Salary Scale: Three year select rates include 3.0% inflation and age-related scale for merit/seniority based on sample rates as shown at right plus 2% during the select period only then reverting to inflation and merit/seniority thereafter. Final actual salary plans assume an additional 6% at retirement.

Sample rates are:

Sample Salary Rates

Age	Total Rate (%) [2] (including inflation)
25	7.8%
30	5.9
35	5.1
40	4.5
45	4.2
50	4.1
55	3.9
60	3.7
65	3.0

G. Retirement age: The age at which unreduced benefits are available. No early retirement is assumed. Specific assumptions regarding retirement age are:

a) Uniformed Members:

(i) Members first eligible to retire at age 57 or younger will defer their retirement four years,

(ii) Members first eligible to retire at ages 58, 59, 60, or 61 will retire at age 62, and

(iii) Members first eligible to retire at ages 62 or older will retire when first eligible.

[1] No termination rates are applied once the employee becomes eligible for voluntary early or normal retirement.

[2] Add 2% for each of the first 3 years of service.

b) Municipal Members:

Members are assumed to retire over a range of ages as shown at right:

Inactive vested members are assumed to retire when first eligible for unreduced benefits.

Retirement Assumptions

Age	Current Rate of Normal Retirement [1]
Under 46	5%
46 - 54	15
55 - 59	10
60 - 61	10
62	30
63 - 64	20
65	35
66 - 74	15
75	100

H. Marital Status and Spouse's Age [2]**:** 85 percent of members will be married at time of retirement and females are four years younger than their spouses.

I. Social Security Projections [2]**:**

a) The Social Security Taxable Wage Base will increase by 3.5% compounded annually;

b) The Consumer Price Index will increase by 3.0% compounded annually;

c) The Average Total Wages of All Workers will increase by 3.5% compounded annually.

J. Post-Retirement Cost of Living Increases [2]**:**

3.0% per year, subject to plan limitations.

K. Net Investment Return:

6.0% compounded annually (net of investment and certain administration expenses) for funding purposes.

L. Administrative Expenses:

The reserve for non-investment related expenses of the System, net the $20 per participant annual assessment is based on expected expenses for the current year. The amount allocated for 2009 is $3,375,000.

Actuarial Methods

Contribution requirements are individually determined for each participating municipality, on an actuarial basis as described below, at least biannually. The frequency of actuarial valuation is determined by applicable Commonwealth statute (Act 205 of 1984 and Act 293 of 1972). The following actuarial methods were adopted effective January 1, 1985, unless indicated otherwise.

ACTUARIAL VALUE OF ASSETS:

Sum of all audited reserve accounts as of the valuation date, including Member, Municipal, Retired, and Disability Reserves, and a one-year administration expense reserve, plus the portion of any additional investment income to be distributed as "excess interest." The actuarial value can never be less than 90 percent of fair market value.

Each year, municipalities receive an excess interest allocation derived as a portion of new surplus created during the prior year. "Surplus" refers to the excess of fair market value over the actuarial value of assets. Once the preliminary actuarial asset value has been determined, a formula is used to allocate the new surplus. Generally, depending on the relative size of surplus to fair market value, between 10 percent and 90 percent of the new surplus will become excess interest.

Based on the unique legislative structure of PMRS, because assets are set equal to reserves under the System, they do not necessarily relate directly or indirectly with the current market value of assets as required under Actuarial Standard of Practice Statement No. 44 which states under section 3.3:

"...the actuary should select an asset valuation method that is designed to produce actuarial values of assets that bear a reasonable relationship to the corresponding market values. The qualities of such an asset valuation method include the following:

[1] Rates indicated are adjusted by adding 5% (and 10% for ages 60-62 under current rate assumptions) for the year in which the member is first eligible for normal retirement.

[2] If applicable.

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a. The asset valuation method is likely to produce actuarial values of assets that are some times greater than and sometimes less than the corresponding market values.

b. The asset valuation method is likely to produce actuarial values of assets that, in the actuary's professional judgment, satisfy both of the following:

   1. The asset values fall within a reasonable range around the corresponding market values. For example, there might be a corridor centered at market value outside of which the actuarial value of assets may not fall, in order to assure that the difference from market value is not greater than the actuary deems reasonable.

   2. Any differences between the actuarial value of assets and the market value are recognized within a reasonable period of time. For example, the actuary might use a method where the actuarial value of assets converges toward market value at a pace that the actuary deems reasonable, if the investment return assumption is realized infuture periods.

In lieu of satisfying both (1) and (2) above, an asset valuation method could satisfy section3.3(b) if, in the actuary's professional judgment, the asset valuation method either (i) produces values within a sufficiently narrow range around market value or (ii) recognizes differences from market value in a sufficiently short period."

On this basis, the administrative rules adopted by the PMRS Board, which are not subject to comply with Actuarial Standards of Practice (ASOP), when defining the Actuarial Value of Assets, does not necessarily meet the requirement of ASOP 44 Selection and Use of Asset Valuation Methods for Pension Valuations.

ACTUARIAL COST METHOD

Entry Age Normal Actuarial Cost Method.

Entry age is defined as attained age less credited service. The normal cost rate is derived as a level percent of future compensation of current employees, on an individual basis. This rate is applied to the projected payroll and projected employee contributions are deducted. Actuarial gains (or losses), including the effect of contributions greater or lesser than the previously determined actuarial level, are reflected by decreases (or increases) in the unfunded actuarial liability. Under Act 205 of 1984, the unfunded actuarial liability is amortized as a level dollar amount over the lesser of:

a) i. 30 years, with respect to the initial liability as of 1/1/85 (or first valuation);
   ii. 20 years, with respect to actuarial gains and losses;
   iii. 20 years, with respect to changes due to actuarial assumptions;
   iv. 20 years, with respect to changes due to plan provisions;
   v. 10 years, with respect to changes in benefits for currently retired members; or

b) the average assumed working lifetime of active employees as of the date the liability was established[1].

With the two exceptions which follow, the funding method is applied individually with respect to each municipality:

1) Retired and disabled members are paid monthly benefits from the System's Retired Reserve account, which at the time of retirement receives a transfer from the municipal and member accounts in an amount actuarially determined to be sufficient to pay all future benefits for the member (and, if applicable, a surviving beneficiary). Thus, post-retirement experience

(1) If there are no active employees, the unfunded liability is amortized one year after the liability was established.

is pooled with the System. (However, this procedure does not apply to the legislated ad-hoc adjustments effective January 1, 1989.)

2) A disabled member's pension is met in part from the amount that can be provided by the value of that portion of the member's accrued benefit attributable to municipal contributions, with the balance of the pension being provided by the appropriate transfer from the Disability Reserve Account. The amount of annual transfer from the accumulated municipal contributions to the Disability Reserve Account is determined on the one year term cost basis, i.e. the expected cost of disabilities in the coming year.

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS:

There were no changes in the actuarial assumptions from last year to this year. There was a change in the Actuarial Method for amortizing the unfunded gain/loss. The amortization period was extended from 15 years to 20 years in accordance with amendments to Act 205 by Act 44.

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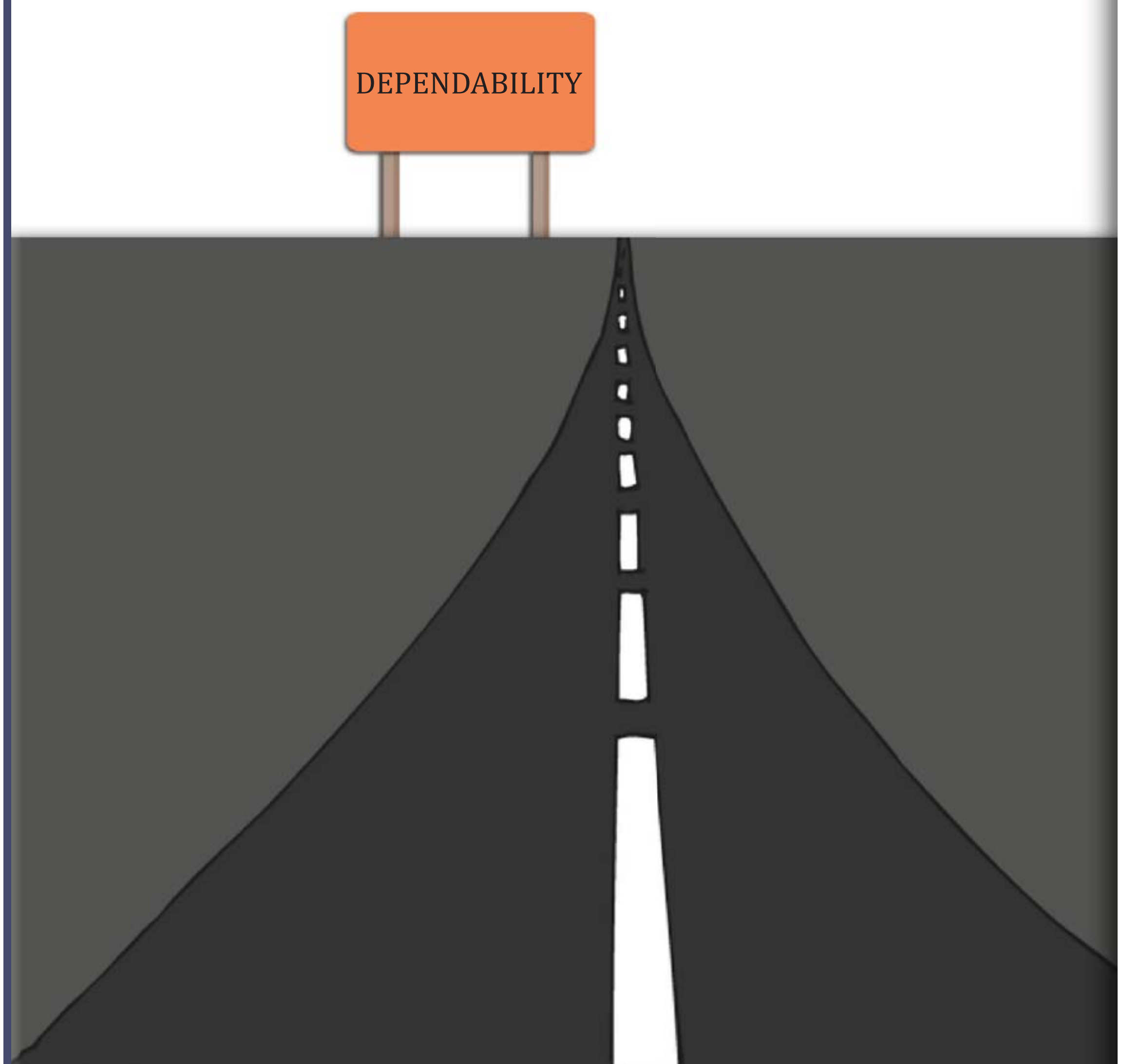
Notes to Actuarial Section

ASSUMPTION ANALYSIS

The System does not conduct an extensive experience study by individual plan because the magnitude of any change in plans of average size becomes misleading and irrelevant. An actuarial experience study covering the period 1/1/1998 to 1/1/2003 was used by the Board as the basis to adopt (with the actuary's recommendation) several changes in assumptions that were implemented with the January 1, 2005, actuarial valuation. A new experience study was performed in 2011 which will first be reflected in the January 1, 2011 Actuarial Valuation.



STATISTICAL

Introduction

The objectives of the statistical section are to provide additional historical perspective, context, and relevant details to assist readers in using information in the financial statements, notes to the financial statements, and required supplementary information in order to understand and assess the System's overall financial condition. In support of these objectives, the System has implemented GASB Statement No. 44, Economic Condition Reporting: The Statistical Section. This statement establishes standardized reporting requirements relative to the supplementary information provided in this section.

The schedules beginning on page 63 compare the revenues versus expenses of the System and include total investments of the System for the past ten years. The schedules also show operating information. The operating information is intended to provide contextual information about the System's operations to assist in assessing the System's economic condition. These schedules provide detailed information about the trends of key sources of additions and deductions to the System's assets, which assist in providing a context framing how the System's financial position has changed over time.

The schedules beginning on page 67 provide information relative to membership. The schedules and graphs reflect changes in active and retired members of the System. The information is intended to provide contextual information about the System's membership and framework for the ratio of funding versus obligations. The schedules beginning on page 69 provide information relative to pension payments and pensions awarded. The information is intended to provide contextual information about payment trends of the System.

All non-accounting data is derived from the System's internal sources.

Data presented in the statistical section is not available prior to 2001.

Number of Members Per Plan
(Plans with 100 or more members)

Plan	Members
Allentown City	804
Bethlehem City	652
Adams County	592
Harrisburg City	476
Jefferson County	248
Adams County-Green Acres	203
Harrisburg City Fire	194
Monroeville Municipality	191
Easton City	170
Bucks County Water & Sewer Authority	148
Pottstown Borough	136
Upper Moreland Township	109
Tredyffrin Township	112
Whitehall Township	103

Changes in Net Assets
Last Ten Years

Fiscal Year	Contributions	Investment Income	Benefit Expenses	Administrative Expenses	Change in Net Assets
2010	$61,930,391	$180,338,425	$63,383,838	$3,183,253	$175,701,725
2009	54,933,975	210,272,809	66,048,632	3,203,478	195,954,674
2008	49,693,605	(387,077,602)	53,771,225	2,986,656	(394,141,878)
2007	46,833,548	114,838,806	49,905,064	2,862,482	108,904,808
2006	37,749,106	161,140,029	62,491,362	2,920,868	133,476,905
2005	36,215,118	100,261,568	48,537,912	3,108,239	84,830,535
2004	33,126,179	140,070,192	45,048,440	3,127,096	125,020,835
2003	29,726,673	208,542,292	39,791,186	2,610,839	195,866,940
2002	42,735,867	(82,539,549)	38,078,434	2,406,732	(80,288,848)
2001	34,267,145	(40,673,724)	40,627,800	2,555,114	(49,589,493)

Revenues by Source
Last Ten Years

	Revenues by Source				
Fiscal Year	Member Contributions	Municipal Contributions [1]	Municipal Assessments [2]	Investment Income	Total Revenue
2010	$20,684,591	$40,949,360	$296,440	$180,338,425	$242,268,816
2009	19,331,869	35,309,446	292,660	210,272,809	265,206,784
2008	17,870,426	31,532,859	290,320	(387,077,602)	(337,383,997)
2007	17,491,672	29,059,248	282,628	114,838,806	161,672,354
2006	16,316,197	21,148,089	284,820	161,140,029	198,889,135
2005	16,046,984	19,890,494	277,640	100,261,568	136,476,686
2004	15,821,360	17,041,418	263,401	140,070,192	173,196,371
2003	14,760,323	14,696,210	270,140	208,542,292	238,268,965
2002	13,639,485	28,836,362	260,020	(82,539,549)	(39,803,682)
2001	13,007,863	21,010,322	248,960	(40,673,724)	(6,406,579)

[1] Contributions were made in accordance with actuarially determined contribution requirements.

[2] Municipal assessments are receipts but not assets of the plans.

Expenses by Type
Last Ten Years

Fiscal Year	Benefit Expenses: Annuity	Benefit Expenses: Termination	Administrative Expenses	Total Expenses
2010	$54,771,528	$8,612,310	$3,183,373	$66,567,211
2009	52,267,003	13,781,629	3,203,478	69,252,110
2008	46,173,544	7,597,681	2,986,656	56,757,881
2007	42,898,882	7,006,182	2,862,482	52,767,546
2006	44,136,795	18,354,567	2,920,868	65,412,230
2005	38,206,205	10,331,707	3,108,239	51,646,151
2004	34,730,243	10,318,197	3,127,096	48,175,536
2003	32,212,191	7,578,995	2,610,839	42,402,025
2002	29,575,725	8,502,709	2,406,732	40,485,166
2001	28,941,799	11,686,001	2,555,114	43,182,914

Schedule of Benefit Deductions from Plan Net Assets by Type
Last Five Years [1]

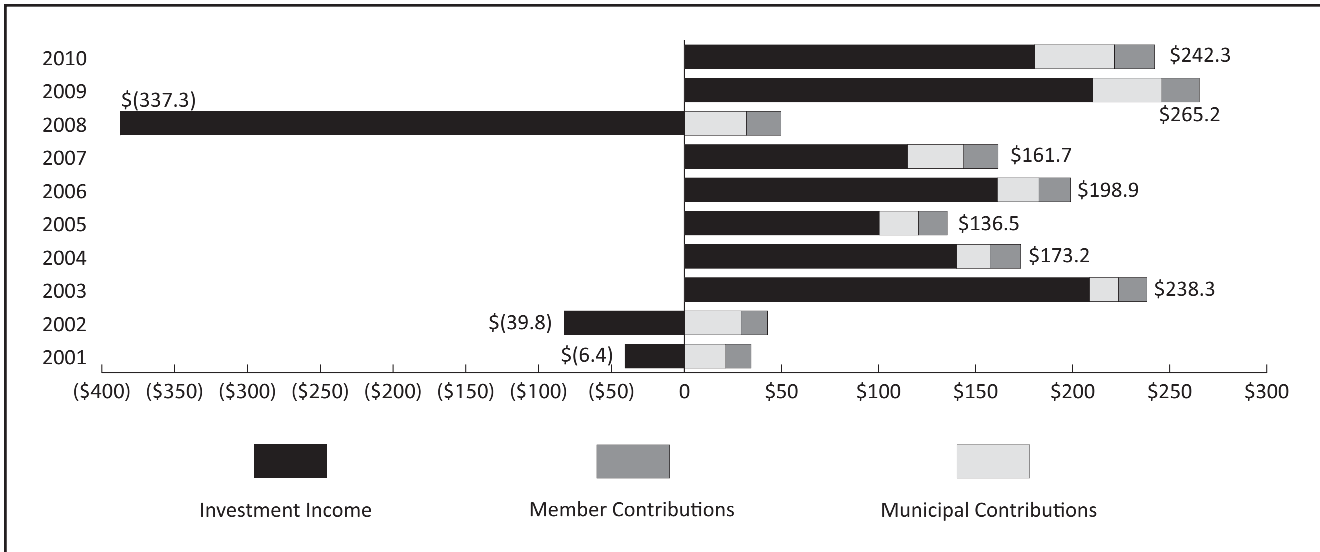
Fiscal Year	Expenses by Type: Normal	Early	Disability	Survivor	Death	Transfer and Other	Total Annuity
2010	$38,721,068	$4,263,362	$1,392,815	$4,376,019	$2,653,312	$3,364,952	$54,771,528
2009	36,648,826	3,780,903	2,462,766	4,284,030	3,523,786	1,566,692	52,267,003
2008	34,911,175	4,549,688	1,351,900	3,897,639	1,397,947	65,195	46,173,544
2007	31,560,201	4,397,101	1,318,921	3,975,518	1,085,900	561,242	42,898,882
2006	29,558,020	4,191,612	1,374,825	3,840,600	1,075,744	4,095,994	44,136,795

Schedule of Refund Deductions from Plan Net Assets by Type
Last Five Years [1]

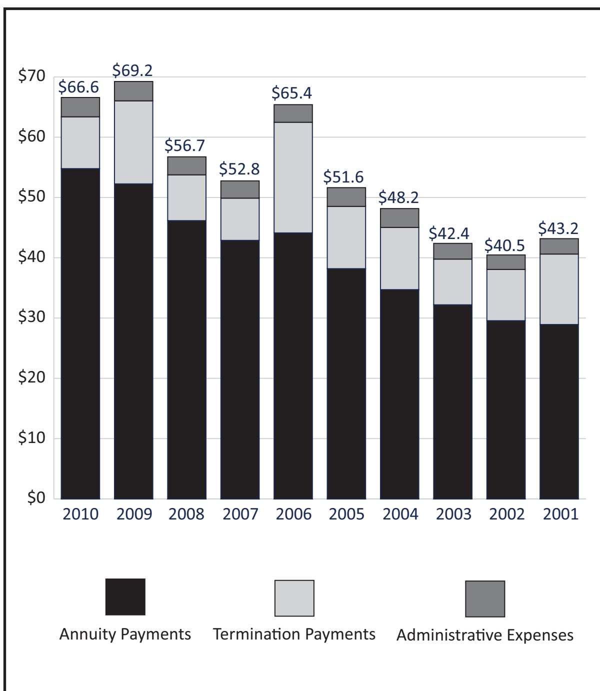
Fiscal Year	Expenses by Type: Terminations	Lump Sum	Total Refunds
2010	$5,657,499	$2,954,811	$8,612,310
2009	11,189,048	2,592,581	13,781,629
2008	6,675,755	921,926	7,597,681
2007	4,262,309	2,743,873	7,006,182
2006	15,971,530	2,383,037	18,354,567

[1] Information prior to 2006 is not available.

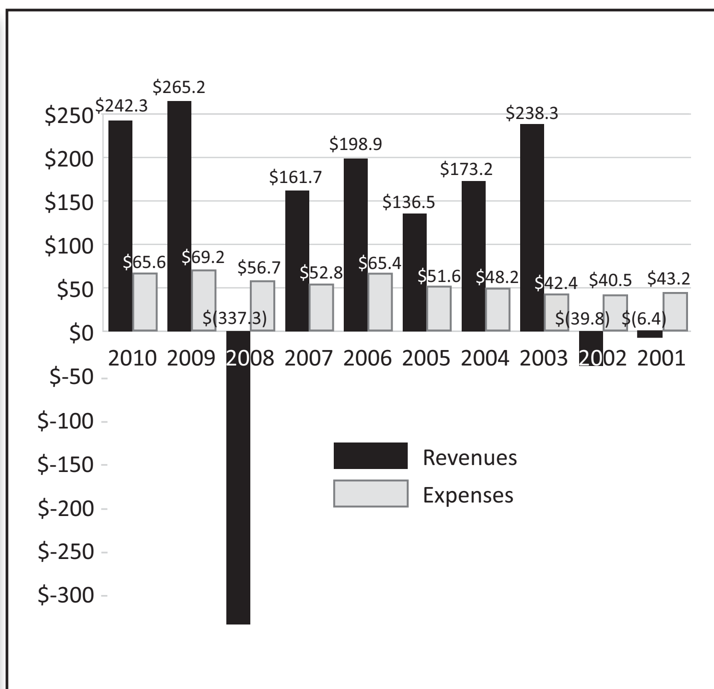
Revenues by Source - Ten-Year Trend
(Amounts in Millions)



Expenses by Type
Ten-Year Trend
(Amounts in Millions)

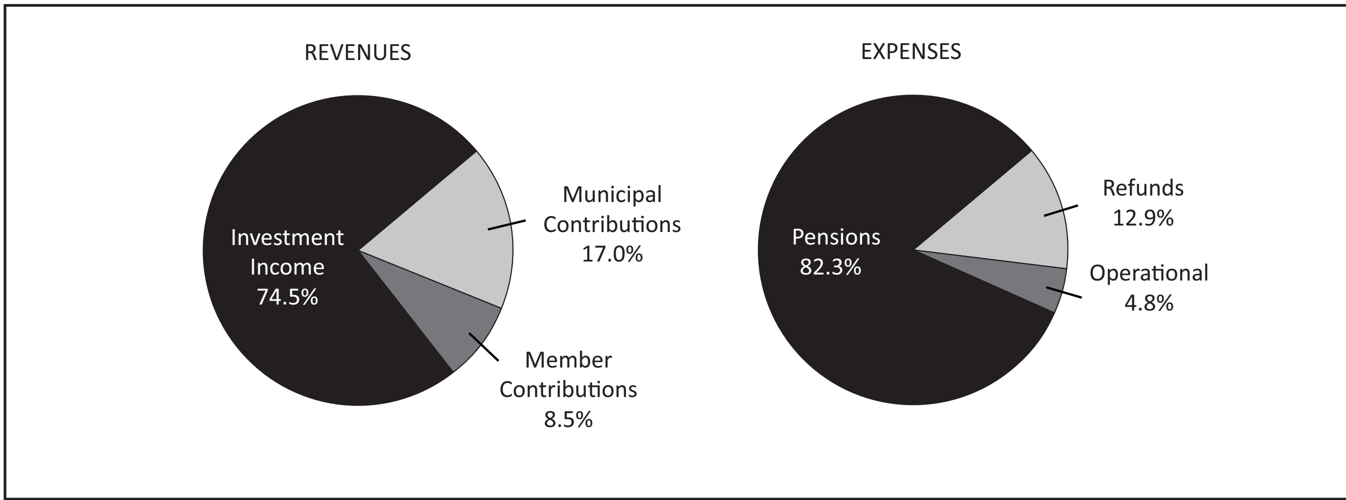


Revenues vs. Expenses
Ten-Year Trend
(Amounts in Millions)



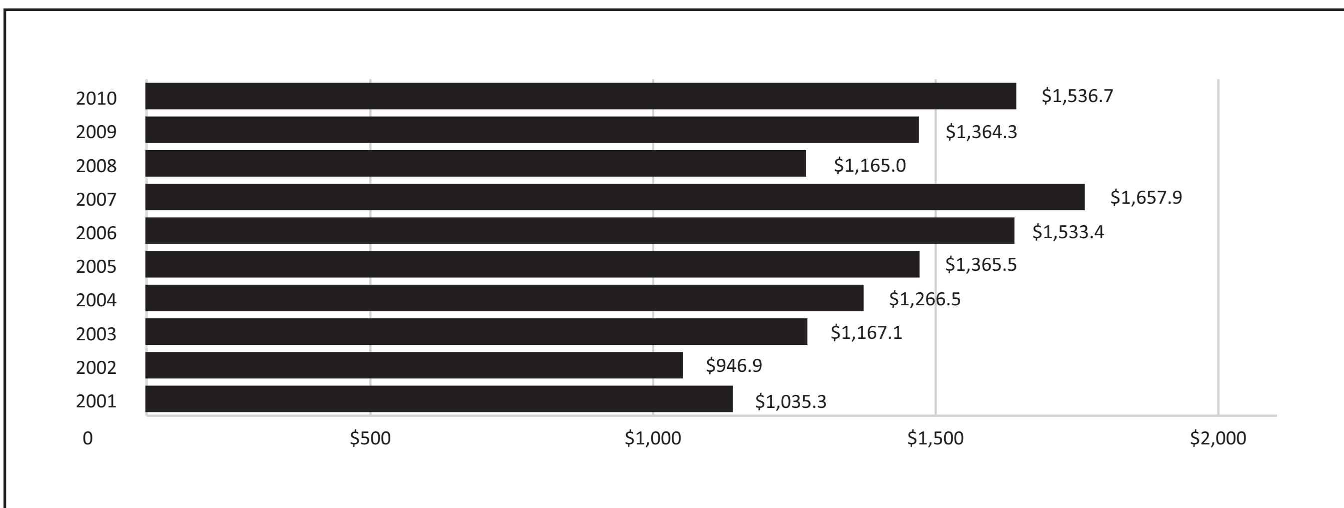
Revenues and Expenses

As of December 31, 2010

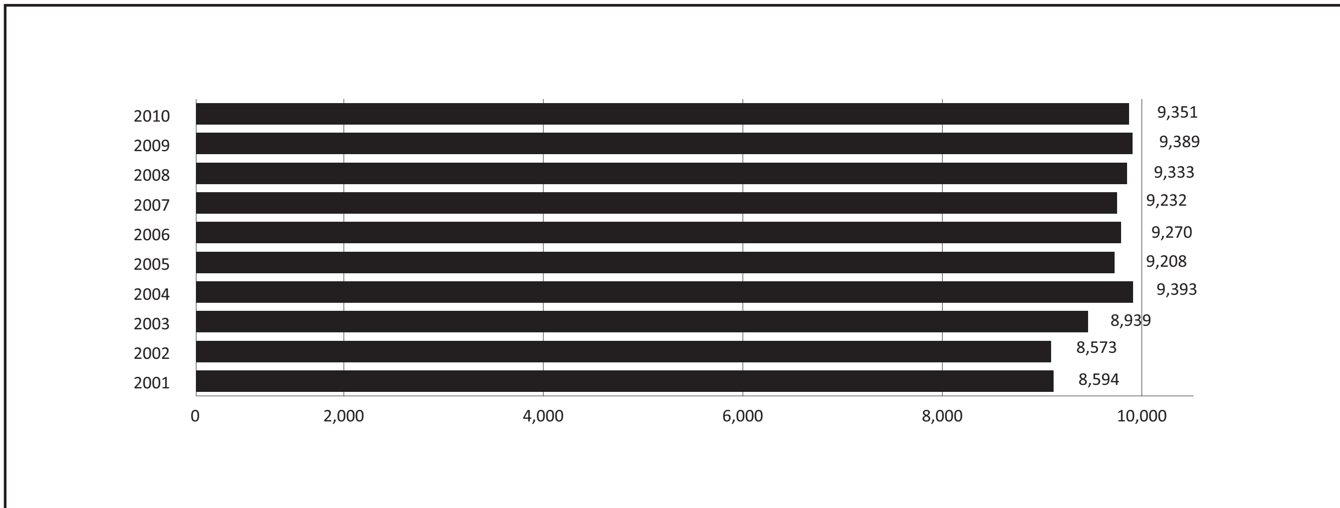


Total Investments - Ten-Year Trend

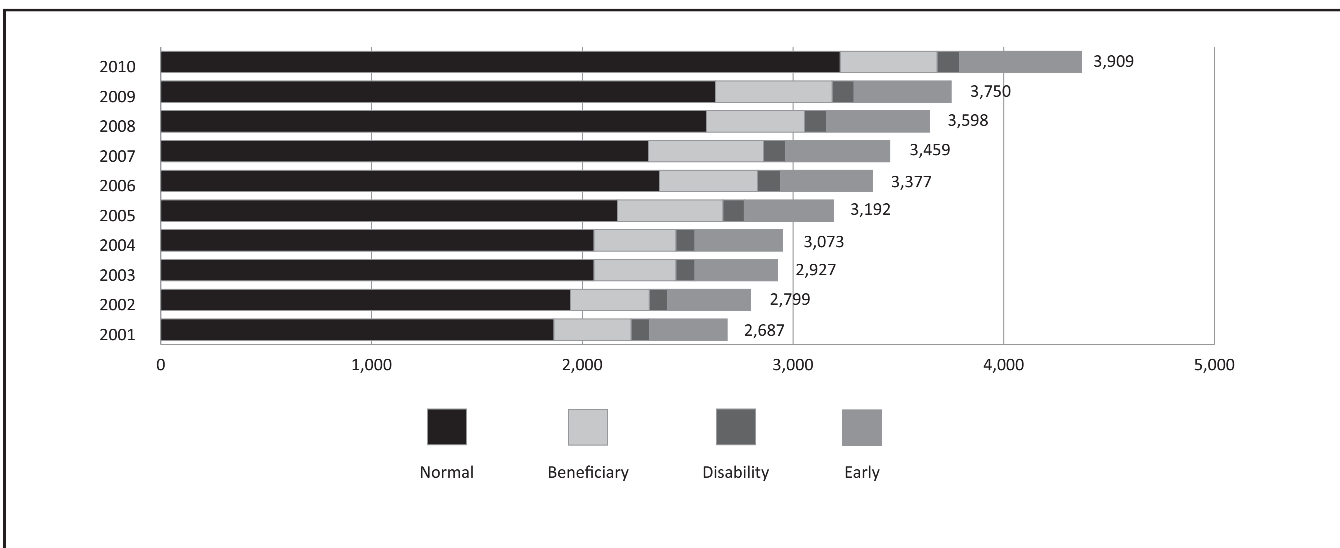
(Fair Value - Amounts in Millions)



Active Members - Ten-Year Trend
Valuation Date 1/1



Retired Members - Ten-Year Trend
Valuation Date 1/1



Distribution of Active Members
by Age and Service as of January 1, 2010

Counts by Age/Service											
Age	1 year or less	1 to 2	2 to 3	3 to 5	5 to 10	10 to 15	15 to 20	20 to 25	25 to 30	30 & up	Total
Under 20	4	5	0	0	0	0	0	0	0	0	9
20 -24	71	54	29	30	4	0	0	0	0	0	188
25 - 29	94	82	97	125	109	4	0	0	0	0	511
30 - 34	77	85	58	136	281	54	1	0	0	0	692
35 - 39	85	85	62	117	288	174	88	13	0	0	912
40 - 44	55	78	78	124	333	263	159	101	4	0	1,195
45 - 49	67	76	64	146	317	249	240	212	121	20	1,512
50 - 54	59	70	60	120	335	265	232	230	161	194	1,726
55 - 59	42	54	37	101	228	199	198	207	124	239	1,429
60 - 64	21	24	21	53	158	126	134	115	62	117	831
65 & up	22	7	6	10	67	63	51	40	22	58	346
Total	597	620	512	962	2,120	1,397	1,103	918	494	628	9,351

Distribution of Active Members
by Age and Service as of January 1, 2010

Average Salary by Age/Service											
Age	1 year or less	1 to 2	2 to 3	3 to 5	5 to 10	10 to 15	15 to 20	20 to 25	25 to 30	30 & up	Total
Under 20	$22,786	$25,661	$0	$0	$0	$0	$0	$0	$0	$0	$24,383
20 -24	31,574	32,441	31,864	37,470	23,613	0	0	0	0	0	$32,629
25 - 29	33,508	34,767	39,565	43,000	43,290	45,026	0	0	0	0	$39,358
30 - 34	33,985	36,917	39,393	42,745	48,379	50,673	58,293	0	0	0	$43,703
35 - 39	32,948	40,543	43,557	42,925	47,361	50,204	50,328	59,723	0	0	$45,560
40 - 44	35,631	36,758	39,567	41,013	45,630	48,218	53,643	54,022	40,298	0	$46,043
45 - 49	36,388	37,964	41,094	37,646	41,761	44,418	50,922	53,082	51,917	47,653	$45,276
50 - 54	31,380	36,263	37,306	37,887	42,051	43,464	46,287	49,313	52,201	52,318	$44,852
55 - 59	28,610	40,384	44,991	39,051	40,608	41,857	46,056	48,656	52,978	54,890	$45,807
60 - 64	32,905	30,738	42,557	35,193	39,088	39,095	43,345	45,354	51,190	55,946	$43,361
65 & up	12,085	30,428	16,884	34,036	31,108	35,979	31,244	42,366	42,742	50,383	$35,902
Average	$32,338	$36,673	$39,768	$40,138	$43,437	$44,691	$47,595	$49,902	$51,682	$53,645	$44,173

Pensions in Payment Status on January 1, 2010
by Type and by Monthly Amount

Monthly amount	Total	Type of Pension: Normal	Involuntary early	Voluntary early	Service disability	Non-service disability
Total	3,909	3,223	193	386	34	73
Under $100	206	177	17	10	1	1
$100 - $199	249	203	27	18	1	0
200 - 299	264	207	32	25	0	0
300 - 399	275	219	26	27	0	3
400 - 499	232	186	13	28	2	3
500 - 599	260	213	15	24	1	7
600 - 699	212	174	8	23	0	7
700 - 799	211	160	11	31	0	9
800 - 899	200	156	7	23	2	12
900 - 999	193	152	10	22	3	6
1,000 - 1,199	354	285	7	44	6	12
1,200 - 1,399	240	196	6	29	4	5
1,400 - 1,599	207	173	6	19	7	2
1,600 - 1,799	148	128	3	14	3	0
1,800 - 1,999	136	118	3	12	0	3
2,000 - 2,199	111	96	0	14	1	0
2,200 - 2,399	75	70	0	5	0	0
2,400 - 2,599	77	71	0	4	1	1
2,600 - 2,799	71	61	2	6	1	1
2,800 - 2,999	34	33	0	0	0	1
3,000 - 3,499	71	65	0	5	1	0
3,500 - 3,999	50	47	0	3	0	0
4,000 and over	33	33	0	0	0	0

Pensions Awarded Each of the Last Ten Years

by Type and Amount

	Type of Pension									
	Total		Normal		Voluntary early		Involuntary early		Disability	
Valuation Date 1/1	Count	AMA (1)	Sum	AMA	Sum	AMA	Sum	AMA	Sum (2)	AMA
2010	296	1,336	249	1,412	26	1,300	17	339	4(0)	1,067
2009	271	1,157	223	1,150	36	1,259	7	843	5(3)	1,162
2008	236	1,065	227	1,056	0	0	6	1,259	3(0)	1,350
2007	252	1,069	192	1,082	32	1,196	19	572	9(2)	1,373
2006	264	1,270	217	1,290	11	639	23	1,257	13(4)	1,493
2005	247	1,126	189	1,185	13	653	35	994	10(1)	1,100
2004	214	1,199	171	1,226	8	609	26	1,206	9(4)	1,199
2003	199	1,087	170	1,121	5	670	17	974	7(2)	837
2002	246	1,277	206	1,346	6	945	30	957	4(0)	655
2001	185	954	147	1,028	8	423	25	736	5(1)	702

Schedule of Total Membership - Ten Year Trend

Valuation Date 1/1	Active Members Defined Benefit Plans	Active Members Cash Balance Plans	Retirees	Beneficiaries	Deferred Pensions (3)	Inactive Members (4)	Total
2010	8,357	994	3,449	460	834	23	14,117
2009	8,411	978	3,289	461	847	0	13,986
2008	8,383	950	3,173	425	744	7	13,682
2007	8,314	918	2,965	494	723	33	13,447
2006	8,374	896	2,941	436	675	66	13,388
2005	8,341	867	2,768	424	602	165	13,167
2004	8,491	902	2,657	416	546	230	13,242
2003	8,142	797	2,534	393	573	177	12,616
2002	7,834	739	2,428	371	453	182	12,007
2001	7,911	683	2,324	363	433	158	11,872

(1) Average Monthly Amount

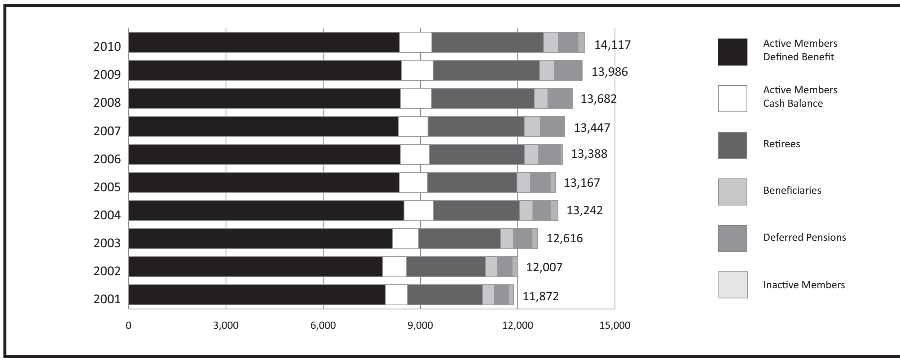
(2) Number of service-related disability pensions are shown in parentheses.

(3) Inactive participants with rights to deferred pension (vested)

(4) Inactive participants with rights to return of contributions (non-vested)

Total Membership - Ten-Year Trend

Valuation Date 1/1



Schedule of Active Member Valuation Data

Last Ten Years

Valuation Date 1/1	Number of Active Members	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll	Percentage Increase in payroll	Average Annual Salary	Percentage Increase in Average Annual Salary
	Defined Benefit Plans							
2010	8,357	(0.6)	697	0.1	$377,960,930	1.5%	$45,227	2.2%
2009	8,411	0.3%	696	0.6%	372,370,037	2.0	$44,272	1.7
2008	8,383	0.8	692	1.3	364,865,000	1.7	43,524	0.9
2007	8,314	(0.7)	683	0.0	358,691,000	7.6	43,143	8.4
2006	8,374	0.4	683	0.9	333,300,000	4.5	39,807	4.1
2005	8,341	(1.8)	678	2.4	319,005,000	0.7	38,245	2.5
2004	8,491	4.3	662	1.0	316,703,000	7.9	37,299	3.5
2003	8,142	3.9	656	1.9	293,400,000	7.9	36,034	3.8
2002	7,834	(1.0)	644	2.2	272,000,000	2.9	34,720	3.9
2001	7,911	0.5	630	3.1	264,346,000	4.4	33,415	3.9
	Cash Balance Plans							
Valuation Date 1/1	Number of Active Members	Percentage Change in Membership	Number of Participating Employers	Percentage Increase in Number of Participating Employers	Total Annual Payroll	Percentage Increase in payroll	Average Annual Salary	Percentage Increase in Average Annual Salary
2010	944	1.6%	203	(0.5)%	$35,104,086	6.9%	$35,316	5.3%
2009	978	3.0	204	11.0	32,811,919	5.5	33,550	2.5
2008	950	3.5	183	3.4	31,107,000	10.3	32,744	6.5
2007	918	2.5	177	2.9	28,213,000	1.0	30,734	(1.6)
2006	896	3.3	172	1.8	27,970,000	4.3	31,218	1.0
2005	867	(3.8)	169	(3.4)	26,808,000	6.0	30,920	10.3
2004	902	13.2	175	7.4	25,291,000	17.9	28,038	4.1
2003	797	7.8	163	5.8	21,459,000	12.2	26,925	4.0
2002	739	8.2	154	10.8	19,128,300	7.7	25,884	(0.5)
2001	683	9.1	139	12.1	17,767,000	11.2	26,014	1.9

Schedule of Average New Monthly Benefit Payments from Defined Benefit Plans [1]

Six Years Ended January 1, 2010

	Years Credited Service						
Retirement Effective Dates	< 5	5-10	10-15	15-20	20-25	25-30	30+
Period 1/2/09 to 1/1/10							
Average monthly benefit	$151	392	729	1,294	1,653	2,247	3,020
Average final average salary	$30,418	36,819	36,047	42,001	47,445	48,018	53,737
Number of retired members	17	30	26	39	47	40	65
Period 1/2/08 to 1/1/09							
Average monthly benefit	$237	431	455	1,004	1,051	1,999	2,118
Average final average salary	$29,979	35,106	32,921	45,862	35,792	50,659	50,249
Number of retired members	17	32	42	55	25	38	58
Period 1/2/07 to 1/1/08							
Average monthly benefit	$179	374	685	999	1,338	1,739	2,530
Average final average salary	$34,031	32,597	35,004	35,358	35,290	41,102	51,424
Number of retired members	11	34	45	43	33	32	38
Period 1/2/06 to 1/1/07							
Average monthly benefit	$376	458	707	928	1,331	1,864	2,443
Average final average salary	$38,487	38,257	31,807	43,304	40,141	45,548	50,429
Number of retired members	11	21	35	45	39	36	30
Period 1/2/05 to 1/1/06							
Average monthly benefit	$686	386	661	1,052	1,330	1,912	2,292
Average final average salary	$38,368	27,580	33,166	37,380	37,914	46,427	45,614
Number of retired members	11	27	37	44	36	44	60
Period 1/2/04 to 1/1/05							
Average monthly benefit	$90	401	640	926	1,364	1,740	2,050
Average final average salary	$27,628	35,862	27,960	36,563	37,558	41,400	40,845
Number of retired members	8	16	30	51	42	42	45

[1] Includes Normal Retirement, Early Retirement and Disability Benefits for new retirees in the years listed (excluding new retirees in Cash Balance plans).

COUNTIES

Adams County
Adams County-Green Acres
Forest County
Jefferson County
Sullivan County

CITIES

Allentown City
Bethlehem City
Clairton City
Connellsville City
DuBois City
Easton City
Farrell City
Greensburg City
Harrisburg City
Hermitage City
Jeannette City
Latrobe City
Lebanon City
Lower Burrell City
Nanticoke City
New Kensington City
Sharon City
Sunbury City
Uniontown City

BOROUGHS

Adamstown Borough
Ashland Borough
Atglen Borough
Avonmore Borough
Bally Borough
Bangor Borough
Bedford Borough
Bellefonte Borough
Bellefonte Borough (CB)
Bellwood Borough
Bentleyville Borough
Berlin Borough
Berlin Borough (CB)
Big Beaver Borough
Biglerville Borough
Biglerville Borough (CB)
Bloomfield Borough
Bowmanstown Borough
Brackenridge Borough
Bridgeville Borough
Brockway Borough
Brookville Borough
California Borough
Cambridge Springs Borough
Camp Hill Borough
Carnegie Borough
Carroll Valley Borough
Carrolltown Borough
Castle Shannon Borough
Centerville Borough
Central City Borough
Charleroi Borough
Claysville Borough
Clymer Borough
Coaldale Borough
Cochranton Borough
Collegeville Borough
Collingdale Borough
Conneautville Borough
Conshohocken Borough
Conway Borough
Cressona Borough
Dalton Borough
Deemston Borough
Delmont Borough
Derry Borough
Doylestown Borough
Dravosburg Borough
Dublin Borough
Duboistown Borough
Duncannon Borough
Duncansville Borough
East Berlin Borough
East Greenville Borough
East Rochester Borough
East Stroudsburg Borough
East Washington Borough
Emlenton Borough
Emporium Borough
Etna Borough
Everett Borough
Factoryville Borough
Falls Creek Borough
Ferndale Borough
Forest City Borough
Fountain Hill Borough
Franklin Borough
Franklintown Borough
Freeburg Borough
Freedom Borough
Freeland Borough
Greenville Borough
Hollidaysburg Borough
Homer City Borough
Honey Brook Borough
Hughestown Borough
Hummelstown Borough
Huntingdon Borough
Hyndman Borough
Jim Thorpe Borough
Johnsonburg Borough
Kenhorst Borough
Kennett Square Borough
Kittanning Borough
Knox Borough
Kulpmont Borough
Kutztown Borough
Lehighton Borough
Lewistown Borough
Linesville Borough
Lykens Borough
Marcus Hook Borough
Mars Borough
Martinsburg Borough
Marysville Borough
Matamoras Borough
Mayfield Borough

(1) County names are in parentheses.

(2) The abbreviation CB designates a Cash Balance plan. NU denotes a Non-uniformed plan.

Mercer Borough
Meyersdale Borough
Middleburg Borough
Millersburg Borough
Millerstown Borough
Minersville Borough
Monaca Borough
Monroeville Municipality
Mont Alto Borough
Montrose Borough
Moosic Borough
Morrisville Borough
Moscow Borough
Mount Jewett Borough
Mount Pleasant Borough
Mount Union Borough
Mt. Gretna Borough
Nanty Glo Borough
Narberth Borough
Nesquehoning Borough
New Eagle Borough
New Stanton Borough
Newport Borough
Newtown Borough
Norristown Borough
North East Borough
Northumberland Borough
Orwigsburg Borough
Palmerton Borough
Pen Argyl Borough
Pennsburg Borough
Perkasie Borough
Pine Grove Borough
Portage Borough
Pottstown Borough
Prospect Park Borough
Ridley Park Borough
Roaring Spring Borough
Rochester Borough
Rouseville Borough
Rural Valley Borough
Salisbury Borough
Sandy Lake Borough
Saxton Borough
Schuylkill Haven Borough
Selinsgrove Borough
Sellersville Borough
Shamokin Dam Borough
Sharpsburg Borough
Sharpsville Borough
Shenandoah Borough
Slippery Rock Borough
Smithton Borough
South Waverly Borough
Southmont Borough
Springdale Borough
Stewartstown Borough
Summit Hill Borough
Tarentum Borough
Telford Borough
Topton Borough
Trainer Borough
Turbotville Borough
Turtle Creek Borough
Verona Borough
Versailles Borough
Waterford Borough
Waynesburg Borough
West Grove Borough
West Middlesex Borough
West Newton Borough
Wheatland Borough
White Haven Borough
Williamstown Borough
Wilmerding Borough
Wilson Borough
Windsor Borough
Yoe Borough
York Springs Borough
Youngwood Borough

TOWNSHIPS OF THE FIRST CLASS

Caln Township
Collier Township
Crescent Township
East Deer Township
Elizabeth Township (Allegheny County)
Harrison Township
Hopewell Township (Beaver County)
North Huntingdon Township
North Versailles Township
Ridley Township
Rochester Township
Salisbury Township
Springdale Township
Swatara Township
Upper Moreland Township
Vanport Township
West Pottsgrove Township
Whitehall Township
Wilkins Township

TOWNSHIPS OF THE SECOND CLASS

Allegheny Township (Venango County)
Allegheny Township (Westmoreland County)
Antrim Township
Athens Township
Bald Eagle Township
Bedminster Township
Bell Township
Bethel Township
Black Creek Township
Blair Township
Bloomfield Township
Blooming Grove Township
Boggs Township (Centre County)
Boggs Township (Clearfield County)
Brecknock Township
Briar Creek Township
Brighton Township
Broad Top Township
Brothersvalley Township
Brown Township
Buckingham Township
Buffalo Township
Burnside Township
Burrell Township
Caernarvon Township
Cambria Township

Cambridge Township
Canton Township
Cass Township
Center Township (Greene County)
Center Township (Indiana County)
Center Township (Snyder County)
Centre Township (Berks County)
Centre Township (Perry County)
Cherrytree Township
Clarion Township
Clay Township
Clearfield Township
Columbus Township
Concord Township
Conemaugh Township
Conewago Township
Cornplanter Township
Corydon Township
Covington Township
Cranberry Township
Cross Creek Township
Darlington Township
Delaware Township
Derry Township (Dauphin County)
Derry Township (Dauphin County) (CB)
Derry Township (Mifflin County)
Derry Township (Westmoreland County)
Dickinson Township
Dingman Township
Donegal Township (Butler County)
Donegal Township (Washington County)
Donegal Township (Westmoreland County)
Dorrance Township
Douglass Township (Montgomery County)
Drumore Township
East Allen Township
East Carroll Township
East Coventry Township
East Fallowfield Township
East Finley Township
East Hanover Township
East Huntingdon Township
East Manchester Township
East Marlborough Township
East Rockhill Township
Eldred Township (Jefferson County)
Eldred Township (Monroe County)
Eldred Township (Warren County)
Elizabeth Township (Lancaster County)
Elk Creek Township
Elk Township
Fairfield Township
Fairview Township
Farmington Township
Forks Township
Forward Township
Foster Township
Franklin Township (Beaver County)
Franklin Township (Butler County)
Franklin Township (Carbon County)
Franklin Township (Greene County)
Freedom Township
Freehold Township
Frenchcreek Township
Girard Township
Glade Township
Greene Township
Greenfield Township (Blair County)
Greenfield Township (Erie County)
Greenfield Township (Lackawanna County)
Hamilton Township
Hamiltonban Township
Hanover Township (Lehigh County)
Haycock Township
Hemlock Township
Henderson Township
Hilltown Township
Hopewell Township (Cumberland County)
Hopewell Township (Washington County)
Hopewell Township (York County)
Horsham Township
Howe Township
Hunlock Township
Huntington Township
Huston Township
Jackson Township (Greene County)
Jackson Township (Lebanon County)
Jackson Township (Luzerne County)
Jackson Township (Snyder County)
Jackson Township (Susquehanna County)
Jefferson Township (Washington County)
Jenks Township
Jenner Township
Jones Township
Keating Township
Kennett Township
Lancaster Township (Butler County)
Lancaster Township (Lancaster County)
Latimore Township
LeBoeuf Township
Lehman Township
Liberty Township
Limestone Township (Lycoming County)
Limestone Township (Union County)
Lincoln Township
Liverpool Township
London Britain Township
London Grove Township
Lower Mahanoy Township
Lower Towamensing Township
Lower Yoder Township
Loyalhanna Township
Loyalhanna Township (CB)
Mahoning Township
Manchester Township
Mead Township
Middle Smithfield Township
Middlesex Township
Milford Township (Bucks County)
Milford Township (Pike County)
Millcreek Township
Monongahela Township
Monroe Township (Snyder County)
Monroe Township (Wyoming County)
Morris Township (Greene County)
Morris Township (Tioga County)
Morris Township (Washington County)
Mount Joy Township
Mount Pleasant Township

Muncy Creek Township
New Garden Township
New Sewickley Township
Nockamixon Township
North Buffalo Township
North Coventry Township
North Franklin Township
North Strabane Township
North Strabane Township (CB)
Nottingham Township
Oakland Township
Oil Creek Township (Venango County)
Oil Creek Township (Crawford County)
Old Lycoming Township
Oliver Township
Paint Township
Paradise Township
Pennsbury Township
Perry Township
Pike Township
Pine Creek Township
Pine Grove Township (Schuylkill County)
Pine Grove Township (Warren County)
Pittsfield Township
Pleasant Township
Plumcreek Township
Plumstead Township
Plymouth Township
Pocopson Township
Point Township
Portage Township
Porter Township
Preston Township
Price Township
Providence Township
Pulaski Township
Pymatuning Township
Raccoon Township
Rice Township
Richhill Township
Richland Township
Ridgway Township
Rome Township
Rose Township
Rutland Township
Rye Township
Scott Township
Sewickley Township
Shade Township
Sheffield Township
Shippensburg Township
Shrewsbury Township
Slippery Rock Township
Snake Spring Township
Solebury Township
South Abington Township
South Beaver Township
South Bend Township
South Franklin Township
South Huntingdon Township
South Manheim Township
South Middleton Township
South Pymatuning Township
South Strabane Township
Southampton Township
Southwest Township
Spring Creek Township
Springfield Township
Stonycreek Township
Sugar Grove Township
Sullivan Township
Summit Township
Tinicum Township
Towamensing Township
Tredyffrin Township
Tunkhannock Township
Union Township (Berks County)
Union Township (Lebanon County)
Union Township (Snyder County)
Unity Township
Upper Nazareth Township
Wallace Township
Warrington Township
Warsaw Township
Warwick Township
Washington Township (Berks County)
Washington Township (Dauphin County)
Washington Township (Erie County)
Washington Township (Fayette County)
Washington Township (Greene County)
Washington Township (Jefferson County)
Washington Township (Northampton County)
Washington Township (Schuylkill County)
Washington Township (Westmoreland County)
Washington Township (Wyoming County)
West Bradford Township
West Brunswick Township
West Caln Township
West Carroll Township
West Fallowfield Township
West Lampeter Township
West Pennsboro Township
West Rockhill Township
West Salem Township
West Wheatfield Township
Westtown Township
Wetmore Township
Whiteley Township
Wiconisco Township
Williams Township
Windsor Township
Woodward Township
Wright Township
Wrightstown Township
Zerbe Township

POLICE

Abington Township Police
Ashley Borough Police
Bally Borough Police
Barrett Township Police
Bedminster Township Police
Bellwood Borough Police
Bentleyville Borough Police
Bentleyville Borough Police (CB)
Berks-Lehigh Regional Police
Big Beaver Borough Police
Biglerville Borough Police
Birmingham Township Police

Blair Township Police
Brecknock Township Police
Briar Creek Township Police
Buckingham Township Police
Caernarvon Township Police
California Borough Police
Cambria Township Police
Cambridge Springs Borough Police
Camp Hill Borough Police
Carroll Township Police
Carroll Valley Borough Police
Central City Borough Police
Centre Township Police (Berks County)
Clairton Police
Clymer Borough Police
Cochranton Borough Police
Colebrookdale Township Police
Conneaut Lake Regional Police
Covington Township Police
Crescent Township Police
Danville Borough Police
Darlington Township Police
Decatur Township Police
Delmont Borough Police
Donegal Township Police (Washington County)
Douglass Township Police (Berks County)
Douglass Township Police (Montgomery County)
Dublin Borough Police
Duboistown Borough Police
Dunbar Borough Police
Duncannon Borough Police
Duncansville Borough Police
East Bangor Borough Police
East Berlin Borough Police
East Coventry Township Police
East Deer Township Police
East Fallowfield Township Police
East Marlborough Township Police
East Pennsboro Twp Police
East Washington Borough Police
Elizabeth Township Police (Allegheny County)
Emlenton Borough Police
Emporium Borough Police
Everett Borough Police
Factoryville Borough Police
Fairview Township Police
Falls Creek Borough Police
Farrell City Police
Forest City Borough Police
Forward Township Police
Franklin Borough Police
Franklin Township Police (Beaver County)
Frazer Township Police
Freedom Borough Police (Beaver County)
Freedom Township Police
Gilpin Township Police
Greenfield Township Police
Greenville Borough Police
Hamiltonban Township Police
Harveys Lake Borough Police
Heidelberg Township Police
Hellam Township Police
Hemlock Township Police
Hilltown Township Police
Honey Brook Borough Police
Hummelstown Borough Police
Hyndman Borough Police
Independence Township Police
Jackson Township Police (Luzerne County)
Johnsonburg Borough Police
Knox Borough Police
Lancaster Township Police (Butler County)
Larksville Borough Police
Liberty Borough Police
Linesville Borough Police
Locust Township Police
Lower Windsor Township Police
Lower Yoder Township Police
Lykens Borough Police
Mahoning Township Police (Lawrence County)
Mahoning Township Police (Montour County)
Manor Borough Police
Martinsburg Borough Police
Marysville Borough Police
Mayfield Borough Police
Mead Township Police
Mercer Borough Police
Middleburg Borough Police
Middlesex Township Police
Millcreek Township Police
Millersburg Borough Police
Millville Borough Police
Montour Township Police
Moore Township Police
Moosic Borough Police
Morrisville Borough Police
Moscow Borough Police
Mount Jewett Borough Police
Mount Union Borough Police
Mt. Pleasant Borough Police
New Garden Township Police
New Wilmington Borough Police
Newport Borough Police
Newtown Borough Police
Nockamixon Township Police
North Coventry Township Police
North Huntingdon Township Police
North Middleton Township Police
North Sewickley Township Police
Northeastern Regional Police Department
Northumberland Borough Police
Ohio Township Police
Old Lycoming Township Police
Orangeville Area Police Board
Orwigsburg Borough Police
Paxtang Borough Police
Penbrook Borough Police
Pennridge Regional Police Dept
Perkasie Borough Police
Pine Grove Borough Police
Point Township Police
Polk Borough Police
Pymatuning Township Police
Quarryville Borough Police
Red Lion Police
Redstone Township Police
Richland Township Police
Roaring Spring Borough Police
Rochester Township Police
Rye Township Police
Sandy Lake Borough Police

Saxton Borough Police
Schuylkill Township Police
Schwenksville Borough Police
Scott Township Police
Scottdale Borough Police
Selinsgrove Borough Police
Shade Township Police
Shamokin Dam Borough Police
Sheffield Township Police
Shippingport Borough Police
Shiremanstown Borough Police
Sinking Spring Borough Police
South Beaver Township Police
South Centre Township Police
South Pymatuning Township Police
South Waverly Borough Police
South Williamsport Borough Police
Southern Police Commission
Springdale Township Police
Stewartstown Borough Police
Summit Hill Borough Police
Telford Borough Police
Tinicum Township Police
Tulpehocken Township Police
Tunkhannock Township Police
Vanport Township Police
Versailles Borough Police
Washington Township Police (Fayette County)
West Caln Township Police
West Fallowfield Township Police
West Grove Borough Police
West Lampeter Township Police
West Middlesex Borough Police
West Pikeland Township Police
West Pottsgrove Township Police
West Sadsbury Township Police
West Vincent Township Police
Westfield Borough Police
Wheatland Borough Police
White Haven Borough Police
Wiconisco Township Police
Williamstown Borough Police
Windsor Borough Police
Windsor Township Police
Wrightstown Township Police
Youngwood Borough Police

FIREFIGHTERS

Clairton City
Farrell City
Greenville Borough
Harrisburg City
Larksville Borough
Manchester Twp
South Strabane Township
Upper Moreland Township
Wilson Borough

AUTHORITIES & OTHER UNITS

Allegheny Valley Joint Sewer Authority
Ambridge Borough Municipal Authority
Armstrong Conservation District
Avonmore Borough Municipal Authority
B.A.R.T.A.
Bath Borough Authority
Bedminster Municipal Authority
Belle Vernon Municipal Authority
Berks-Lehigh Regional Police NU
Bethlehem Authority
Bethlehem City Redevelopment Authority
Bloomfield Township Sewer Authority
Bradford City Water Authority
Bradford Regional Airport Authority
Brighton Township Municipal Authority
Brighton Township Sewer Authority
Bristol Township Authority
Brockway Area Sewage Authority
Brockway Borough Municipal Authority
Brodhead Creek Regional Authority
Brookville Municipal Authority
Bucks County Redevelopment Authority
Bucks County Water & Sewer Authority
Burrell Township Sewage Authority
Butler Area Public Library
Cambria County Conservation & Recreation Authority
Cambria Township Sewer Authority
Cambria Township Water Authority
Carbon County Conservation District
Carmichaels-Cumberland Joint Sewer
Carroll Township Authority
Catawissa Borough Municipal Water Authority
Centerville Borough Sanitary Authority
Central Carbon Municipal Authority
Central Indiana County Joint Sanitary Authority
Centre County Library & Historical Museum
Clarion County Housing Authority
Clarion County Housing Authority (CB)
Coaldale-Lansford-Summit Hill Sewer Authority
Columbia County Conservation District
Concord Township Sewer Authority
Connellsville Municipal Authority
Connellsville Redevelopment Authority

Conshohocken Borough Authority
Coplay-Whitehall Sewer Authority
Cressona Borough Authority
Creswell Heights Joint Authority
Cumberland-Franklin Joint Municipal Authority
Curwensville Municipal Authority
Delaware Valley Municipal Management Association
Derry Township Municipal Authority
Derry Township Sanitary Sewer Authority
DuBois City Redevelopment Authority
East Berlin Area Joint Authority
East Norriton-Plymouth-Whitpain Joint Sewer Authority
Eastern Snyder County Regional Authority
Economy Borough Municipal Authority
Elizabeth Borough Municipal Authority
Elizabeth Township Sanitary Authority
Elizabethville Area Authority
Emlenton Area Municipal Authority
Erie County Housing Authority
Everett Area Municipal Authority
Fairfield Municipal Authority
Fawn Township Sewage Authority
Fawn-Frazer Joint Water Authority
Fayette County Conservation District
Forward Township Municipal Authority
Franklin City Housing Authority
Franklin Township Municipal Sanitary Authority
Franklin Township Sewer Authority
Frazer Transportation Authority
Fredericksburg Sewer & Water Authority
Freeland Borough Municipal Authority
Greater Lebanon Refuse Authority
Greenville Municipal Authority
Guilford Township Authority
Guilford Water Authority
Harrison Township Water Authority
Hawley Area Authority
Hazleton Transit Authority
Hellertown Borough Authority
Hilltown Township Water & Sewer Authority
Horsham Township Sewer Authority
Hughesville-Wolf Township Joint Municipal Authority
Indiana County Conservation District
Indiana County Solid Waste Authority
Jackson Township Water Authority
Jeannette Municipal Authority
Jefferson Conservation District
Johnsonburg Municipal Authority
Juniata County Conservation District
Kiskiminetas Township Municipal Authority
Kittanning Suburban Joint Water Authority
Kulpmont-Marion Heights JMA
Lancaster City Parking Authority
Lansford - Coaldale Joint Water Authority
Lebanon City Authority
Lebanon Community Library
Leetsdale Borough Municipal Authority
Lehigh County Authority
Lehighton Water Authority
Lower Bucks County Joint Municipal Authority
Lower Bucks County Joint Municipal Authority Supervisors
Lower Indiana County Municipal Authority
Lower Providence Township Sewer Authority
Luzerne Conservation District
Lycoming Sanitary Committee
Mahanoy Township Authority
Mahoning Township Authority
Maidencreek Township Authority
Manor Township Joint Municipal Authority
Mary Meuser Memorial Library
Matamoras Municipal Authority
McKean County Solid Waste Authority
Mercer County Regional Planning Commission
Mid Mon Valley Water Authority
Middlesex Township Municipal Authority
Middletown Township Sewer Authority
Mifflin County Regional Police NU
Mifflintown Municipal Authority
Milford Water Authority
Millcreek - Richland Joint Authority
Millersburg Area Authority
Mon Valley Sewage Authority
Monroe County Control Center
Montgomery County Sewer Authority
Montour County Conservation District
Montrose Municipal Authority

Moon Township Municipal Authority
Morrisville Borough Municipal Authority
Mount Joy Township Authority
Mount Pleasant Township Municipal Authority
Mount Pocono Municipal Authority
Mt. Jewett Borough Authority
Mt. Lebanon Parking Authority
Myerstown Community Library Association
Myerstown Water Authority
Nanty Glo Sanitary Sewer Authority
Nanty Glo Water Authority
Nesquehoning Borough Authority
New Kensington Municipal Sanitary Authority
New Kensington Redevelopment Authority
Newport Borough Water Authority
Norristown Municipal Waste Authority
North & South Shenango Joint Municipal Authority
North Coventry Municipal Authority
North Huntingdon Township Municipal Authority
North Middleton Authority
North Strabane Township Municipal Authority
Northampton Borough Municipal Authority
Northampton Borough Municipal Authority (CB)
Northeastern Regional Police (NU)
Northern Lancaster County Authority
Northern York County Regional Police (NU)
Northumberland Sewer Authority
Northwest Regional Lancaster County Police (NU)
Oil City Housing Authority
PA League Of Cities & Municipalities
Parks Township Municipal Authority
Penn Township Sewage Authority
Pennridge Regional Police (NU)
Pennridge Waste Treatment Authority
Perkasie Borough Authority
Peters Creek Sanitary Authority
Peters Township Municipal Authority
Portage Area Sewer Authority
Portage Borough Municipal Auth
Possum Valley Municipal Authority
Reynoldsville Water Authority
Riverview Sanitary Authority
Robesonia-Wernersville Municipal Authority
Robinson Township Municipal Authority
Rochester Area Joint Sewer Authority
Rostraver Township Sewer Authority
Saxton Borough Municipal Authority
Seward/St. Clair Township Sanitary Authority
Shade-Central City Joint Authority
Shamokin City Redevelopment Authority
Shannock Valley General Services Authority
Sheffield Township Municipal Authority
Slippery Rock Municipal Authority
Smithton Borough Municipal Authority
Somerset Conservation District
South Fayette Township Municipal Authority
Southern Police Commission NU
Southwest Regional Dispatch Center
Southwestern Pa Water Authority
Southwestern Regional Police NU
St. Marys Area Water Authority
Sunbury Municipal Authority
Susquehanna Township Authority
Swatara Township Authority
Tower City Borough Authority
Township of Falls Authority
Tri-County COG IBC
Tri-County Joint Municipal Authority
Twin Boroughs Sanitary Authority
Upper Allegheny Joint Sanitary Authority
Upper Montgomery Joint Authority
Upper Southampton Municipal Authority
Upper Southampton Sewer Authority
Vanport Township Municipal Authority
Vernon Township Sanitary Authority
Vernon Township Water Authority
Warren County Housing Authority
Warren County Solid Waste Authority
Warwick Township Municipal Authority
Washington Area COG
Washington Township Municipal Authority (Berks County)
Washington Township Municipal Authority (Fayette County)
Waterford Borough Municipal Authority
Wayne County Redevelopment Authority
Wernersville Municipal Authority
West Carroll Township Water & Sewer Authority
Western Butler County Authority
Western Clinton County Municipal Authority

Western Westmoreland Municipal Authority	Williamstown Borough Authority
Westmoreland-Fayette Municipal San Authority	Womelsdorf-Robesonia Joint Authority
White Run Regional Municipal Authority	York County Planning Commission
Whitehall Township Authority	

pmrs pennsylvania
MUNICIPAL RETIREMENT SYSTEM

P.O. Box 1165
Harrisburg, PA 17108-1165

Telephone: 717-787-2065; 1-800-622-7968
Fax: 717-783-8363

Website: www.pmrs.state.pa.us
E-Mail: ra-staff@state.pa.us

2010 PMRS Comprehensive Annual Financial Report