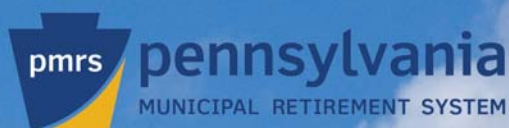


Pennsylvania Municipal Retirement System

2014

Comprehensive Annual Financial Report
For the Years Ended December 31, 2014 and
December 31, 2013



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 Years Ended

December 31, 2014 and 2013

Paul Corbin, Chairman

Pennsylvania Municipal Retirement Board

Stephen W. Vaughn, Secretary

Pennsylvania Municipal Retirement System

Office Location

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P. O. Box 1165

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**Prepared by the Investment and Financial Management Division
of the Pennsylvania Municipal Retirement System**

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From the depth of the 2008 financial crisis to January of 2014, PMRS' funded ratio, on a market value basis, has increased from 81% to 97% and is among the highest of any state-level retirement plan in the U.S.

INTRODUCTION

Letter of Transmittal



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

June 29, 2015
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 (PMRS, the System, the Fund) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2014. As required by the Pennsylvania Municipal Retirement Law, Act of 1974, P.L. 34, No. 15 (the Act) as amended, the System distributes the CAFR to our governing board, the members of the General Assembly of Pennsylvania, each participating municipal employer, and 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, 2014.

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 14% of projected payroll for municipal employees and from 12% to 25% for police and firefighters. The employee contribution is determined by plan contract. In 2014, plan requirements ranged from no employee contribution to as high as 7.5% of employee compensation.

ECONOMIC ENVIRONMENT

The first quarter of 2014 pointed to weak economic growth. The drop off was attributed to the unusually cold and snowy winter in the East rather than any fundamental weakness. Home prices edged upward during the quarter. Manufacturing and service sector activity were appreciably positive and well above the expansion level. Consumer confidence remained surprisingly healthy. Inflation continued to be low for the quarter.

Coming on the heels of a 2.1% downturn in the first quarter's GDP, the second quarter's economic picture brightened substantially. GDP growth for the second quarter increased by 4.6% and erased the winter downturn. Signs of the improvement ranged from excellent job growth to further tapering of the Fed's quantitative easing program. There was a constructive hint of inflation in higher metals and energy prices and housing prices continued to rise. Healthy consumer confidence numbers and manufacturing gains were further indicators of economic strength. Geopolitical problems in the Middle East and antagonism between Ukraine and Russia failed to dampen economic enthusiasm.

While not as strong as the second quarter's real GDP expansion of 4.6%, the third quarter real GDP growth rate of 3.5% was surprisingly good. There was abundant good news with strong employment gains and higher housing prices. Most manufacturing and service sectors made good progress as well. The CPI remained in check thanks to falling commodity prices which were linked to great global harvests and to weak economic news from Europe. After compiling all of this data and taking geopolitical concerns into account, the Fed decided to keep interest rates down.

The second half of 2014 was a very bright period for the U.S. economy after a long sluggish recovery. That growth came in spite of several major issues, including economic malaise in both Europe and Japan, the horrific Ebola crisis and Russian intransigence. Rapidly falling oil and gas prices put extra cash into the hands of the consumers and made for a better Christmas. The effect of the drop in gasoline prices equated to better than a \$1,200 tax cut for the average American family and was the strongest stimulus since 2009. Despite these issues, the U.S. economy expanded at its fastest rate since 1999. The third quarter GDP grew at a 5% annual rate and the fourth quarter advance estimate came in at 2.6%. Growth was attributable to substantial job gains, growth in the manufacturing and service sectors, higher consumer confidence, and steady and reassuring Fed announcements.

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. 31, 34, 37, 40, 50 and 67 guidelines. The independent auditors' report is located in the Financial Section on page 16 and the Management's Discussion and Analysis commences on page 18.

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 \$2,049,615,132 as of December 31, 2014. In 2014, the System's net assets increased by \$98,367,762. Investment-related gains increased the portfolio by \$100,453,558 and contributions added \$91,062,917. Benefit payments and administrative expenses reduced the total assets by \$93,148,713. Additional information is detailed in the Financial Section ("Statement of Fiduciary Net Position" and "Statement of Changes in Fiduciary Net Position") located on pages 23 and 24.

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 bimonthly Board reviews. The 2014 administrative budget was adopted in September 2013 and set at \$4.45 million exclusive of investment fees. The 2014

administrative budget was amended in September 2014 and set at \$4.7 million exclusive of investment fees. Expenditures (exclusive of investment fees) in 2014 amounted to \$4,411,462. More information on the System's expenses is included in the Financial Section of this report ("Schedule 4 - Administrative Expenses").

REVENUES

The System was established by law to pay pension benefits when due. It accumulates sufficient funds to pay benefits through employer contributions, employee contributions, and investment income. The following schedule presents a summary of revenues for the year ended December 31, 2014, and also shows the amount and percentage of increases and decreases in relation to December 31, 2013 revenues.

Municipal contributions are based upon an actuarial valuation, using the Entry Age Normal Actuarial Cost Method, computed as a percentage of the total employee 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.

Net investment income is a combination of earnings from equities, real estate, bonds, and a short-term cash management fund less investment expenses. The fair value of the System's investment portfolio increased from \$1,951,674,668 in 2013

to \$2,049,463,835 in 2014. The largest increase of net investment income came from an appreciation of 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.

Ten-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 following schedule presents a summary of the System's expenses for the year ended December 31, 2014, and shows the percentage of increases and decreases in relation to December 31, 2013 amounts. The major expense-related items for 2014 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

Revenues

Additions to Plan Net Assets	2014 Amounts	% of Total	2013 Amounts	\$ Increase (Decrease)	% Increase (Decrease)
Municipal Contributions	\$ 67,972,420	35.5%	\$ 39,706,080	\$ 28,266,340	71.2%
Member Contributions	22,781,457	11.9	22,416,432	365,025	1.6
Assessments	309,040	0.2	311,760	(2,720)	(0.9)
Net Investment Income	100,453,558	52.4	310,197,575	(209,744,017)	(67.6)
Total	\$191,516,475	100.00%	\$372,631,847	\$(181,115,372)	(48.6)%

Expenses

Deductions from Plan Net Assets	2014 Amounts	% of Total	2013 Amounts	\$ Increase (Decrease)	% Increase (Decrease)
Annuity benefits	\$78,432,682	84.2%	\$69,231,495	\$9,201,187	13.3%
Terminations	10,304,569	11.1	10,355,631	(51,062)	(0.5)
Administrative	4,411,462	4.7	3,723,590	687,872	18.5
Total	\$93,148,713	100.0%	\$83,310,716	\$9,837,997	11.8%

expenses including ten-year historical trend information is presented in Part I of the Statistical Section of this report.

INVESTMENT HIGHLIGHTS

The time-weighted rate of return for the System's investments for the year ended December 31, 2014 was 5.7%, ranking in the 71st percentile of the Investment Metrics (IM) Public Fund Universe. The cumulative ten-year return was 6.6% on an annualized basis and ranked in the 46th percentile.

The return by asset class and their weighting in the portfolio are as follows: Large Cap Domestic Equity returned 13.4% (Class as percentage of portfolio: 26.6%); Real Estate returned 10.5% (16.1%); Fixed Income returned 6.0% (14.7%); Small Cap Domestic Equity returned 5.1% (16.0%); International Equity had a negative return of 5.1% (13.8%); and the International Emerging Markets asset class had a negative return of 2.7% (10.1%) At the year-end, the portfolio had a commitment in cash equivalents representing 2.7% 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 2014 year was \$98,367,762. This represents an increase in the fund balance of 5.0% over the 2013 fund balance.

The "Schedule of Funding Progress" was calculated based on the most recent actuarial valuation dated January 1, 2014. The funded ratio decreased from 99.1% as of January 1, 2013 to 98.4% as of January 1, 2014. The decrease reflects the two-year contribution delay. While liabilities were increasing based upon the 5.50% discount rate assumption, the contributions paid were based upon the 2011 valuation results which had lower liabilities based upon the 6.0%

discount rate assumption. As a result, the deficit has increased from \$16.9 million as of January 1, 2013 to a deficit of \$32.9 million as of January 1, 2014. However the ratio of market value of assets to actuarial liability actually increased from 87.3% to 97.3% reflecting actual growth of assets being greater than the actual growth of 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 2 and 3) and the Actuarial Section of this report on page 54.

MAJOR INITIATIVES

2014 saw the completion of the transition to a new Secretary. In May, the Board appointed only its third Secretary since its creation in 1974. Stephen W. Vaughn began with PMRS on June 9 and Secretary Allen officially retired on June 27. Steve is an experienced public retirement plan administrator with 14 years of experience responsible for 375 public plans administered by the Association County Commissioners of Georgia. As someone who has a deep familiarity with managing multiple retirement plans that are associated with multiple plan sponsors, the System's transition from its long-time leader to someone new has been as smooth as the System could have hoped.

Secretary Vaughn initiated one of his first structural changes within the organization. With the retirement of the Chief of the Accounting Division, Donna Miller, the Board gave approval to the creation of a new division to replace and expand the Accounting Division. The replacement, the Investment and Financial Management Division, will be led by the newly created position of Chief Financial Officer (CFO). With the System's assets exceeding \$2 billion at the end of 2014 and the expanded reporting

⁽¹⁾ Investment manager hired 3rd quarter in 2014.

responsibilities required with the implementation of GASB 67 and 68, the integration of the System's financial and investment responsibilities will provide a sharper focus on the breadth of the activities necessary to monitor an expanding investment portfolio and a growing list of plans and plan sponsors. Charity Rosenberry accepted the position of Chief Financial Officer in May 2015.

Changes were also made in the management of the fund's assets. The contract with WHV Investment Management to manage international equities was terminated. The moneys managed by WHV Investment Management were initially transferred to a passive MSCI WORLD Ex-USA fund managed by State Street Global Advisors (SSgA) and then subsequently transferred to Jarislowsky, Fraser Limited⁽¹⁾. In addition, a portion of moneys managed by LSV Asset Management were transferred to passive index funds managed by SSgA to provide better rebalancing tools in the future.

During the year ended December 31, 2014, the System adopted GASB Statement No. 67, "Financial Reporting for Pension Plans," which replaces the requirements of Statement No. 25 and No. 50 related to pension plans that are administered through trust or equivalent arrangements. This Statement requires changes in presentation of the financial statements, notes to the financial statements, and required supplementary information. GASB concluded the overall pension liability for agent multiple-employer plans is not meaningful, and Statement No. 67 does not require its disclosure in the financial statements of such plans. However, Statement No. 68 requires municipalities participating in agent plans to report the same measures as other pension plans: net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources.

Our attention now turns to the GASB 68 Report required to be part of our plan sponsors' financial statements for 2015. These reports will be created for each of the 1,000 plans that are sponsored by over 800 municipalities throughout Pennsylvania. While the vast majority of our plan sponsors have fiscal years that end December 31, PMRS has less than 2%

of our plans that have a fiscal year end between June 30 and September 30. For these plans, their GASB 68 reports will be provided during the last quarter of 2015. The remainder of the 1,000 GASB 68 reports will be completed in early 2016.

There has been much speculation that these new reports will illustrate that pension plans are in worse shape than what has been previously reported. PMRS believes its plans are in excellent financial condition. Overall, if all the PMRS plans were added together, as of January 1, 2014, the total market value of their assets equals 97% of their liabilities.

We look forward to providing the new GASB 68 reports and continuing a tradition of transparency and disclosure to our plans sponsors, plan participants and their taxpayers.

PROFESSIONAL SERVICES

The financial information in this report has been audited by the independent accounting firm of CliftonLarsonAllen LLP, which is completing year five of a five-year contract. The actuarial information was prepared with the help of K. Kent, consulting actuary from Cheiron. Cheiron has completed year three 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 one 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 internal controls which are designed to provide reasonable but not absolute assurances for the safeguarding of assets and the reliability of financial records. It should be recognized, however, that all internal controls have inherent limitations. These limitations exist because of several factors, including cost and the potential for controls to be overridden by management. To mitigate the risk caused by these inherent limitations, the System monitors

the adequacy and effectiveness of the System's internal control structure. 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. Also, our independent external auditor CliftonLarsonAllen LLP, conducts an annual audit of the financial statements in accordance with generally accepted auditing standards. Their audit includes tests and procedures designed to provide reasonable assurance that the financial statements are fairly presented.

ACKNOWLEDGMENTS

The preparation of the CAFR falls upon the signatories of this Letter of Transmittal and we have accepted that responsibility with the gravitas that is warranted. However, our roles are meaningless without the support of the agency's governing Board and the support staff who pull all the pieces together for us to draw upon. We are indebted to the Board who has given us the leadership and support to help us fulfill our roles. We are indebted to the staff of the Pennsylvania Municipal Retirement System for their diligence, professionalism and determination; without them the CAFR could not have been prepared.

In addition to the staff, however, we rely on several third party contractors and consultants who have the expertise, resources and knowledge to help us compile the data and to format it in the most professional way possible. We recognize first the team at CliftonLarsonAllen LLP. The support and guidance provided is nothing less than excellent. We appreciate your efforts beyond what you can imagine. Two other firms that serve our Board and make this CAFR possible are the specialists at the actuarial firm of Cheiron, Inc. and the team at our investment consulting firm of Dahab Associates, Inc. Their experience and contributions have been indispensable in helping us to prepare this document and in managing the agency.

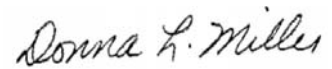
My last acknowledgment is for Donna Miller. Donna retired from PMRS in August 2014 after 12 years with the System. Her dedication and commitment during her tenure was unquestioned and she illustrated

it once again by graciously agreeing to assist PMRS during its transition to a new CFO. Her efforts over the past several months have been critical to bringing together this report. She has my deep gratitude for her willingness to help her former colleagues even after retirement.

With this first CAFR as Secretary, I want to acknowledge the historical efforts of the Agency in earning GFOA's "Certificate of Achievement for Excellence in Financial Reporting" for the past 12 years. It reflects the Agency's commitment to transparency and disclosure of its activities in its role as a provider of retirement benefits to thousands of local government employees throughout Pennsylvania. I look forward to continuing these traditions while recognizing the continued need to enhance our services. Our members have voluntarily chosen PMRS to serve them; they deserve nothing less than our continued best efforts to be worthy of their trust and confidence.



Stephen W. Vaughn
Secretary



Donna L. Miller
Chief of Accounting



Government Finance Officers Association

**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, 2013

Executive Director/CEO

Pennsylvania Municipal Retirement Board

as of December 31, 2014



1 Paul Corbin
Chairman

Represents Pennsylvania State Association of County Commissioners

2 Barry Sherman
Vice-Chairman

Represents Retired Members enrolled in PMRS

3 Cory Adams

Represents Pennsylvania State Association of Township Supervisors

4 Carole Aichele

Secretary of the Commonwealth



5 Duane L. Filchner

Represents Pennsylvania Municipal Authorities Association

6 Steven T. Heinly

Represents Active Police Officers enrolled in PMRS

7 William J. Junkin III

Represents Active Fire Fighters enrolled in PMRS



8 Robert M. McCord⁽¹⁾

State Treasurer (ex-officio) represented by Sandy Leopold

9 George Milakovic

Represents Pennsylvania State Association of Township Commissioners

10 Salvatore J. Panto Jr.

Represents Pennsylvania Municipal League



11 David Perruso

Represents Pennsylvania State Association of Boroughs

⁽¹⁾ Robert M. McCord resigned in January 2015 and the Treasury's Chief Counsel, Christopher Craig, was sworn in as acting Treasurer.

Staff, Consultants, & Managers

as of December 31, 2014

Administrative Staff

Secretary

Stephen W. Vaughn

Assistant Secretary

Kristine M. Cline

Investment & Financial Management Division⁽¹⁾ Chief

Donna L. Miller

Technology Services Division Chief

Michael G. Mortimer

Membership Services Division Chief

Sean E. Christine

Municipal Services Division Chief

Anthony M. Pinto

Operations Division Chief

Wanita J. Campbell

Professional Consultants

Actuary

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

Auditor

CliftonLarsonAllen LLP
Timonium, MD
Owen Ward, CPA, Principal

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
Michele Ferencz, Chief Counsel

Custodian

State Treasurer

Sub-Custodian

BNY Mellon
Pittsburgh, PA
Gordon Sapko, Relationship Manager

Investment Managers⁽²⁾

BMO Global Asset Management

Milwaukee, WI
Thomas J. Nolte, Senior Vice-President

Brandywine Global Investment Management, LLC

Philadelphia, Pa
Bill Roach, Group Product Specialist

DePrince, Race, & Zollo, Inc.

Winter Park, FL
Katie Byrne, Portfolio Manager - Client Services

Emerald Advisers, Inc.

Leola, PA
John V. Thompson, Senior Vice-President

Forest Investment Associates

Atlanta, GA
V. Scott Bond, Director of Marketing & Client Relations

HGK Asset Management, Inc.

Jersey City, NJ
Steven J. Gervasio, Marketing Director

Jarislowsky, Fraser Limited

Montreal, QC
Dario Mazzarello, Partner

Johnston Asset Management

Stamford, CT
Cassandra A. Hardman, Portfolio Manager

LSV Asset Management

Chicago, IL
Keith W. Bruch, Director of Client Portfolio Services

Polen Capital Management

Boca Raton, FL
Stan C. Moss, Chief Operating Officer

Prudential Real Estate Investors

Madison, NJ
Larry Teitelbaum, Principal, Marketing and Client Services

State Street Global Advisors

Boston, MA
James Thorsen, Vice-President

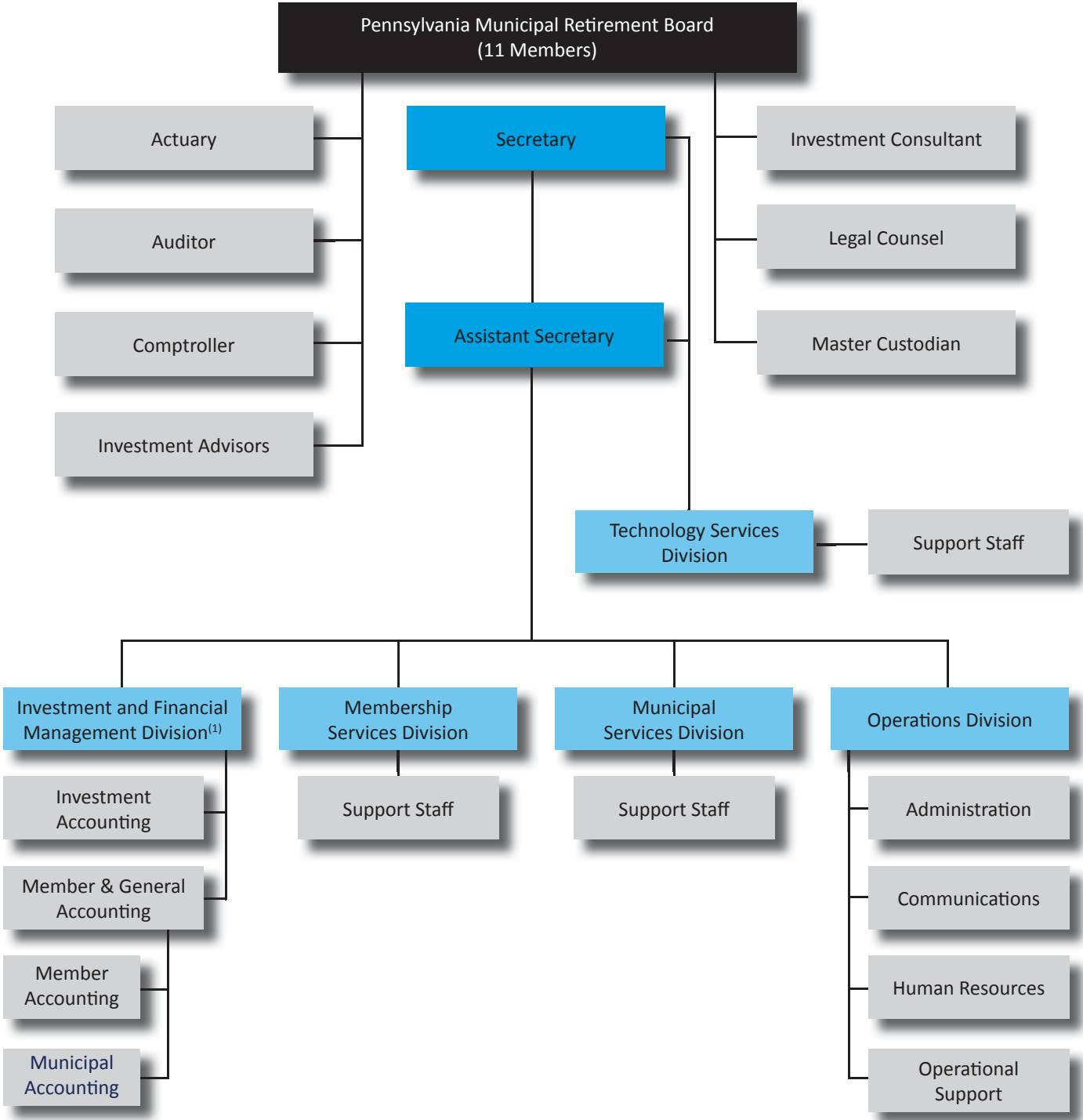
TIAA-CREF Global Real Estate

New York, NY
Cameron Jones, Director

⁽¹⁾ Effective November 7, 2014, the Investment and Financial Management Division was created to replace and expand the Accounting Division.

⁽²⁾ Manages the long-term portfolio of investments reported on the Statement of Fiduciary Net Position. All information in the Investment Section pertains to the activity of these investment managers. Summary of investment expenses is on page 48.

Organization Chart



⁽¹⁾ Effective November 7, 2014, the Investment and Financial Management Division was created to replace and expand the Accounting Division.

Chairman's Report



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

June 29, 2015

Dear Members:

It is with humble pride that I share with you the Pennsylvania Municipal Retirement System's 2014 Comprehensive Annual Financial Report. The report documents the numerous transactions that have been undertaken by the trustees of the system, the Pennsylvania Municipal Retirement Board, on your behalf during the year. In completing my 10th year on the PMRS Board and my first as Chairman, it is with great satisfaction that I can report that both my transition to Chairman and the transition to a new Secretary in June 2014, has been remarkably smooth and productive for the System. With the invaluable assistance of my new Vice Chairman, Barry Sherman, and the strong level of professionalism and experience of our new Secretary, Steve Vaughn, I am confident that the solid foundation left by others before us will allow PMRS to grow and prosper in the years ahead.

The submission of this report to our members would not be complete without thanking Secretary James B. Allen who retired after 30 years heading PMRS. Jim's leadership began around the same time that the landmark Pennsylvania municipal pension legislation, (referred to as "Act 205") was enacted. He built the Agency into a well-respected steward of public money while also forging strong relationships with both the Agency's clients and Pennsylvania's legislators and governors. I am proud to have served as Chairman as he finished out his tenure. His legacy of integrity, transparency and service will be a lasting tribute to all of his effort and dedication.

While 2014 was a modest year with respect to investment returns, our historical financial performance and solid asset allocation strategies led to PMRS being recognized in September 2014 as the "U.S. Small Sized Public Fund of the Year" by iiSearches, an online subsidiary of Institutional Investor. It is a well-deserved validation of PMRS' prudent and responsible approach to managing our clients' assets. The final piece of pleasant news in 2014 came from our 2014 Actuarial Valuation produced by our independent actuarial consulting firm, Cheiron. From the depths of the 2008 financial crisis to January 2014, PMRS' funded ratio, on a market value basis, has increased from 81% to 97% and is among the highest of any state-level retirement plan in the U.S.

I encourage you to read this report in full. I know its transparency will allow you to learn more about, and better yet appreciate more, the system's strengths. I believe you will, above all else, be pleased by the openness and candor with which the agency's operations are revealed. We believe that the more you know about the agency, the more you will appreciate it. I encourage you to contact us with your inquiries, comments, and suggestions. We welcome your involvement and appreciate your support. I thank you for allowing us to serve you.

Sincerely,

A handwritten signature in black ink that reads "Paul L. Corbin". The signature is written in a cursive, slightly slanted style.

Paul L. Corbin

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

The majority of plans have a disability benefit that allows a member who is unable to work because of serious injury or illness to 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 elect to receive their monthly retirement allowance 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 interest rate which is currently at 5.5%. 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.

In 2014, the System reached a new milestone by surpassing \$2.0 billion in assets.

FINANCIAL

Independent Auditors' Report



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Pennsylvania Municipal Retirement Board
Pennsylvania Municipal Retirement System
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Pennsylvania Municipal Retirement System (the System), which comprise the statements of fiduciary net position as of December 31, 2014 and 2013 and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of December 31, 2014 and 2013, and the respective changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the System's financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary schedules, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules, as listed in the table of contents, are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introduction, investments, actuarial and statistical sections, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Harrisburg, Pennsylvania

June 29, 2015

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Pennsylvania Municipal Retirement System's (PMRS, the System, the Fund) financial performance for the years ended December 31, 2014 and 2013. It is presented as required supplementary information to the financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

The System administers sound, cost-effective pension plans on a contracted basis for local government employers 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, 2014.

The Statement of Fiduciary Net Position provides a snapshot of the financial position of PMRS at December 31, 2014, including comparative amounts for the prior year.

The Statement of Changes in Fiduciary Net Position summarizes the System's financial activities that occurred for the year ended December 31, 2014, 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 Supplementary Information 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 supplementary information is considered useful in understanding and evaluating the financial activities of PMRS.

FINANCIAL HIGHLIGHTS

- ◆ The System's plan net assets increased by \$99 million from \$1.951 billion at December 31, 2013 to \$2.050 billion at December 31, 2014. The System's plan net assets increased by \$289 million from \$1.662 billion at December 31, 2012 to \$1.951 billion at December 31, 2013. The changes in market value are recognized as part of the net appreciation/depreciation in the fair value of investments.
- ◆ The funded ratio decreased from 99.1% at January 1, 2013 to 98.4% as of the last valuation date of January 1, 2014. The decrease reflects the two-year contribution delay. While liabilities were increasing based upon the 5.50% discount rate assumption, the contributions paid were based upon the 2011 valuation results which had lower liabilities based upon the 6.0% discount rate assumptions. As a result the deficit last year has increased from \$16.9 million as of January 1, 2013 to a deficit of \$32.9 million as of January 1, 2014.
- ◆ The portfolio rate of return for the year ended December 31, 2014 was 5.7% compared to 19.4% and 13.2% for the years ended December 31, 2013 and 2012, respectively.
- ◆ Total contributions increased from \$62.4 million in 2013 to \$91.1 million in 2014, primarily due to a one-time payment of \$27.4 million from one municipality towards its unfunded liability. Total contributions increased from \$59.3 million in 2012 to \$62.4 million in 2013.
- ◆ Total pension plan benefit payouts increased by 11.4% from \$79.6 million in 2013 to \$88.7 million in 2014. Total pension plan benefit payouts

increased by 10.9% from \$71.8 million in 2012 to \$79.6 million in 2013. The fluctuation in benefit payouts is primarily due to increased annuity payroll from 2012 to 2014 and plan withdrawals in 2014.

- ◆ Administrative expenses increased by \$0.69 million to \$4.41 million in 2014. Expenses increased by \$0.30 to \$3.72 million in 2013 and increased by \$0.28 million to \$3.42 million in 2012. 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, 2014 actuarial valuation was derived from actual values for the four defined benefit plans that are required to redetermine contribution levels bi-annually on even years and actuarial adjustments to the January 1, 2013 liabilities for the 712 municipalities required to redetermine contribution levels bi-annually on odd years. The January 1, 2013 liabilities were adjusted to reflect January 1, 2014 actual active counts to estimate the liabilities for these plans to provide an overall measure of the funded status of the System.

As part of a 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. The most recent actuarial valuation reports that PMRS is 98.4% funded as of January 1, 2014.

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 2014, the System's rate of return on investments was 5.7%, which is primarily attributable to changes in fair value gained in the domestic equity market as well as real estate investments. The rate of return over the past three and five years ended December 31, 2014 was 12.6% and 9.8%, respectively.

SHORT-TERM

Short-term investments increased by approximately \$4.2 million from December 31, 2013 to December 31, 2014 and decreased by approximately \$2.0 million from December 31, 2012 to December 31, 2013. Neither the increase for 2014, nor the decrease for 2013 were intentional but rather represented the normal cash flow necessary to meet expenses and to fund managers.

FIXED INCOME

Fixed income increased by approximately \$29.9 million from December 31, 2013 to December 31, 2014, primarily due to changes in fair value. Fixed income decreased by approximately \$51.7 million from December 31, 2012 to December 31, 2013, primarily due to the change in asset allocation from 20% to 15%.

COMMON AND PREFERRED STOCK

Common and preferred stock including international stock increased approximately \$29.7 million from December 31, 2013 to December 31, 2014 and increased approximately \$291.0 million from December 31, 2012 to December 31, 2013 due to changes in fair value in domestic and international markets.

REAL ESTATE

Real estate increased approximately \$34.0 million from December 31, 2013 to December 31, 2014, and also increased approximately \$50.9 million from December 31, 2012 to December 31, 2013. The increases were due to gains in fair value.

CONTRIBUTIONS AND INVESTMENT INCOME

In 2014, contributions from employers and members totaled \$91.1 million compared to \$62.4 million in 2013 and \$59.3 million in 2012. Net investment income in 2014 was \$100.5 million compared to \$310.2 million in 2013 and \$187.8 million in 2012. Investment income was primarily attributable to appreciation in fair values in the equity and real estate markets.

Investment expenses increased \$0.1 million from \$7.8 million in 2013 to \$7.9 million in 2014 and increased \$1.1 million from \$6.7 million in 2012 to \$7.8 million in 2013. 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 in 2014 was for payment of pension benefits totaling \$88.7 million, compared to \$79.6 million in 2013 and \$71.8 million in 2012. Pension benefits increased by \$9.1 million in 2014 due to an increased number of retirees and plan withdrawals in 2014. Pension benefits increased by \$7.8 million in 2013 due to an increased number of retirees. Monthly payments to retirees increased in all three years. Annual annuity payments excluding death payments were \$74.4 million in 2014, \$67.3 million in 2013, and \$61.8 million in 2012. Administrative expenses totaled \$4.4 million during 2014, as compared to \$3.7 million during 2013 and \$3.4 million in 2012.

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 there are questions about the report or additional information is required, contact the Chief Financial Officer, Financial and Investment Management Division, Pennsylvania Municipal Retirement System at P. O. Box 1165, Harrisburg, PA 17108-1165.

Summary of Fiduciary Net Position

as of December 31, 2014, 2013, and 2012

Analysis of Fiduciary Position	2014	2013	2012
Assets	(In Thousands)		
Receivables	\$ 4,648	\$ 4,494	\$ 3,537
Investments	2,049,464	1,951,675	1,663,444
Capital assets	134	145	183
Total assets	2,054,246	1,956,314	1,667,164
Liabilities	4,631	5,067	5,238
Total fiduciary net position	\$2,049,615	\$1,951,247	\$1,661,926

Summary of Changes in Fiduciary Net Position

for years ended December 31, 2014, 2013, and 2012

Analysis of Fiduciary Position	2014	2013	2012
Additions	(In Thousands)		
Contributions	\$ 91,063	\$ 62,434	\$ 59,254
Net investment income	100,454	310,198	187,755
Total additions	191,517	372,632	247,009
Deductions			
Benefit payments and terminations ⁽¹⁾	88,737	79,587	71,828
Administrative expenses	4,412	3,724	3,424
Total deductions	93,149	83,311	75,252
Total changes in fiduciary net position	\$ 98,368	\$ 289,321	\$ 171,757

Asset Distribution at Fair Market Value

as of December 31, 2014, 2013, and 2012

Asset Class	2014	%	2013	%	2012	%
	(In Thousands)					
Short term ⁽²⁾	\$ 58,712	2.9%	\$ 54,535	2.8%	\$ 56,535	3.4%
Fixed income	301,574	14.7	271,645	13.9	323,324	19.4
Common preferred stock	873,000	42.6	892,301	45.7	652,955	39.3
International stock	487,819	23.8	438,838	22.5	387,224	23.3
Real estate equity	328,359	16.0	294,355	15.1	243,406	14.6
Total	\$2,049,464	100.0%	\$1,951,674	100.0%	\$1,663,444	100.0%

⁽¹⁾ Monthly Annuity Payroll increased by \$6,785,085, \$5,831,514 and \$4,468,122 in 2014, 2013, and 2012, respectively. Average number of annuitants receiving benefits increased by 296 in 2014 (6.2% increase), 262 in 2013 (5.8% increase) and 242 in 2012 (5.7% increase). One plan withdrew in 2014 with total assets of \$3,411,316. No plans withdrew in 2013. In 2012, two plans withdrew from the System with total assets of \$18,507.

⁽²⁾ Short term includes cash and equivalents held by investment managers and the Pennsylvania Treasury Department.

Statement of Fiduciary Net Position

As of December 31, 2014 and 2013

Assets	2014	2013
Receivables		
Plan members	\$ 1,832,661	\$ 1,601,534
Municipal employers	240,903	226,819
Accrued investment income	1,310,518	997,339
Investment sales receivable	1,264,099	1,668,900
Total receivables	4,648,181	4,494,592
Investments, at fair value		
Short-term and other investments	58,712,288	54,534,681
U.S. Government fixed income pooled funds	206,849,517	184,175,438
Corporate bond pooled funds	94,724,352	87,469,751
Equity index funds, Common and Preferred stocks	872,999,594	892,301,396
Real estate equity	328,359,467	294,354,993
International equities	487,818,617	438,838,409
Total investments	2,049,463,835	1,951,674,668
Capital assets (net of accumulated depreciation of \$133,344 and \$176,129 at 2014 and 2013, respectively)	134,402	145,364
Total assets	\$2,054,246,418	\$1,956,314,624
Liabilities		
Accounts payable and accrued expenses	2,749,092	2,316,466
Investment purchases payable	1,882,194	2,750,788
Total liabilities	4,631,286	5,067,254
Net position restricted for pensions	\$2,049,615,132	\$1,951,247,370

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

Statement of Changes in Fiduciary Net Position

Years Ended December 31, 2014 and 2013

Additions	2014	2013
Contributions		
Municipal employers	\$ 67,972,420	\$ 39,706,080
Plan members	22,781,457	22,416,432
Assessments	309,040	311,760
Total contributions	91,062,917	62,434,272
Investment income		
From investing activities:		
Net appreciation in fair value of investments	73,174,459	294,108,337
Short-term and other investments	104,102	92,551
Common and Preferred stocks	9,739,317	10,266,217
Real estate equity	20,528,588	8,407,139
International equities	4,770,306	5,088,851
Total investment income	108,316,772	317,963,095
Less investment expenses	(7,863,214)	(7,765,520)
Total net investment income	100,453,558	310,197,575
Total additions	191,516,475	372,631,847
Deductions		
Annuity benefits	78,432,682	69,231,495
Terminations	10,304,569	10,355,631
Administrative expenses	4,411,462	3,723,590
Total deductions	93,148,713	83,310,716
Net increase	98,367,762	289,321,131
Net position restricted for pensions		
Balance, beginning of year	1,951,247,370	1,661,926,239
Balance, end of year	\$2,049,615,132	\$1,951,247,370

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

Notes to Financial Statements

(1) Organization and Description of the System

ORGANIZATION

The Pennsylvania Municipal Retirement System (PMRS, the System, the Fund) 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, 2014, there were 716 municipalities with defined benefit plans and 268 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	Cash Balance
Counties	4	0
Cities	18	0
Boroughs	146	48
Townships of the First Class	18	3
Townships of the Second Class	162	132
Authorities and Other Units	170	72
Police	189	12
Firefighters	9	1
Total*	716	268

*Total includes plans with no active members.

Individual Membership

Active Members	
Defined Benefit Plans	
Municipal	6,805
Police	752
Firefighters	119
Total	7,676
Cash Balance Plans	
Municipal	1,173
Police	12
Firefighters	0
Total	1,185
Total active members	8,861
Retirees and Beneficiaries	
Retirees	4,423
Beneficiaries	520
Total retirees and beneficiaries	4,943
Inactive Participants with Rights to Deferred Pension (Vested)	
Defined benefit	753
Cash balance	291
Total vested	1,044
Defined benefit	14
Cash balance	0
Total non-vested	14
Total individual memberships	14,862

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 drafted by the System's staff, reviewed by the Chief Counsel's Office, adopted by the municipality, 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. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller; that is other than in a forced or liquidation sale. 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. Equity index funds are valued at the net asset value of units held based upon the value of the underlying investments as determined by quoted market prices. Fixed income pooled funds are valued at the net asset value of units held based on yields currently available on comparable securities of issuers with similar credit ratings of the underlying investments. The fair value of real estate investments are 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. Interest income is recorded on the accrual basis and 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

The System is a qualified trust fund under Section 401(a) of the Internal Revenue Code (IRC). As a result of the qualified status, the trust fund is entitled to an exemption, under Section 501(a) of the IRC, from federal income taxation on its investment earnings. Additionally, the trust fund and any benefits accruing to the members of PMRS are exempt from Pennsylvania state and municipal taxes.

It should be noted that the Internal Revenue Service (IRS) announced and initiated a renewed focus on the tax qualification of public pension funds in 2008. PMRS continues to work proactively to address this IRS initiative.

NEW ACCOUNTING PRONOUNCEMENTS

During the year ended December 31, 2014, the System adopted GASB Statement No. 67, “Financial Reporting for Pension Plans,” which replaces the requirements of Statement No. 25 and No. 50 related to pension plans that are administered through trust or equivalent arrangements. This Statement requires changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

The GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.” This Statement replaces the requirements of Statement No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014.

The GASB issued Statement No. 69 “Government Combinations and Disposals of Government Operations” in January 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. Upon examination of this Statement, it was determined to have no current impact on PMRS.

The GASB issued Statement No. 70 “Accounting

and Financial Reporting for Nonexchange Financial Guarantees” in April 2013. This Statement establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. Upon examination of this Statement, it was determined to have no current impact on PMRS.

The GASB issued Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68” in November 2013. The objective of this Statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The provisions of this Statement will be applied simultaneously with the provisions of Statement No. 68.

The GASB issued Statement No. 72 “Fair Value Measurement and Application” in February 2015. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2015.

(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, 2014 and 2013 consisted of the following:

	2014	2013
Municipality normal cost	\$39,815,685	\$39,129,236
Amortization of unfunded actuarial accrued liability	(3,717,279)	(3,544,071)
Total ⁽¹⁾	\$36,098,406	\$35,585,165

Total contributions to the System in 2014 were \$91,062,917 of which \$22,781,457 and \$67,972,420⁽²⁾ were made by its members and municipalities, respectively and \$309,040 was from assessments. The actual contributions are 188.3% of the required contributions.

Total contributions to the System in 2013 amounted to \$62,434,272 of which \$22,416,432 and \$39,706,080 were made by its members and municipalities, respectively and \$311,760 was from assessments. The actual contributions are 111.5% of the required contributions.

The difference between the municipalities' required and actual contributions is generally 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).

Each municipality is also charged a \$20 assessment fee 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⁽³⁾, 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 1/1/1985 (or first valuation);
 - b. 20 years with respect to actuarial gains and losses;
 - c. 15 years with respect to changes due to actuarial assumptions,
 - d. 20 years with respect to changes due to plan provisions (if state mandated),
 - e. 10 years with respect to changes in benefits for currently active members and one year of retired members (if local benefit changes), or,
2. the average assumed working lifetime of active employees as of the date the liability was established. If there are no active employees, the unfunded liability is amortized one year after the liability was established.

⁽¹⁾ Total does not include \$20 per member assessment fee to municipalities.

⁽²⁾ Total contributions for municipal employees include a one-time payment of \$27.4 million from one municipality towards its unfunded liability. The actual contributions excluding this one-time payment are 114.0% of the required contributions.

⁽³⁾ Act 44 of 2009 made amendments to Act 205 which changes certain amortization periods. These changes affect the cost calculations for the System's plans as of January 1, 2011.

Significant actuarial assumptions used to compute the actuarially determined contribution requirement include (a) a discount rate of 5.5% per year (net of investment and certain administrative expenses) compounded annually, (b) projected salary increases ranging from 3.0% to 8.3% with an average increase of 5.0%, including a 3.0% per 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 year until the maximum is reached (optional in contracts), and (d) pre- and post-retirement mortality based on the RP2000 Mortality Table for males and females, and an additional set forward of 10 years for disabled lives.

The assumptions did not include a cost-of-living adjustment. The amortization method uses level dollar for plan bases and average for Aggregate Gain/Loss, 10% of surplus is credited against aggregate cost where applicable, based on an open amortization period. The remaining amortization period at December 31, 2014 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 10.19 years for the unfunded municipalities. This amount was determined by taking the sum of the individual amortization periods multiplied by the unfunded liabilities for each underfunded municipality and dividing by the sum of the unfunded liability for all of the underfunded municipalities.

Funding Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was 98.4% funded. The actuarial accrued liability for benefits was \$2,005,222,107 and the actuarial value of assets was \$1,972,273,674 resulting in an unfunded actuarial accrued liability (UAAL) of \$32,948,433. The covered payroll (annual payroll of active employees covered by the plan) was \$434,603,924, and the ratio of the UAAL to the covered payroll was 7.6%.

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

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 regular interest rate is 5.5%.

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, 2014 and 2013, the balance in the Members' Reserve Account was \$427,736,008 and \$416,472,872, respectively. The account is 98.4% funded as of January 1, 2014.

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 regular interest rate of 5.5%.

As of December 31, 2014 and 2013, the balance in the Municipal Reserve Account was \$814,734,267 and \$769,572,044, respectively. The account is 98.4% funded as of January 1, 2014.

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 regular interest rate of 5.5%.

As of December 31, 2014 and 2013, the balance in the Retired Members' Reserve Account was \$833,748,582 and \$782,283,327, respectively. The account is 98.4% funded as of January 1, 2014.

DROP Participant Reserve Account

Deferred Retirement Option Program ("DROP") is an optional form of payment upon a member's retirement. The DROP Participant Reserve Account is credited with all monthly annuity payments payable to a DROP Participant. The monthly DROP interest is dependent on the monthly rate of return credited to the Liquid Asset Pool as determined by the Treasurer. The DROP Interest credited each month shall not be less than zero percent (0.0%) nor more than 0.367 percent (0.367%) per month, and shall not exceed the statutory limit of four and five tenths percent (4.5%) annually. The annualized yield of the monthly interest rate for 2014 ranged from .14% to .21% with .16% as the average for the twelve month period. The interest rate for 2013 ranged from .17% to .24% with .20% as the average for the twelve month period. The first DROP participant enrolled on July 31, 2012.

As of December 31, 2014 and 2013, the balance in the DROP Participant Reserve Account was \$628,345 and \$368,377. The account is 98.4% funded as of January 1, 2014.

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 the Retired Members' Reserve Account over the most recent three years.

As of December 31, 2014 and 2013, the balance in the Disability Reserve Account was \$489,967 and \$165,224 respectively. The account is 98.4% funded as of January 1, 2014.

Undistributed Earnings Designation Account

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 2014 or 2013. 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 System's assets as of December 31, 2013 and 2012, respectively, and the expected cash flows of the System for 2014 and 2013 if excess interest had been distributed.

As of December 31, 2014 and 2013, the Undistributed Earnings Designation Account had a balance of \$(27,722,038) and \$(17,614,474), 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 is governed by the "prudent investor" rule in establishing investment policy. The "prudent investor" rule requires the exercise of that degree of judg-

ment, skill, and care under the circumstances then prevailing which investors of prudence, discretion, and intelligence, who are familiar with such matters, exercise in the management of their own affairs not in regard to speculation, but in regard to permanent disposition of the funds, considering the probable income to be derived there from, as well as the probable safety of their capital.

The Board has adopted its Statement of Investment Policy to formally document investment objectives and responsibilities. This policy, as well as applicable state law, establishes guidelines for permissible investments of PMRS. The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. On May 16, 2013, the Board established its allocation goals as follows:

Domestic Equities (large capitalized firms)	25%
Domestic Equities (small capitalized firms)	15%
International Equities (developed markets)	15%
International Equities (emerging markets)	10%
Fixed Income	15%
Real Estate	12.5%
Timberland	7.5%

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.20%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

Custodial credit risk is the risk of loss resulting from the failure of the custodian such that the System would not be able to recover the value of its investments or collateral securities in the possession of the custodian. Since the State Treasurer, as custodian, holds all investments in the name of the System, the System's investments are not exposed to custodial credit risk. The Treasury Department has formally adopted a written investment policy which addresses 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, 2014 and 2013, the System had no credit risk exposure to borrowers because participation in the program was halted in 2008.

CREDIT RISK CONCENTRATION

Credit risk concentration is the risk of loss attributed to 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. The System had no single issuer that exceeded 5% of total investments at December 31, 2014 and 2013. Investment in mutual funds, external investment pools and other pooled investments were excluded.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a fixed income investment. The System had no actively managed long-term fixed income investments. The fixed-income portfolio consists of the following:

2014 Interest Rate Risk

Security	Quality Rating	Modified-Adjusted Duration	Fair Value
U.S. Government fixed income pooled funds*	AAA	5.5	\$206,849,517
Corporate bond pooled funds*	AA	5.5	\$ 94,724,352
State Treasury STIF	NR	0.1	\$ 28,975,634

2013 Interest Rate Risk

Security	Quality Rating	Modified-Adjusted Duration	Fair Value
U.S. Government fixed income pooled funds*	AAA	5.5	\$ 184,175,438
Corporate bond pooled funds*	AA	5.5	\$ 87,469,751
State Treasury STIF	NR	0.1	\$ 19,216,694

*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:

2014 Foreign Currency Risk

Currency	Equity	Short-Term	Total
European Euro	\$59,462,977	\$(37,681)	\$59,425,296
Japanese Yen	46,133,758	59	46,133,817
British Pound Sterling	35,334,367	-	35,334,367
Swiss Franc	18,391,321	21	18,391,342
Hong Kong Dollar	8,469,310	-	8,469,310
Norwegian Krone	5,727,442	-	5,727,442
Swedish Krona	5,468,868	-	5,468,868
South Korean Won	2,432,082	-	2,432,082
Thailand Baht	2,426,492	-	2,426,492
Singapore Dollar	1,008,523	-	1,008,523
Australian Dollar	797,279	-	797,279
Israeli Shekel	606,740	-	606,740

2013 Foreign Currency Risk

Currency	Equity	Short-Term	Total
European Euro	\$51,721,137	\$7,894	\$51,729,031
Japanese Yen	39,072,555	-	39,072,555
British Pound Sterling	34,685,363	2,231	34,687,594
Swiss Franc	27,743,641	24	27,743,664
Hong Kong Dollar	7,622,910	-	7,622,910
Canadian Dollar	7,582,973	11,557	7,594,530
Swedish Krona	5,587,950	-	5,587,950
Australian Dollar	3,320,604	-	3,320,604

(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, 2014 and 2013, the System had no securities out for loan because of a continued Board policy prohibiting participation in securities lending. The System had no cash collateral invested in the custodial agent's short-term collateral investment pool as of December 31, 2014 and 2013.

(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 19.92% at July 1, 2014, 15.12% at July 1, 2013, and 10.51% at July 1, 2012. The System's annual contributions to SERS for the years ended December 31, 2014 and 2013 were \$282,345 and \$180,534, respectively, which were equal to the required contributions each year.

(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 Municipal League, Pennsylvania Municipal Authorities Association, Pennsylvania State Association of Boroughs, Pennsylvania State Association of County Commissioners, Pennsylvania State Association of Township Commissioners, Pennsylvania State As-

sociation 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 years.

The System's implementation policy is to allow contracted external managers to decide what action to take regarding this 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 2016 with an option to extend for five years. Future minimum lease payments under this lease are \$112,000 per year.

Total rental expenses for the years ended December 31, 2014 and 2013 were \$112,436 and \$111,711, respectively.

(11) 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.

(12) Subsequent Events

The System has performed an evaluation of subsequent events through June 29, 2015, the date the basic financial statements were available to be issued. No material events were identified by the System.

Required Supplementary Information

Schedule 1

Schedule of Investment Returns

Annual money-weighted rate of return, net of investment expense

Year Ended December 31	Annual Rate
2014	5.20%

Note: Money-weighted results for the required 10-year timeframe will be added as available.

Supplementary Schedules and Information

Schedule 2

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)
1/1/2014	\$ 1,972,273,674	\$ 2,005,222,107	\$ 32,948,453	98.4%	\$434,603,924	7.6%
1/1/2013	1,886,703,664	1,903,572,061	16,868,397	99.1	420,787,345	4.0
1/1/2012	1,792,809,433	1,727,217,269	(65,592,164)	103.8	408,025,850	(16.1)
1/1/2011	1,713,751,974	1,673,904,145	(39,847,829)	102.4	425,485,909	(9.4)
1/1/2010	1,620,150,779	1,560,357,536	(59,793,243)	103.8	413,065,016	(14.5)
1/1/2009	1,540,152,742	1,451,637,264	(88,515,478)	106.1	405,181,956	(21.8)

See accompanying Actuarial Methods and Significant Assumptions.

Schedule 3

Schedule of Required Employer Contributions for Last Six Years

Year Ended December 31	Annual Required Contributions (ARC) ⁽²⁾	Actual Employer Contribution	Percentage Contributed ⁽³⁾
2014	\$36,098,406	\$67,972,420 ⁽⁴⁾	188.3% ⁽⁴⁾
2013	35,585,165	39,706,080	112
2012	34,062,933	37,974,023	112
2011	33,880,428	40,231,586	119
2010	31,561,925	40,949,360	130
2009	30,631,316	35,309,446	115

See accompanying Actuarial Methods and Significant Assumptions.

⁽¹⁾ The Actuarial Value of Assets, Actuarial Accrued Liability and Unfunded AAL was provided by Cheiron. Covered payroll includes defined benefit plans and cash balance plans. The actuarial assumptions as of January 1, 2014 are shown in the assumptions and methods section. The above information was derived from the following membership data, as provided by the System, regarding:

Valuation Date	Valuation of Defined Benefit Liabilities		
	Explicit Valuation	Roll-Forward	Cash Balance Plans
January 1, 2014	4	712	268
January 1, 2013	710	4	251
January 1, 2012	4	705	240
January 1, 2011	702	5	229
January 1, 2010	5	691	202
January 1, 2009	691	5	203

⁽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).

⁽⁴⁾ The actual employer contributions for 2014 include a one-time payment of \$27.4 million for one municipality towards its unfunded liability. The actual employer contributions excluding this one-time payment are 114.0% of required contributions.

Actuarial Methods and Significant Assumptions

The Schedule of Funding Progress and Schedule of Required Employer Contributions presented in the 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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level dollar for plan bases and average for aggregate gain/ (loss), 10% of surplus is credited against aggregate cost where applicable, based on an open amortization period.
Remaining amortization period	<ul style="list-style-type: none"> - 30 years with respect to the initial liability as of 1/1/1985 (or first valuation); - 20 years with respect to actuarial gains and losses; - 15 years with respect to changes due to actuarial assumptions; - 20 years with respect to changes due to plan provisions (if state mandated); - 10 years with respect to changes in benefits for currently active members and one year of retired members (if local benefit changes).
Asset valuation method	Sum of all audited reserve accounts plus any additional investment income to be distributed as excess interest
ACTUARIAL ASSUMPTIONS	
Discount rate	5.5% 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 - 6.4%; age 40 - 5.0%; age 50 - 4.1%; age 60 - 3.7%. 2.0% is added for each of the first three years of service)
Inflation at	3.0%
Post-retirement cost-of-living adjustments	3.0% per annum until maximum is reached (optional in contracts)

The actuarial assumptions used have been reviewed by the actuary and adopted by the System's Board based on the most recent review of the System's experience completed in 2010.

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 percentage 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.

Supplementary Schedules and Information (continued)
Years Ended December 31, 2014, and 2013

Schedule 4 - Administrative Expenses

Comparative Two-Year Schedule
Years Ended December 31, 2014, and 2013

	2014	2013
PERSONNEL COSTS		
Salaries and wages	\$1,720,154	\$1,433,305
Social security contributions	128,069	109,772
Retirement contributions	282,345	180,534
Insurance contributions	647,145	581,199
Other employee benefits	6,765	3,566
Total personnel costs	2,784,478	2,308,376
PROFESSIONAL COSTS		
Actuarial	422,726	336,822
Legal	264,208	231,965
Investment Consultant	175,000	175,000
IT Consultants	144,451	34,871
Audit	108,500	105,500
Miscellaneous professional	80,837	55,460
Proxy Voting Services	16,100	16,100
Data processing	14,084	23,594
Total professional costs	1,225,906	979,312
COMMUNICATION COSTS		
Postage	61,752	52,822
Telephone	38,930	42,210
Travel and Conferences	35,748	25,660
Printing	13,852	11,190
Advertising	7,380	8,430
Total communication costs	157,662	140,312
OTHER SERVICES AND CHARGES		
Office space rental	112,435	111,713
Contracted EDP services	51,266	87,116
Equipment leasing	18,054	15,782
Supplies	17,354	29,010
Maintenance	5,904	1,865
Dues and subscriptions	3,538	3,303
Bonding and insurance	1,293	1,248
Total other services and charges	209,844	250,035
DEPRECIATION		
	33,572	45,555
Total administrative expenses	\$4,411,462	\$3,723,590

Schedule 5 - Investment Expenses

Comparative Two-Year Schedule
Years Ended December 31, 2014, and 2013

	2014	2013
Investment management fees	\$7,789,141	\$7,752,991
Custodial fees	74,073	12,529
Total investment expenses	\$7,863,214	\$7,765,520

Schedule 6 - Payments to Consultants

Comparative Two-Year Schedule
Years Ended December 31, 2014, and 2013

Firm Name	Nature of Service	2014	2013
Cheiron	Actuary	\$422,726	\$336,822
CliftonLarsonAllen, LLP	Auditor	108,500	105,500
Dahab Associates, Inc.	Investment Consultant	175,000	175,000
ISS	Proxy Voting Services	16,100	16,100
Total		\$722,326	\$633,422

In 2014, the big winner was large cap equity with a return of 13.4%. Closely behind was real estate with a return of 10.5%.

INVESTMENTS

Basis of Presentation

The Investment Section was prepared under the supervision of Stephen W. Vaughn, Secretary of PMRS. The data presented in the Investment Section by the System's independent investment consultant has been prepared by 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 present in the Financial Section with the exception of the recognition of unallocated cash and pending sales and purchases. The difference noted above represents the difference between the investment balance of \$2,049,463,835 presented in the Financial Section and the balance of \$2,047,964,029 reported in this section.

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.

INVESTMENT RETURN

As of December 31, 2014 the Pennsylvania Municipal Retirement Board's investment portfolio was valued at \$2,047,964,029 which was an increase of \$101,955,935 from the December 2013 ending valuation of \$1,946,008,094. During the calendar year of 2014, the System recorded aggregate net withdrawals of \$6,550,098 and a net investment return of \$108,506,033.

For the period between December 31, 2009 and December 31, 2014, the System recorded net withdrawals of \$95,434,593 and a net investment return of \$780,434,718. During that period the System has increased from \$1,362,963,904 to \$2,047,964,029. If the fund had earned an annualized compound rate of 5.5% during that period, it would have been worth \$1,670,145,560 or \$377,818,469 less than the actual value for the year.

INTRODUCTION

The following represents highlights from the Board's investment guidelines adopted on May 15, 2014. 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 slight negative cash flow and does expect this trend to gradually increase in the future. The System currently meets routine benefit payments from incoming revenue as opposed to any depletion of invested assets.

The Board adopted two changes to the Investment Guidelines on May 15, 2014. The Board adopted its allocation goals established on May 16, 2013 and changed the benchmark for equity managers of portfolios assigned to invest in non-domestic firms in developed markets from S&P BMI World Ex-U.S. Equity to MSCI ACWI Ex-USA Index.

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. On May 16, 2013, 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	15%
Real estate	12.5%
Timberland	7.5%

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 invest in vehicles authorized by the System. The manager must utilize the System's depository relationship with the State Treasurer who, as custodian of the Fund, will invest all cash on a daily basis in a short-term fund. 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 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 State Treasurer as the custodian and the Bank of New York Mellon as the sub-custodian.

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.

Report on Investment Activity

RELATIVE PERFORMANCE

Total Fund

The time-weighted rate of return for the System's investments during the year ended December 31, 2014 was 5.7%, ranking in the 71st percentile of the Investment Metrics (IM) Public Fund universe. This performance level was 0.7% below the shadow index return of 6.4%. The five-year return for December 2009 through December 2014 was 9.8% on an annualized basis and ranked in the 48th percentile. For comparison the shadow index return was 10.0%.

Large Cap Equities

Over the trailing twelve months, the large cap equity portfolio returned 13.4%, which was 0.3% less than the comparative benchmark S&P 500 Index's 13.7% performance and ranked in the 39th percentile. For the last five years, this component returned 15.9% per annum and ranked in the 38th percentile. The S&P 500 returned an annualized 15.4% during the same time frame.

Small Cap Equities

This component returned 5.1%, which was 0.2% more than the comparative benchmark Russell 2000 Index's 4.9% performance, ranking in the 51st percentile for the trailing twelve months. For the five year period, this component returned 16.7% annualized and ranked in the 53rd percentile. For comparison, the Russell 2000 returned an annualized 15.5% over the same period.

Developed International Equities

This segment's return was -5.1% over the trailing year, which was 0.6% less than the comparative benchmark MSCI EAFE Index's -4.5% return, ranking in the 76th percentile. For the five-year period, this component returned 6.8% on an annualized basis and ranked in the 50th percentile. For comparison, the MSCI EAFE Index returned an annualized 5.8% during the same time frame.

Emerging Markets Equities

Over the trailing year, the emerging markets equity portfolio returned -2.7%, 0.9% below the comparative benchmark MSCI Emerging Markets Index's 1.8% return, ranking in the 72nd percentile. For the last five year period, this component returned 1.5% on an annualized basis and ranked in the 75th percentile. For comparison, the MSCI Emerging Markets Index returned an annualized 2.1% during the same time period.

Fixed Income

Over the trailing year, this component returned 6.0%; that return was equal to the comparative benchmark Barclays Aggregate Index's 6.0% return, ranking in the 64th percentile. For the five-year period, this component returned 4.5% annualized and ranked in the 85th percentile. For comparison, the Barclays Aggregate Index also returned an annualized 4.5% over the same period.

Real Estate

Over the trailing twelve-month period, this segment returned 10.5%, which was 1.3% below the comparative benchmark NCREIF Property Index's 11.8% performance. For the cumulative five-year period, this component returned 9.3% per annum, while the NCREIF Property Index returned an annualized 12.1% over the same time frame.

The table on page 46 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

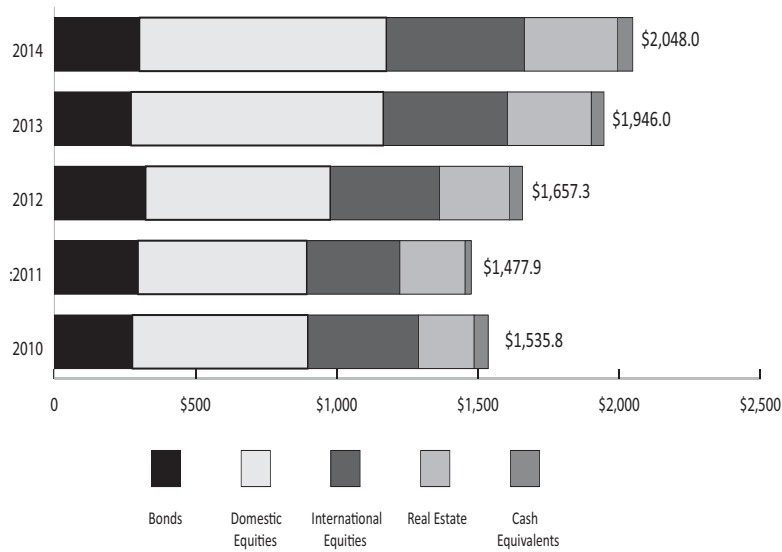
The table to the right shows the allocation of assets as of December 31, 2014.

* Numbers may not add due to rounding.

The following graph shows the System’s five-year trend of investments at fair value.

Asset Allocation (as of 12/31/2014)		
Type	%	Amount
Large cap equities	26.6%	\$ 545,559,599
Small cap equities	16.0%	\$ 328,209,762
Int’l developed mkts	13.8%	\$ 282,428,855
Int’l emerging mkts	10.1%	\$ 205,907,962
Total equities	66.5%	\$1,362,106,178
Fixed income	14.7%	\$ 301,573,869
Real estate	16.1%	\$ 329,900,546
Cash and equivalents ⁽¹⁾	2.7%	\$ 54,383,436
Total portfolio	100.0%	\$2,047,964,029

Portfolio Distribution - Five-Year Trend
(Fair Value - Amounts in Millions)



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

Portfolio Rates of Return ⁽¹⁾

Last 10 Years as of December 31, 2014

The following table compares rates of return for the System's total investment portfolio with standard indexes for the last one, three, five and ten 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	5.7%	12.6%	9.8%	6.6%
Public Fund Rank ⁽²⁾	(71)	(35)	(48)	(46)
Shadow Index ⁽³⁾	6.4	12.5	10.0	6.6
Large Cap Equity	13.4	21.2	15.9	8.2
Large Cap Rank ⁽⁴⁾	(39)	(37)	(38)	(58)
S&P 500	13.7	20.4	15.4	7.7
Small Cap Equities	5.1	20.2	16.7	7.9
Small Cap Rank ⁽⁴⁾	(51)	(50)	(53)	(81)
Russell 2000	4.9	19.2	15.5	7.8
International Equity	-5.1	13.5	6.8	5.9
International Equity Rank ⁽⁵⁾	(76)	(31)	(50)	(67)
MSCI EAFE	-4.5	11.6	5.8	4.9
Emerging Markets Equity	-2.7	3.8	1.5	-
Emerging Markets Rank ⁽⁶⁾	(72)	(78)	(75)	-
MSCI Emerging Markets	-1.8	4.4	2.1	8.8
Real Estate	10.5	10.1	9.3	6.1
NCREIF	11.8	11.1	12.1	8.4
Fixed Income	6.0	2.7	4.5	4.7
Core Fixed Income Rank ⁽⁷⁾	(64)	(83)	(85)	(82)
Barclays Aggregate	6.0	2.7	4.5	4.7

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. Rates of return are gross of fees.

⁽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.

⁽⁴⁾ Ranked against equity oriented funds.

⁽⁵⁾ Ranked against international developed markets oriented funds.

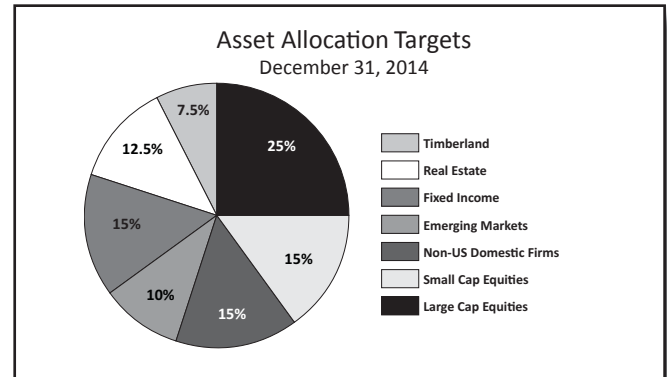
⁽⁶⁾ Ranked against international emerging markets oriented funds. PMRS entered emerging markets equities in late 2008.

⁽⁷⁾ Ranked against fixed income oriented funds.

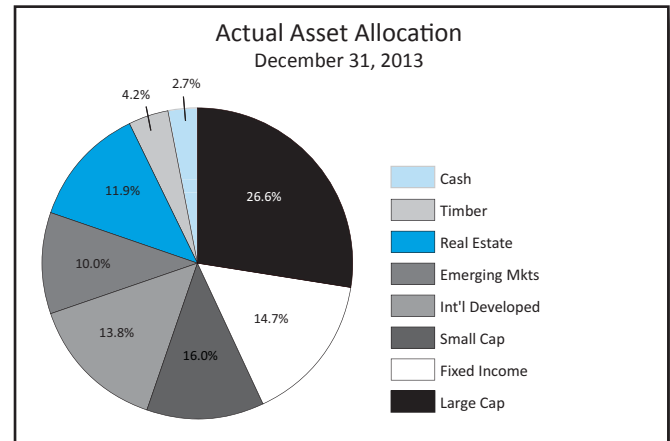
Asset Allocation

On May 16, 2013, the Board established its allocation goals as follows:

Domestic Equities (large capitalized firms)	25%
Domestic Equities (small capitalized firms)	15%
International Equities (developed markets)	15%
International Equities (emerging markets)	10%
Fixed Income	15%
Real Estate	12.5%
Timberland	7.5%



The System's asset allocation as of December 31, 2014, was \$873.8 million committed to domestic equities (\$545.6 large cap and \$328.2 small cap), \$488.3 million to international equities (\$282.4 international developed and \$205.9 emerging markets), \$301.6 million to bonds, \$329.9 million to real estate (includes timberland \$87.0), and \$54.4 million to cash equivalents. The percentage distribution is illustrated below.



Asset Allocation December 31, 2014

Sector	Target Allocation	Target Dollar	Current Allocation	Current Dollar Allocation	Variance/Dollar	Variance/Percent
Fixed Income	15%	\$ 307,194,605	14.7%	\$ 301,573,869	\$ (5,620,736)	-0.30%
Large Cap	25%	511,991,007	26.6%	545,559,599	33,568,592	1.60%
Small Cap	15%	307,194,604	16.0%	328,209,762	21,015,158	1.00%
Int'l Developed	15%	307,194,604	13.8%	282,428,855	(24,765,749)	-1.20%
Emerging Mkts	10%	204,796,403	10.1%	205,907,962	1,111,559	0.10%
Real Estate	12.5%	255,995,504	11.9%	242,851,242	(13,144,262)	-0.60%
Timber	7.5%	153,597,302	4.2%	87,049,304	(66,547,998)	-3.30%
Cash	0.0%	-	2.7%	54,383,436	54,383,436	2.70%
TOTAL	100%	\$2,047,964,029	100%	\$2,047,964,029		

Investment Summary

Summary of Investment Expenses

Comparative Two-Year Schedule
Years ended December 31, 2014 and 2013

Firm Name	2014	2013
Large Cap Domestic Managers		
DePrince, Race & Zollo	\$ 461,839	\$ 420,584
LSV Asset Management	569,416	647,494
Polen Capital Management	676,568	559,076
UBS Asset Management ⁽¹⁾	-	440,501
	<u>1,707,823</u>	<u>2,067,655</u>
Small Cap Domestic Managers		
BMO Global Asset Management	569,573	493,676
Brandywine Global Investment	740,456	653,736
Emerald Advisers	405,995	341,673
	<u>1,716,024</u>	<u>1,489,085</u>
Passive Manager		
State Street Global Advisors	374,275	281,963
	<u>374,275</u>	<u>281,963</u>
International Managers		
HGK Asset Management	642,914	558,013
Jarislowky, Fraser Limited ⁽²⁾	100,960	-
Johnston Asset Management	503,521	471,157
WHV Investment Management ⁽³⁾	150,301	458,131
	<u>1,397,696</u>	<u>1,487,301</u>
Real Estate Managers		
Forest Investment Associates	755,774	785,139
Prudential Real Estate Investors	692,152	669,335
TIAA-CREF Global Real Estate	1,145,397	972,512
	<u>2,593,323</u>	<u>2,426,986</u>
Total Investment Management Fees	7,789,141	7,752,990
Custodial Fees - BNY Mellon	74,073	12,530
Total Investment Expenses	\$7,863,214	\$7,765,520

⁽¹⁾ Investment manager terminated in 2013.

⁽²⁾ Investment manager hired 3rd quarter in 2014.

⁽³⁾ Investment manager terminated in 2014.

Ten Largest Common Stock Holdings

As of December 31, 2014 (Fair Value)

Stock	Shares	Fair Value	% of Stock Portfolio
Oracle Corp.	267,752	\$12,040,807	0.59%
Visa Inc.	42,093	11,036,785	0.55
Nike, Inc.	98,590	9,479,429	0.47
Abbott Laboratories	203,800	9,175,076	0.45
Priceline Group Inc.	7,031	8,016,817	0.40
TJX COS Inc.	114,328	7,840,614	0.39
Google Inc.	14,790	7,785,456	0.38
Allergan Inc/United States	35,214	7,486,144	0.37
Starbucks Corp.	90,001	7,384,582	0.36
Accenture PLC	76,173	6,803,011	0.34

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

Investment Summary (continued)

Portfolio Summary

As of December 31, 2014

Type of Investment	Cost Value	Fair Value	% of Total Fair Value
Corporate and government bonds			
U.S. Government bonds	\$ 173,925,418	\$ 206,849,517	10%
Corporate bonds	79,647,141	94,724,352	5
Total	253,572,559	301,573,869	15
Common stock			
Domestic	691,543,057	872,999,594	43
International	406,376,184	487,818,617	24
Total	1,097,919,241	1,360,818,211	66
Other investments			
Real estate equity	292,459,906	328,359,467	16
Cash equivalents	58,712,288	58,712,288	3
Total	351,172,194	387,071,755	19
Grand total	\$1,702,663,994	\$2,049,463,835	100%

Portfolio Quality

Two-Year Comparative Analysis
Years Ended December 31, 2014, and 2013

Bond Rating	Fair Value	% of Total Fair Value	% of Total Carrying Value
December 31, 2014			
AAA	\$206,849,517	69%	69%
AA	94,724,352	31	31
A	-	-	-
Total bonds	301,573,869	100%	100%
December 31, 2013			
AAA	184,175,438	68%	68%
AA	87,469,751	32	32
A	-	-	-
Total bonds	271,645,189	100%	100%

Summary of Commissions Paid to Brokers

Year Ended December 31, 2014

Broker Name	Commissions Paid
Ancora Securities Inc, Jersey City	\$2,891
Avondale Partners LLC, Nashville	1,108
Baird, Robert W & Co Inc, Milwaukee	5,451
Barclays Capital Inc./LE, Jersey City	9,776
Barrington Research Associates, Brooklyn	372
Batucha Securities & Inv LTD, Tel-Aviv	313
BB&T Securities, LLC, Richmond	2,369
Bernstein Sanford C & Co, New York	6,764
Bloomberg Tradebook LLC, New York	38,499
BNP Paribas SEC SVCS London	1,957
BNY Convergenx/LJR, Houston	1,006
BNY Convergenx Execution Sol, New York	369
BNY Convergenx, New York	21,913
Boenning & Scattergood, W Conshohocken	51
Brean Capital LLC, Jersey City	486
Brockhouse & Cooper Inc, Jersey City	39
Brockhouse and Cooper, Montreal	2,661
BTIG LLC, San Francisco	268
Buckingham Research Grp Inc, Brooklyn	523
Canaccord Genuity Inc. New York	5,659
Cantor Fitzgerald & Co Inc, New York	11,485
Cap Instl Svcs Inc-Equities, Dallas	41,918
Capital One Southcoast Inc, New Orleans	7,204
Citigroup GBL Mkts Inc, New York	19,589
Citigroup Gbl Mkts/Salomon, New York	209
Citigroup Global Markets Ltd, London	10,222
Compass Point Research &Tr, Jersey City	444
Cowen and Company LLC, New York	9,028
Craig Hallum, Minneapolis	3,393
Credit Lyonnais Secs, Singapore	4,637
Credit Suisse, New York	48,750
Custom Equity Research DBA, Jersey City	950
Daiwa Sec SMBC Europe LTD, London	3,686
Davidson & Co Inc, New York	920
Deutsche Bk Intl Eq, London	8,047
Deutsche Bk Secs Inc, NY	7,526
Dougherty Company, Brooklyn	4,209
Drexel Hamilton LLC, Jersey City	1,403
Evercore Group LLC, Jersey City	544
Exane, Paris	287
Fidentis Equities SvSa, Madrid	7,309
First Southwest Co, Dallas	854
Fox River Execution Tech, LLC, Jersey City	7,375

Broker Name	Commissions Paid
G-Trade Services LTD, Hamilton	8,560
Goldman Sachs & Co, NY	13,178
Goldman Sachs Execution & Clearing, NY	782
Goldman Sachs Intl, London	12,235
Gordon Haskett Cap Corp, NJ	312
Greentree Brokerage Services, Jersey City	6,859
Instinet Corp, New York	109
Instinet Corp, NY	26,628
Instinet Eurpoe Limited, London	1,461
Instinet Pacific LTD, Hong Kong	158
Investment Technology Group, LTD Dublin	7,290
Investment Technology Group, New York	11,678
ISI Group Inc, NY	5,362
J P Morgan Secs LTD, London	3,321
J P Morgan Securities Inc, Brooklyn	17,627
J.P. Morgan Clearing Corp, New York	1,311
Janney Montgomery Scott, Philadelphia	3,102
Jefferies & Co Inc, New York	8,530
JMP Securities, San Francisco	444
Jonestrading Instl Svcs LLC, Westlake	8,189
Keefe Bruyette and Woods, Jersey City	10,780
Keybank Capital Markets Inc, Jersey City	1,655
Keybank Capital Markets Inc, New York	10,256
King & Associates, Albany	4,620
Knight Clearing Services LLC, Jersey City	929
Knight Equity Markets L.P. Jersey City	5,297
Leerink Swann & Co, Jersey City	2,919
Liquidnet Inc, Brooklyn	22,992
Longbow Securities LLC, Jersey City	1,605
Loop Capital Markets, Jersey City	4,905
Macquarie Securities Inc, Jersey City	1,084
Merrill Lynch Gilts LTD, London	285
Merrill Lynch Intl London Equities	31,204
Merrill Lynch Pierce Fenner Smith Inc, NY	17,535
Merrill Lynch Pierce Fenner, Wilmington	3,312
Merrill Lynch Professional Crlg, Purchas	9,829
Mizuho Securities USA Inc. Greenwich	399
MKM Partner LLC, Greenwich	1,203
Morgan Stanley & Co Inc, NY	61,486
National Finl Svcs Corp, New York	364
Needham & Co, New York	3,380
Nomura Secs Intl, London	17,968
Northland Secs Inc, Jersey City	3,614
Oneil William & Co Inc/BCC, Los Angeles	2,594
Oppenheimer & Co Inc, New York	4,432
Pacific Crest Securities, Portland	7,238

Investment Summary (continued)

Broker Name	Commissions Paid
Pareto Fonds As. Oslo	5,102
Pershing LLC, Jersey City	302
Pickering Energy Partners, Houston	874
Piper Jaffray & Co, Minneapolis	9,805
Pulse Trading LLC, Boston	1,628
Raymond James & Assoc Inc, St Petersburg	11,168
RBC Capital Markets LLC, New York	18,179
Roth Capital Partners LLC, Irvine	866
Royal Bank of Canada Europe LTD, London	542
Sandler O'Neill & Partners, New York	1,631
Sanford C Bernstein & Co Inc, London	1,456
Sanford C Bernstein & Co, White Plains	1,541
Scotia Capital Inc, New York	1,068
Scotia Capital Inc, New York	5,274
Scotia Mcleod Inc, Toronto	494
SG Americas Securities LLC, New York	445
Sidoti & Co LLC, New York	14,885
State Street Brokerage Svcs, Boston	2,677
Stephens Inc, Little Rock	3,786
Sterne Agee & Leach Inc	6,429
Stifel Nicolaus	14,865
Stifel Nicolaus and Co, St. Louis	4,626
Sturdivant and Co Inc, Mount Laurel	6,298
Suntrust Capital Markets Inc, Atlanta	3,365
Telsey Advisory Group LLC, Dallas	4,350
UBS Securities LLC, Stamford	12,200
UBS Warburg, London	22,674
Vandham Securities Corp, New York	2,787
Wedbush Morgan Secs Inc, Los Angeles	2,543
Weeden & Co, New York	1,891
Wells Fargo Securities LLC, Charlotte	2,175
William Blair & Co, Chicago	4,606
Wunderlich Securities Inc, Memphis	3,088
Total Brokerage Commissions Paid	\$844,742

PMRS provides comprehensive, cost-efficient and professional pension administration services for nearly 15,000 active and retired members enrolled in the System.

ACTUARIAL

Actuary's Certification Letter



Classic Values, Innovative Advice.

June 29, 2015

Pennsylvania Municipal Retirement Board of the
Pennsylvania Municipal Retirement System
c/o Stephen W. Vaughn, Secretary
P.O. Box 1165
Harrisburg, PA 17108-1165

Dear Board Members:

At your request, we have conducted the annual actuarial valuation of the Pennsylvania Municipal Retirement System (the System) as of January 1, 2014. The results of the valuation are contained in our report. The funded ratio of the System as of January 1, 2014 was 98.4% funded on an actuarial asset value basis and 97.3% funded on a market value basis.

The purpose of this report is to present the annual actuarial valuation of the System. This report is for the use of the Pennsylvania Municipal Retirement Board and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Other users of this valuation report are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users. This report contains analyses which combine asset and liability performance and projections.

This is an agent multiple employer retirement system for participating municipalities and counties. Assets and liabilities are separately accounted for and reported to the Public Employee Retirement Commission of the Commonwealth of Pennsylvania. This report reflects aggregate valuation results for the System and provides statistics on employer contribution levels for the defined benefit portion of the municipal plans participating in the system as of the valuation date, the updated methods and assumptions effective January 1, 2013.

Our report contains required disclosures for the entire System and a description of the funding methods and assumptions as required by State law and covered under Act 205 which also falls within the methods as defined as acceptable under the Governmental Accounting Standards Board Statement #25. Additional details required under the new Governmental Accounting Standards Board Statement #67 have also been provided to the System.

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 performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23. The report provides comments 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. Future valuation reports may differ significantly from the current valuation report presented due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

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The assumptions used in preparing the individual municipal valuation have been determined and adjusted based on actuarial experience analysis and presented to the Board for consideration and adoption. The actuarial methods were adopted effective January 1, 1985 unless otherwise indicated. The funding method applied provides for an annual normal cost as a level percent of pay and amortization of unfunded and/or surplus over a fixed period in accordance with provisions of Act 205. The complete actuarial valuation report as of January 1, 2014 is included as an attachment to this letter.

The figures and data disclosed in the following schedules for the Financial and Actuarial sections were provided by Cheiron for 2009-2014.

1. Actuarial Liability compared with Actuarial Value for Funding Purposes to the CAFR.
2. Solvency Test
3. Funded Status of Actuarial Liabilities
4. Supplemental Information – Schedule of Funding Progress
5. Schedule of Retirees and Beneficiaries
6. Schedule of Total Membership
7. Schedule of Total Membership Funded Status of Actuarial Liabilities
8. Schedule of Active Member Valuation Data
9. Schedule of Funding Progress
10. Actuarial Methods and Significant Assumptions

In addition, while Cheiron did not explicitly provide the Schedule of Required Employer Contributions, it is our understanding that this schedule was determined based upon information Cheiron provides in the annual valuation reports. This includes the Normal Cost percentage for each plan and the employers' anticipated payroll for each participating plan. It may also 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 and has not been reviewed by Cheiron.

To the best of our knowledge, this report and its contents, which are based on the information and data supplied by the Pennsylvania Municipal Retirement System, have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. 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
Principal Consulting Actuary



Karen M. Zangara, FSA
Consulting Actuary



The Actuarial Liability Compared with the Actuarial Value of Assets for Funding Purposes

Comparable two-year schedule for years January 1, 2014 and January 1, 2013

	January 1, 2014	January 1, 2013
1. Actuarial liabilities for retirees and beneficiaries currently receiving benefits and terminated not yet receiving benefits	\$ 881,502,593	\$ 812,688,102
2. Actuarial liabilities for current employees	<u>1,123,719,514</u>	<u>1,090,883,959</u>
3. Total actuarial liability (1 + 2)	\$2,005,222,107	\$1,903,572,061
4. Net final actuarial assets available for benefits	<u>1,972,273,674</u>	<u>1,886,703,664</u>
5. Unfunded/(surplus) actuarial liability (3 - 4)	\$ 32,948,433	\$ 16,868,397

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)
2014	\$416,472,872	\$881,502,593	\$707,246,642	\$1,972,273,674	100%	100%	95%
2013	418,163,830	812,688,102	672,720,129	1,886,703,664	100%	100%	97%
2012	407,199,633	639,260,852	680,756,784	1,792,809,433	100%	100%	110%
2011	395,048,320	655,645,661	623,210,164	1,713,751,974	100%	100%	106%
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	1,458,148,442	100%	100%	114%

⁽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.



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)
2014	\$1,972,273,674	\$2,005,222,107	\$32,948,453	98.4%
2013	1,886,703,664	1,903,572,061	16,868,397	99.1%
2012	1,792,809,433	1,727,217,269	(65,592,164)	103.8%
2011	1,713,751,974	1,673,904,145	(39,847,829)	102.4%
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	(80,947,442)	105.9%

The actuarial assumptions as of January 1, 2014, are shown in the assumptions and methods section. The above information was derived from the following membership data and number of pension plans, as provided by the System, regarding:

Valuation Date	Valuation of Defined Benefit Liabilities		Cash Balance Plans
	Explicit Valuation	Roll Forward	
January 1, 2014	4	712	268
January 1, 2013	710	4	251
January 1, 2012	4	705	240
January 1, 2011	702	5	229
January 1, 2010	5	691	202
January 1, 2009	691	5	203
January 1, 2008	4	688	183

Note to Supplementary Information

The information presented in the 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, 2014
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, based on an open amortization period.
Actuarial assumptions:	
Discount rate ^(*)	5.5%
Projected salary increases ^(*)	3.0% - 8.3%
^(*) Includes inflation at	3.0%
Cost-of-living adjustments	ad hoc

The actuarial assumptions used have been reviewed by the actuary and adopted by the System's Board based on the most recent review of the System's experience completed in 2010.

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 Seven Years

Valuation Date January 1,	Added to Roll	Average Annual Annuities Added ⁽¹⁾	Deleted from Roll	Average Annual Annuities Removed ⁽¹⁾	Number on Roll	Annual Annuities	Percentage Increase in Annuities	Average Annual Annuities	Percentage Increase in Average Annual Annuities
2014	431	\$20,472	168	\$16,043	4,943	\$71,257,797	9.5%	\$14,416	3.7%
2013	391	16,440	105	8,288	4,680	65,046,544	9.5%	13,899	2.8%
2012	438	16,404	228	14,252	4,394	59,411,245	7.5%	13,521	2.4%
2011	396	18,624	121	8,981	4,184	55,257,189	13.0%	13,207	5.6%
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%

Schedule of Total Membership

Seven Year Trend

Valuation Date January 1,	Active Members Defined Benefit Plans	Active Members Cash Balance Plans	Retirees	Beneficiaries	Deferred Pensions	Inactive Members	Total
2014	7,676	1,185	4,423	520	1,044	14	14,862
2013	7,599	1,131	4,160	520	1,098	51	14,559
2012	7,836	1,158	3,899	495	952	21	14,361
2011	8,091	1,119	3,707	477	945	42	14,381
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



**Schedule of Total Membership
Funded Status of Actuarial Liabilities**
Schedule of Total Membership Over Last Seven Years

	As of January 1 ⁽¹⁾						
	2014	2013	2012	2011	2010	2009	2008
a. Retirees currently receiving benefits	4,423	4,160	3,899	3,707	3,449	3,289	3,173
b. Beneficiaries currently receiving benefits	520	520	495	477	460	461	425
c. Terminated vested employees entitled to future benefits from DB plans	753	800	723	711	647	650	570
d. Terminated non-vested employees entitled to contribution refunds from DB plans	14	51	21	42	23	0	7
e. Active employees in defined benefit plans	7,676	7,599	7,836	8,091	8,357	8,411	8,383
i. Aggregate salary ⁽²⁾	\$389,410,214	\$376,296,674	\$366,882,467	\$383,802,844	\$377,960,930	\$372,370,037	\$364,865,185
ii. Vested ⁽³⁾	4,881	4,885	4,964	4,992	5,025	4,952	4,913
iii. Non-vested	2,795	2,715	2,872	3,099	3,333	3,459	3,470
f. Participants in cash balance-only plans	1,476	1,429	1,387	1,353	1,181	1,175	1,124
i. Aggregate salary ⁽²⁾	\$45,193,710	\$44,490,671	\$41,143,383	\$41,683,065	\$35,104,086	\$32,811,919	\$31,107,136
ii. Active	1,185	1,131	1,158	1,119	994	978	950
iii. Inactive	291	298	229	234	187	197	174

⁽¹⁾ Includes defined benefit non-county plans, defined benefit county plans, and cash balance-only plans.

⁽²⁾ Actual salary paid during the prior plan year preceding valuation date.

⁽³⁾ Count of vested participants estimated based on service as of valuation date.

Schedule of Active Member Valuation Data

Last Seven Years

Defined Benefit 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
2014	7,676	1.0%	716	0.3%	\$389,410,714	3.5%	\$50,731	2.5%
2013	7,599	(3.0)	714	0.7	376,296,674	2.6	49,519	5.8
2012	7,836	(3.2)	709	0.3	366,882,467	(4.4)	46,820	(1.3)
2011	8,091	(3.2)	707	1.4	383,802,844	1.5	47,436	4.9
2010	8,357	(0.6)	697	0.1	377,960,930	1.5	45,227	2.2
2009	8,411	0.3	696	0.5	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

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
2014	1,185	4.8%	268	6.8%	\$45,193,710	1.6%	\$38,138	(3.1)%
2013	1,131	(2.3)	251	4.6	44,490,671	8.1	39,337	10.7
2012	1,158	3.5	240	4.8	41,143,383	(1.3)	35,530	(4.6)
2011	1,119	12.6	229	13.4	41,683,065	18.7	37,250	5.5
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

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 shown at right:

- (a) Killed in service mortality rates:
 - (i) 15% of mortality is assumed to be service related for municipal plans, and
 - (ii) 50% of mortality is assumed to be service related for uniform plans.

Age	Healthy Life Mortality Rates			
	Actives (Males RP2000+1) Females RP2000+5)		Retirees (RP2000 Sex Distinct)	
	Male	Female	Male	Female
50	0.20%	0.11%	0.21%	0.17%
55	0.32	0.17	0.36	0.27
60	0.59	0.27	0.67	0.51
65	1.13	0.51	1.27	0.97
70	1.98	0.97	2.22	1.67
75	3.39	1.67	3.78	2.81
80	5.79	2.81	6.43	4.59
85	9.98	4.59	11.08	7.74



B. Disabled Life Mortality Rates

Mortality under healthy life table for a life 10 years older.

C. Termination Rates Before Retirement:

For all plans for Municipal and Police, the termination rates indicated below were used;

Years of Service	Termination Rates before Retirement			
	Current Valuation Rate ⁽¹⁾			
	Uniformed Number of active members in plan		Municipal Number of active members in plan	
	<25	>25	<25	>25
Less than 1	14%	13%	20%	20%
1 but less than 2	14	10	20	20
2 but less than 3	12	7	12	15
3 but less than 4	10	7	10	12
4 but less than 5	6	6	8	7
5 but less than 6	4	5	6	7
6 but less than 7	3	4	4	6
7 but less than 8	2	3	3	5
8 but less than 9	2	3	3	5
9 but less than 10	1	3	2.5	5
10 or more	1	3	2.5	3

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:

D. Disability Incidence Rates:

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

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	8.3%
30	6.4
35	5.6
40	5.0
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) Municipal Members:

Members are assumed to retire over a range of ages as shown to the right.

b) Uniformed Members: (retirement rates are reflected in the chart on page 63)

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

Retirement Assumptions

Age	Current Rate of Normal Retirement ⁽³⁾
Under 46	5%
46 - 54	15
55 - 59	10
60 - 61	10
62	30
63 - 64	20
65	35
66 - 74	15
75	100

⁽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.

⁽³⁾ 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.



H. Marital Status and Spouse's

Age ⁽¹⁾: 85 percent of active members and are assumed to be married for retirees with the 50% J&S form of payment. Male spouses are assumed to be three years older than female spouses.

Retirement Rates for Uniform Participants

Age	Rates for all Plans
<49	0%
50	20
51	10
52	10
53	10
54	10
55	20
56	25
57	25
58	30
59	30
60	40
61	50
62	50
63	60
64	70
65	80
66+	100

I. Social Security Projections ⁽¹⁾:

- 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 ⁽¹⁾:

3.0% per year, subject to plan limitations.

K. Discount Rate:

5.5% compounded annually (net of investment and certain administration expenses) for funding purposes.

L. Administrative Expenses:

The expense assumption is based upon the expected expenses for the current year. The non-investment related expenses of the System, net the \$20 per participant annual assessment is \$4,102,422 for 2014 compared to \$3,411,830 for 2013.

Actuarial Methods

Contribution requirements are individually determined for each participating municipality, on an actuarial basis as described below, at least biannually.

⁽¹⁾ If applicable.

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:

- 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 in future periods.*

In lieu of satisfying both (1) and (2) above, an asset valuation method could satisfy section 3.3(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, and updates by Act 44, 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. 15 years, with respect to changes due to actuarial assumptions;
 - iv. 10 years, with respect to changes due to plan provisions;
 - v. 1 year, with respect to changes in benefits for currently retired members,
 - vi. 20 years, with respect to state mandated benefit changes; 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 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,

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



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.

METHOD TO ESTIMATE ROLL FORWARD LIABILITIES

The defined benefit pension plans for municipalities are valued explicitly every odd calendar year. For the even calendar years, the liabilities for these plans are estimated by rolling forward the liabilities associated with the active and vested terminated employees from the prior year valuation date to the current year. The retiree liabilities for these municipal pension plans are explicitly valued every year. Therefore, in order to not double count liabilities for the new retirees as of January 1, 2014, the prior year liabilities for these new retirees are excluded from the rolled forward liabilities.

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

There were no changes in the actuarial assumptions from last year to this year for the municipal plans. For the county plans, there was a change in the discount rate assumptions, which decreased from 6.0% in 2012 to 5.5% in 2014 for the county plans.

The valuation programming was improved to ensure the disability decrements were not applied for any county plans that do not provide any additional benefits if an active participant becomes disabled from active status.

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 1/1/2005 to 12/31/2008 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, 2011 actuarial valuation.



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PMRS manages plans with as few as one employee to plans with over 800 employees. Combined, PMRS is the pension administrator of choice of nearly 1,000 plans in Pennsylvania.

STATISTICAL

Part I - Financial

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 69 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 72 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 75 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.

Number of Members Per Plan

(Plans with 100 or more members)

Plan	Members	%
Allentown City	822	5.39
Adams County	768	5.04
Bethlehem City	643	4.22
Harrisburg City - Plan B	397	2.60
Jefferson County	266	1.74
Harrisburg City Fire - Plan B	210	1.38
Easton City	188	1.23
Monroeville Municipality	177	1.16
Lehigh County Authority	171	1.12
Bucks County Water & Sewer Authority	160	1.05
Pottstown Borough	128	0.84
Tredyffrin Township	124	0.81
Upper Moreland Township	110	0.72
Hermitage City	103	0.68

Changes in Net Position

Last Ten Years

Year	Contributions	Investment Income	Benefit Expenses	Administrative Expenses	Change in Net Position
2014	\$91,062,917	\$100,453,558	\$88,737,251	\$4,411,462	\$98,367,762
2013	62,434,272	310,197,575	79,587,126	3,723,590	289,321,131
2012	59,253,955	187,755,253	71,827,710	3,424,363	171,257,135
2011	61,265,501	(29,086,613)	81,155,883	3,142,004	(52,118,999)
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

Revenues by Source

Last Ten Years

Year	Revenues by Source				Total Revenue, Net of Losses
	Member Contributions	Municipal Contributions ⁽¹⁾	Municipal Assessments ⁽²⁾	Investment Income (Loss)	
2014	\$22,781,457	\$67,972,420 ⁽³⁾	\$309,040	\$100,453,558	\$191,516,475
2013	22,416,432	39,706,080	311,760	310,197,575	372,631,847
2012	20,981,612	37,974,023	298,320	187,755,253	247,009,208
2011	20,732,344	40,231,586	301,571	(29,086,613)	32,178,888
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

⁽¹⁾ Contributions were made in accordance with actuarially determined contribution requirements.

⁽²⁾ Municipal assessments are receipts but not assets of the plans.

⁽³⁾ Municipal contributions for 2014 include a one-time payment of \$27.4 million for one municipality towards its unfunded liability.

Expenses by Type
Last Ten Years

Year	Benefit Expenses		Administrative Expenses	Total Expenses
	Annuity	Termination		
2014	\$78,432,682	\$10,304,569	\$4,411,462	\$93,148,713
2013	69,231,495	10,355,631	3,723,590	83,310,716
2012	63,390,100	8,437,610	3,424,363	75,252,073
2011	63,105,165	18,050,718	3,142,004	84,297,887
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

Schedule of Benefit Deductions from Plan Net Assets by Type
Last Eight Years ⁽¹⁾

Year	Expenses by Type							Total Annuity
	Normal	Early	Disability	Survivor	Death	DROP ⁽²⁾	Transfer and Other	
2014	\$ 58,678,090	\$8,769,947	\$1,362,544	\$5,569,629	\$3,234,667	\$146,215	\$671,590	\$78,432,682
2013	52,393,818	8,156,170	1,722,313	5,243,882	1,637,485	68,795	9,032	69,231,495
2012	47,951,194	7,545,724	1,347,255	4,848,070	1,678,836	0	19,021	63,390,100
2011	44,166,997	6,161,604	1,257,354	4,497,860	2,241,312	0	4,780,038	63,105,165
2010	38,721,068	4,263,362	1,392,815	4,376,019	2,653,312	0	3,364,952	54,771,528
2009	36,648,826	3,780,903	2,462,766	4,284,030	3,523,786	0	1,566,692	52,267,003
2008	34,911,175	4,549,688	1,351,900	3,897,639	1,397,947	0	65,195	46,173,544
2007	31,560,200	4,397,101	1,318,921	3,975,518	1,085,900	0	561,242	42,898,882

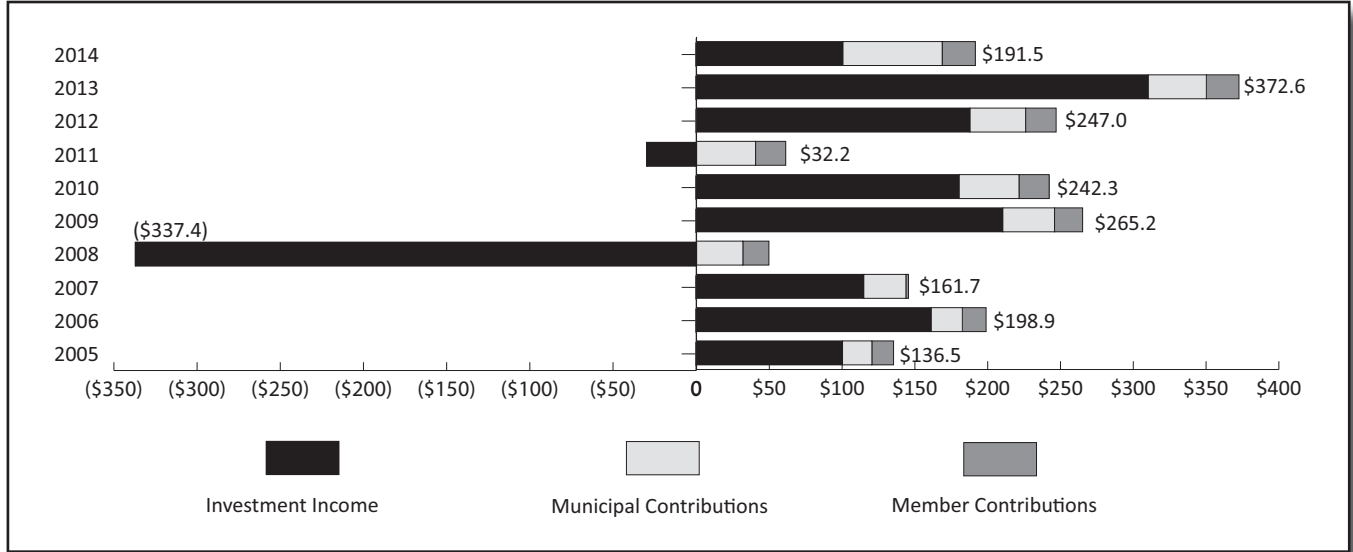
Schedule of Refund Deductions from Plan Net Assets by Type
Last Eight Years ⁽¹⁾

Year	Expenses by Type		
	Terminations	Lump Sum	Total Refunds
2014	\$5,702,165	\$4,602,404	\$10,304,569
2013	3,461,400	6,894,231	10,355,631
2012	3,908,772	4,528,838	8,437,610
2011	12,421,382	5,629,336	18,050,719
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

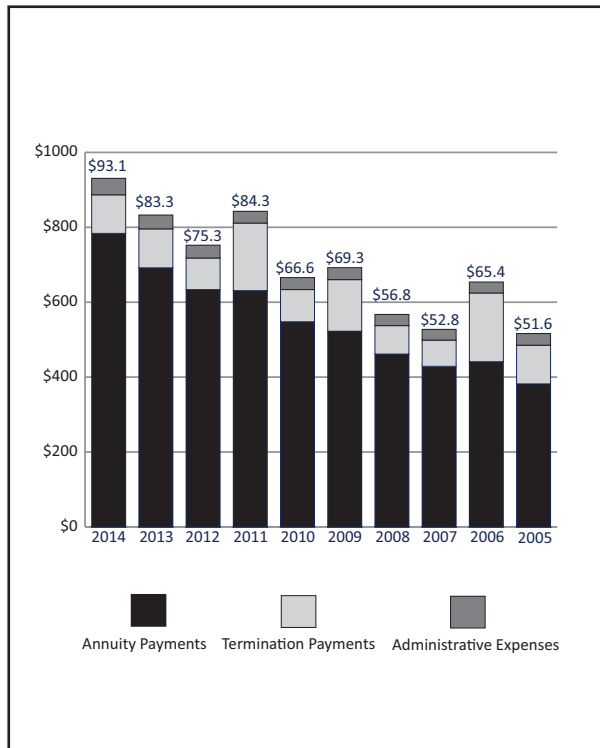
⁽¹⁾ Information prior to 2007 is not available.

⁽²⁾ First DROP participant to terminate was on January 1, 2013.

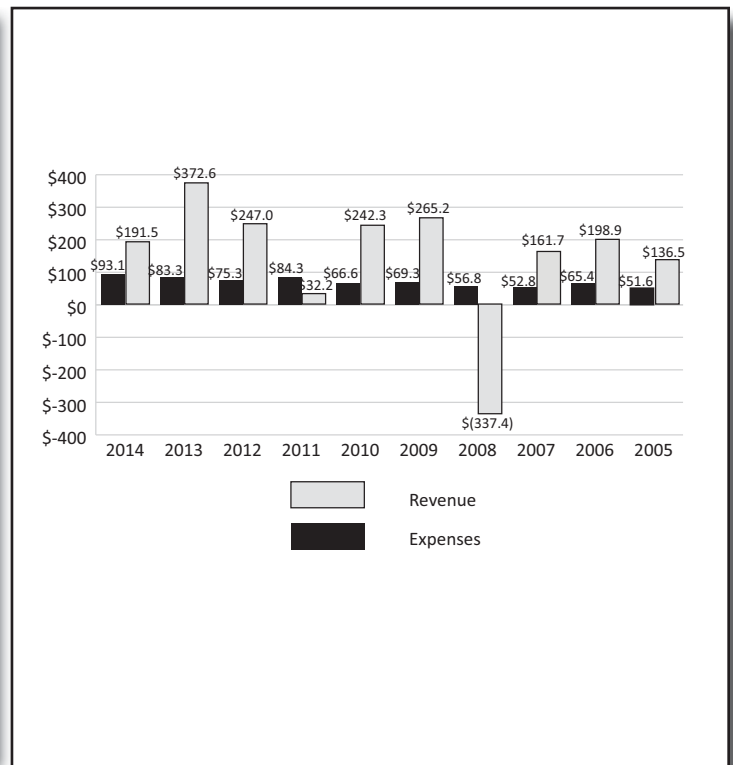
Revenues by Source - Ten-Year Trend (Amounts in Millions)



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

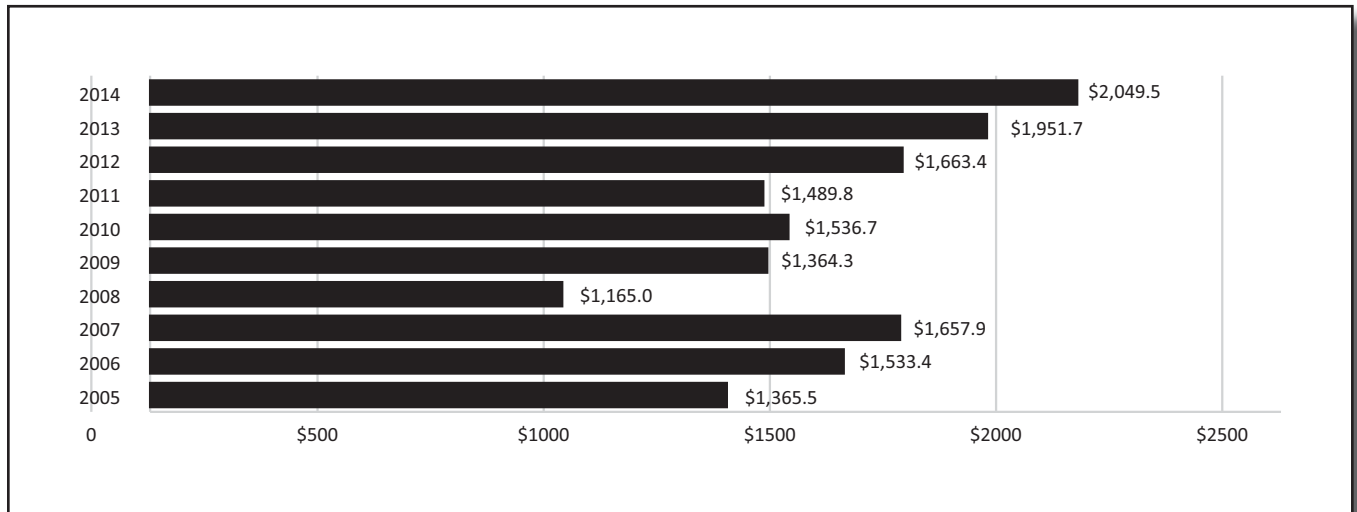


Revenues vs. Expenses Ten-Year Trend (Amounts in Millions)



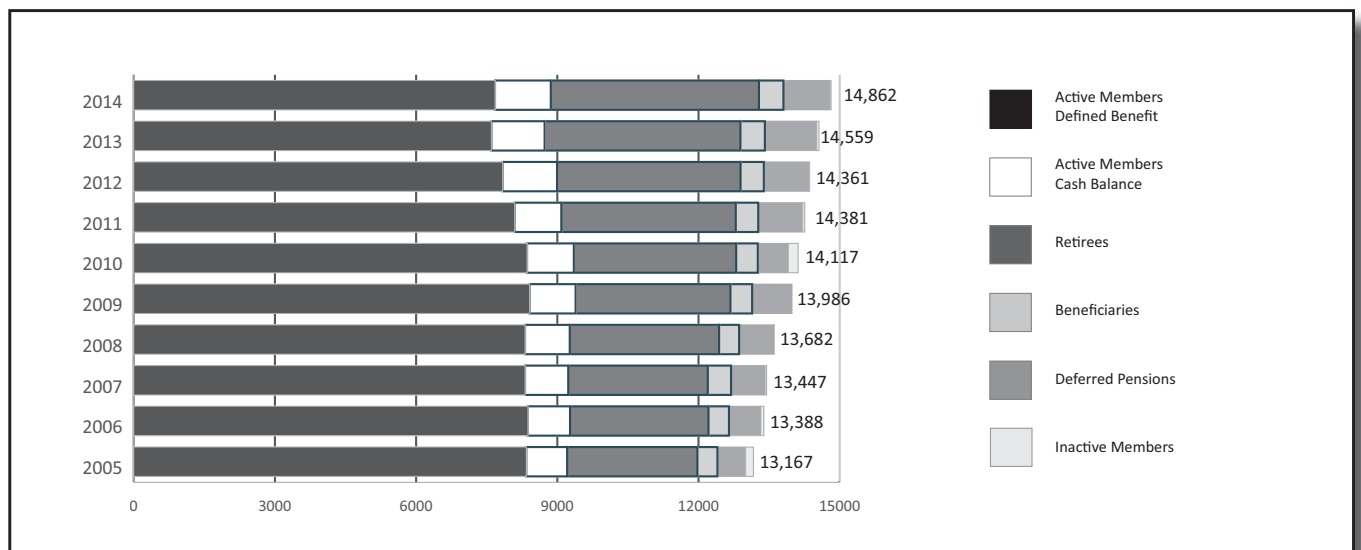
Total Investments - Ten Year Trend

(Fair Value - Amounts in Millions)



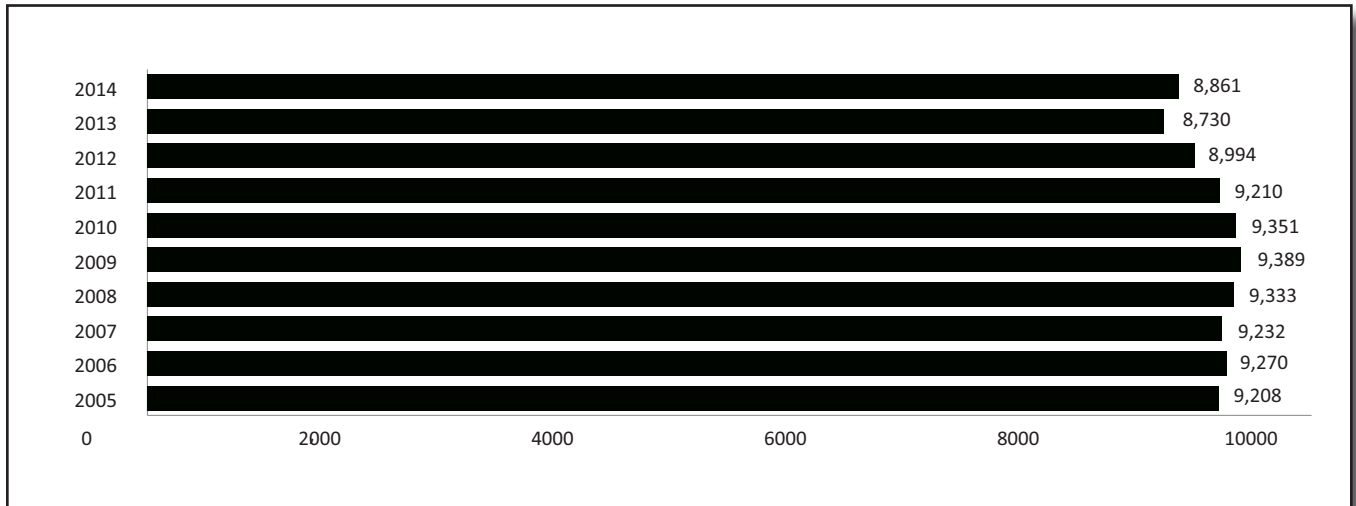
Total Membership - Ten-Year Trend

Valuation Date 1/1



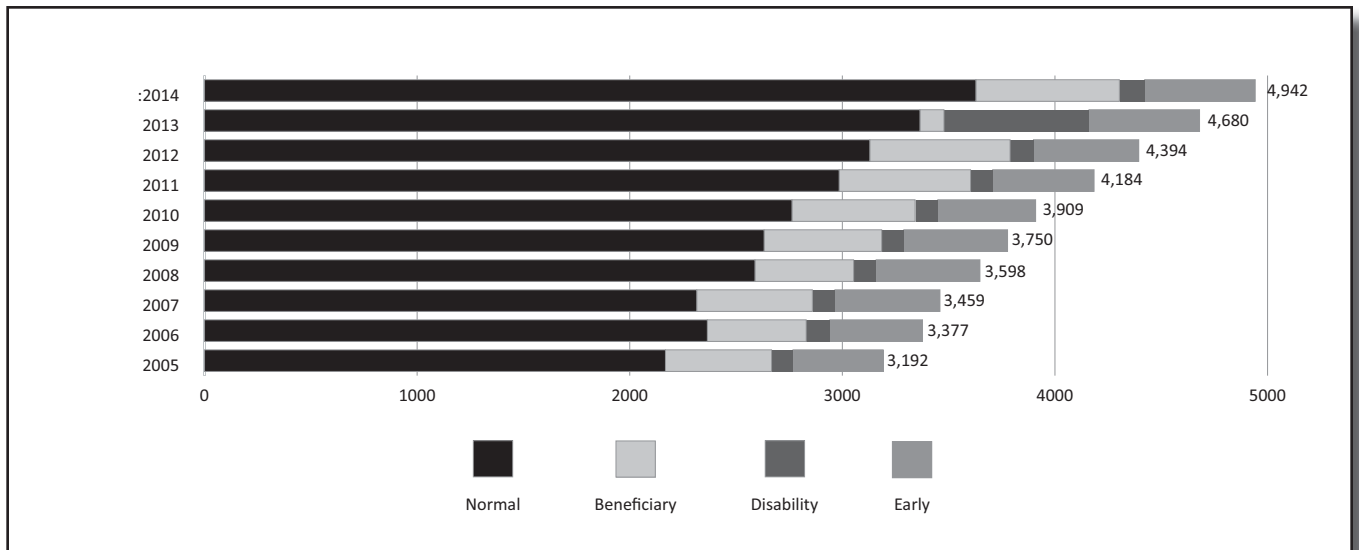
Active Members - Ten-Year Trend

Valuation Date 1/1



Retired Members - Ten-Year Trend

Valuation Date 1/1



Distribution of Active Members

Counts by Age/Service as of January 1, 2014

Age	Counts by Age/Service										Total
	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	
Under 20	3	1	0	0	0	0	0	0	0	0	4
20 -24	86	46	18	14	6	0	0	0	0	0	170
25 - 29	116	97	64	96	113	3	0	0	0	0	489
30 - 34	75	60	48	110	234	95	1	0	0	0	623
35 - 39	54	67	40	90	224	219	41	3	0	0	738
40 - 44	66	65	52	98	238	272	174	90	8	0	1,063
45 - 49	95	62	51	87	284	284	229	163	82	7	1,344
50 - 54	70	56	48	88	263	270	198	226	160	130	1,509
55 - 59	81	41	49	79	255	240	236	201	152	253	1,587
60 - 64	39	20	18	46	139	154	112	118	115	171	932
65 & up	7	14	6	16	72	73	68	57	38	51	402
Total	692	529	394	724	1,828	1,610	1,059	858	555	612	8,861

Distribution of Active Members

Average Annual Salary by Age/Service as of January 1, 2014

Age	Average Annual Salary by Age/Service										Total
	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	
Under 20	\$32,804	\$22,411	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$30,206
20 -24	31,052	35,816	42,403	41,898	38,961	-	-	-	-	-	\$34,715
25 - 29	32,861	40,692	39,425	42,035	47,062	49,250	-	-	-	-	\$40,457
30 - 34	37,183	39,000	45,215	45,586	51,093	54,496	69,962	-	-	-	\$47,378
35 - 39	39,246	39,468	43,135	45,347	51,540	59,303	55,929	46,371	-	-	\$50,860
40 - 44	36,351	40,923	42,407	44,389	49,973	55,789	58,498	61,154	52,165	-	\$51,536
45 - 49	35,217	42,108	39,043	41,111	46,901	51,752	55,304	61,913	60,865	55,577	\$50,356
50 - 54	35,152	42,046	39,455	45,682	46,049	50,268	50,705	57,601	59,860	57,578	\$50,717
55 - 59	46,376	40,815	44,810	40,950	44,068	48,315	49,256	52,080	55,554	56,637	\$49,502
60 - 64	45,913	40,237	47,579	42,089	47,553	43,926	48,910	51,867	54,713	59,935	\$50,323
65 & up	26,538	35,400	28,773	33,713	39,185	40,153	44,077	43,544	52,163	52,676	\$43,019
Average	\$36,744	\$40,076	\$41,871	\$43,336	\$47,618	\$51,583	\$52,262	\$55,738	\$57,125	\$57,416	\$49,047

Pensions in Payment Status on January 1, 2014
by Type and by Monthly Amount

Monthly amount	Total	Type of Pension				
		Normal	Involuntary early	Voluntary early	Service disability	Non-service disability
Total	4,942	4,148	231	444	34	85
Under \$100	234	203	21	8	1	1
\$100 - \$199	297	246	35	15	1	0
200 - 299	285	221	39	24	1	0
300 - 399	307	252	22	30	0	3
400 - 499	272	224	18	28	2	0
500 - 599	304	250	16	29	1	8
600 - 699	240	200	11	24	1	4
700 - 799	255	197	13	37	0	8
800 - 899	229	177	8	27	1	16
900 - 999	208	162	9	24	3	10
1,000 - 1,199	402	320	15	47	7	13
1,200 - 1,399	309	251	7	41	4	6
1,400 - 1,599	270	2227	5	26	6	6
1,600 - 1,799	200	179	3	16	1	1
1,800 - 1,999	194	170	3	18	0	3
2,000 - 2,199	163	143	2	16	1	1
2,200 - 2,399	136	124	2	9	1	0
2,400 - 2,599	106	100	0	4	1	1
2,600 - 2,799	89	78	2	6	1	2
2,800 - 2,999	73	71	0	1	0	1
3,000 - 3,499	151	143	0	7	1	0
3,500 - 3,999	108	102	0	5	0	1
4,000 and over	110	108	0	2	0	0

Pensions Awarded Each of the Last Ten Years by Type and Amount

Valuation Date 1/1	Type of Pension									
	Total		Normal		Voluntary early		Involuntary early		Disability	
	Count	AMA ⁽¹⁾	Sum	AMA	Sum	AMA	Sum	AMA	Sum ⁽²⁾	AMA
2014	431	1706	364	1800	34	1280	17	905	16(2)	1319
2013	390	1,370	341	1,421	22	1,614	20	520	7(2)	709
2012	438	1,367	352	1,496	40	1,180	37	459	9(3)	888
2011	396	1,552	341	1,632	37	1,250	13	364	5(0)	1,407
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

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
2014	7,676	1,185	4,423	520	1,044	14	14,862
2013	7,599	1,131	4,160	520	1,098	51	14,559
2012	7,836	1,158	3,899	495	952	21	14,361
2011	8,091	1,119	3,707	477	945	42	14,381
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

⁽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)

Schedule of Active Member Valuation Data

Last Ten Years

Defined Benefit 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
2014	7,676	1.0%	716	0.3%	\$389,410,214	3.5%	\$50,731	2.5%
2013	7,599	(3.0)	714	0.7	376,296,674	2.6	49,519	5.8
2012	7,836	(3.2)	709	0.3	366,882,467	(4.4)	46,820	1.3
2011	8,091	(3.2)	707	1.4	383,802,844	1.6	47,436	4.9
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
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
2014	1,185	4.8%	268	6.8	\$45,193,710	1.6%	\$38,138	(3.1)%
2013	1,131	(2.3)	251	4.6	44,490,671	8.1	39,337	10.7
2012	1,158	3.5	240	4.8	41,143,383	(1.3)	35,530	(4.6)
2011	1,119	12.6	229	13.4	41,683,065	18.8	37,250	5.5
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

Part II - Membership (continued)

Schedule of Average New Monthly Benefit Payments from Defined Benefit Plans ⁽¹⁾
 Ten Years Ended January 1, 2014

Retirement Effective Dates	Years Credited Service						
	< 5	5-10	10-15	15-20	20-25	25-30	30+
Period 1/2/13 to 1/1/2014							
Average monthly benefit	\$172	438	786	1,226	2,042	2,115	3,318
Average final average salary	\$46,376	\$41,308	\$39,652	\$43,743	\$51,190	\$50,465	\$57,022
Number of retired members	11	35	56	41	41	43	65
Period 1/2/12 to 1/1/2013							
Average monthly benefit	\$419	388	702	1,196	1,460	2,093	3,079
Average final average salary	\$48,636	35,733	36,715	42,421	44,420	46,997	53,016
Number of retired members	13	37	61	39	44	36	76
Period 1/2/11 to 1/1/12							
Average monthly benefit	\$256	410	673	1,059	1,476	2,083	3,203
Average final average salary	\$48,402	36,620	42,759	40,426	44,336	49,368	55,249
Number of retired members	12	31	42	50	54	30	61
Period 1/2/10 to 1/1/11							
Average monthly benefit	\$244	544	813	1,209	1,588	2,394	3,336
Average final average salary	\$50,215	39,201	39,197	43,014	43,653	54,686	58,242
Number of retired members	7	31	53	44	70	40	97
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	45,102	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	27	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).

Schedule of Participating Pension Plans ⁽¹⁾⁽²⁾

as of January 1, 2014

COUNTIES	Big Beaver Borough	East Stroudsburg Borough
Adams County	Biglerville Borough	East Stroudsburg Borough (CB)
Forest County	Biglerville Borough (CB)	East Washington Borough
Jefferson County	Bloomfield Borough	Emlenton Borough
Sullivan County	Bowmanstown Borough	Emporium Borough
	Brackenridge Borough	Etna Borough
CITIES	Bridgeville Borough	Everett Borough
Allentown City	Bridgewater Borough	Factoryville Borough
Bethlehem City	Brockway Borough	Falls Creek Borough
Clairton City	Brookville Borough	Ferndale Borough
Connellsville City	California Borough	Forest City Borough
Easton City	Cambridge Springs Borough	Fountain Hill Borough
Farrell City	Camp Hill Borough	Franklin Borough
Greensburg City	Carnegie Borough	Franklintown Borough
Harrisburg City	Carroll Valley Borough	Freeburg Borough
Hermitage City	Carrolltown Borough	Freedom Borough
Jeannette City	Centerville Borough	Freeland Borough
Latrobe City	Central City Borough	Freeport Borough
Lebanon City	Charleroi Borough	Greenville Borough
Lower Burrell City	Claysville Borough	Holidaysburg Borough
Nanticoke City	Cleona Borough	Homer City Borough
New Kensington City	Clymer Borough	Honey Brook Borough
Sharon City	Coaldale Borough	Hughestown Borough
Sunbury City	Cochranton Borough	Hummelstown Borough
Uniontown City	Collegeville Borough	Huntingdon Borough
	Collingdale Borough	Hyndman Borough
BOROUGHS	Conneautville Borough	Jim Thorpe Borough
Adamstown Borough	Conshohocken Borough	Johnsonburg Borough
Apollo Borough	Conway Borough	Kenhorst Borough
Ashland Borough	Cressona Borough	Kennett Square Borough
Atglen Borough	Dalton Borough	Kittanning Borough
Atglen Borough (CB)	Deemston Borough	Knox Borough
Avondale Borough	Delmont Borough	Kulpmont Borough
Avonmore Borough	Derry Borough	Kutztown Borough
Bally Borough	Dravosburg Borough	Lehighton Borough
Bangor Borough	Dublin Borough	Lewistown Borough
Bedford Borough	Duboistown Borough	Liberty Borough
Bellefonte Borough	Duncannon Borough	Linesville Borough
Bellefonte Borough (CB)	Duncansville Borough	Lykens Borough
Bellwood Borough	East Berlin Borough	Marcus Hook Borough
Bentleyville Borough	East Greenville Borough	Mars Borough
Berlin Borough	East Rochester Borough	Martinsburg Borough
Berlin Borough (CB)		

⁽¹⁾ County names are in parentheses.

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

Schedule of Participating Pension Plans (continued)

Marysville Borough	Pringle Borough	Williamstown Borough
Matamoras Borough	Prospect Borough	Wilmerding Borough
Mayfield Borough	Prospect Park Borough	Wilson Borough
Mercer Borough	Ridley Park Borough	Windsor Borough
Meyersdale Borough	Roaring Spring Borough	Yardley Borough
Middleburg Borough	Rochester Borough	Yoe Borough
Midway Borough	Rouseville Borough	York Springs Borough
Millersburg Borough	Rural Valley Borough	Youngwood Borough
Millerstown Borough	Salisbury Borough	
Minersville Borough	Sandy Lake Borough	TOWNSHIPS OF THE FIRST CLASS
Monaca Borough	Saxton Borough	Bristol Township
Monroeville Municipality	Schuylkill Haven Borough	Caln Township
Mont Alto Borough	Selinsgrove Borough	Collier Township
Montrose Borough	Sellersville Borough	Crescent Township
Moosic Borough	Seven Fields Borough	East Deer Township
Moosic Borough (CB)	Seven Fields Borough (CB)	Elizabeth Township (Allegheny County)
Morrisville Borough	Shamokin Dam Borough	Harrison Township
Moscow Borough	Sharpsburg Borough	Hopewell Township (Beaver County)
Mount Jewett Borough	Sharpsville Borough	North Huntingdon Township
Mount Pleasant Borough	Shenandoah Borough	North Versailles Township
Mount Union Borough	Shippingport Borough	Ridley Township
Mt. Gretna Borough	Slippery Rock Borough	Rochester Township
Nanty Glo Borough	Smithton Borough	Salisbury Township
Narberth Borough	South Waverly Borough	Springdale Township
Nesquehoning Borough	Southmont Borough	Swatara Township
New Eagle Borough	Springdale Borough	Upper Moreland Township
New Florence Borough	Stewartstown Borough	Vanport Township
New Stanton Borough	Summit Hill Borough	West Pottsgrove Township
Newport Borough	Tarentum Borough	Whitehall Township
Newtown Borough	Telford Borough	Whitehall Township (CB)
Norristown Borough	Topton Borough	Wilkins Township
North East Borough	Trainer Borough	
North Wales Borough	Turbotville Borough	TOWNSHIPS OF THE SECOND CLASS
Northumberland Borough	Turtle Creek Borough	Allegheny Township (Westmoreland County)
Orwigsburg Borough	Verona Borough	Antrim Township
Palmerton Borough	Versailles Borough	Athens Township
Palmyra Borough	Waterford Borough	Bald Eagle Township
Pen Argyl Borough	Waynesburg Borough	Bedminster Township
Pennsburg Borough	West Grove Borough	Bell Township
Perkasie Borough	West Middlesex Borough	Bethel Township
Pine Grove Borough	West Newton Borough	Birmingham Township
Portage Borough	Wheatland Borough	Black Creek Township
Pottstown Borough	White Haven Borough	Blair Township

Schedule of Participating Pension Plans (continued)

Bloomfield Township	Derry Township (Dauphin County)	Frenchcreek Township
Blooming Grove Township	Derry Township (Dauphin County) (CB)	Girard Township
Boggs Township (Centre County)	Derry Township (Mifflin County)	Glade Township
Boggs Township (Clearfield County)	Derry Township (Westmoreland County)	Greene Township
Brecknock Township	Dickinson Township	Greenfield Township (Blair County)
Briar Creek Township	Dingman Township	Greenfield Township (Erie County)
Brighton Township	Donegal Township (Butler County)	Greenfield Township (Lackawanna County)
Broad Top Township	Donegal Township (Washington County)	Hamilton Township
Brokenstraw Township	Donegal Township (Westmoreland County)	Hamiltonban Township
Brothersvalley Township	Dorrance Township	Hanover Township (Beaver County)
Brown Township	Douglass Township (Montgomery County)	Hanover Township (Lehigh County)
Buckingham Township	Drumore Township	Haycock Township
Buffalo Township	East Allen Township	Hemlock Township
Burnside Township	East Carroll Township	Henderson Township
Burrell Township	East Coventry Township	Hilltown Township
Caernarvon Township	East Fallowfield Township	Hopewell Township (Cumberland County)
Cambria Township	East Finley Township	Hopewell Township (Washington County)
Cambridge Township	East Hanover Township	Hopewell Township (York County)
Canal Township	East Huntingdon Township	Horsham Township
Canton Township	East Manchester Township	Howe Township
Cass Township	East Marlborough Township	Hunlock Township
Center Township (Greene County)	East Rockhill Township	Huntington Township
Center Township (Indiana County)	East Rockhill Township (CB)	Huston Township
Center Township (Snyder County)	Eldred Township (Jefferson County)	Jackson Township (Greene County)
Centre Township (Berks County)	Eldred Township (Monroe County)	Jackson Township (Lebanon County)
Centre Township (Perry County)	Eldred Township (Warren County)	Jackson Township (Luzerne County)
Cherrytree Township	Elizabeth Township (Lancaster County)	Jackson Township (Snyder County)
Clarion Township	Elk Creek Township	Jackson Township (Susquehanna County)
Clay Township	Elk Township	Jackson Township (Venango County)
Clearfield Township	Fairfield Township	Jefferson Township (Washington County)
Columbus Township	Fairview Township	Jenks Township
Concord Township	Falls Township	Jenner Township
Conemaugh Township	Farmington Township	Jones Township
Conewago Township	Forks Township	Keating Township
Cook Township	Forward Township	Kennett Township
Coolspring Township	Foster Township	Lancaster Township (Butler County)
Cornplanter Township	Franklin Township (Beaver County)	Lancaster Township (Lancaster County)
Corydon Township	Franklin Township (Butler County)	Latimore Township
Covington Township	Franklin Township (Carbon County)	LeBoeuf Township
Cranberry Township	Franklin Township (Greene County)	Lehman Township
Cross Creek Township	Frazer Township	Liberty Township
Darlington Township	Freedom Township	Limestone Township (Lycoming County)
Delaware Township	Freehold Township	Limestone Township (Union County)

Schedule of Participating Pension Plans (continued)

Lincoln Township	Orange Township	Snake Spring Township
Liverpool Township	Paint Township	Solebury Township
London Britain Township	Paradise Township	Solebury Township (CB)
London Grove Township	Pennsbury Township	South Abington Township
London Grove Township (CB)	Perry Township	South Beaver Township
Lower Mahanoy Township	Pike Township	South Bend Township
Lower Towamensing Township	Pine Creek Township	South Franklin Township
Lower Yoder Township	Pine Grove Township (Schuylkill County)	South Hanover Township
Loyalhanna Township	Pine Grove Township (Warren County)	South Huntingdon Township
Loyalhanna Township (CB)	Pittsfield Township	South Manheim Township
Mahoning Township	Pleasant Township	South Middleton Township
Manchester Township	Plumcreek Township	South Pymatuning Township
Manchester Township (CB)	Plumstead Township	South Strabane Township
McKean Township	Plymouth Township	Southampton Township
Mead Township	Pocopson Township	Southwest Township
Middle Smithfield Township	Point Township	Spring Creek Township
Middlesex Township	Portage Township	Springfield Township
Milford Township (Bucks County)	Porter Township	Stonycreek Township
Milford Township (Pike County)	Preston Township	Sugar Grove Township
Millcreek Township	Price Township	Sullivan Township
Monongahela Township	Providence Township	Summit Township
Monroe Township (Snyder County)	Pulaski Township	Tinicum Township
Monroe Township (Wyoming County)	Pymatuning Township	Towamensing Township
Morris Township (Greene County)	Raccoon Township	Tredyffrin Township
Morris Township (Tioga County)	Rice Township	Tunkhannock Township
Morris Township (Washington County)	Richhill Township	Union Township (Berks County)
Mount Joy Township	Richland Township	Union Township (Lebanon County)
Mount Pleasant Township	Richland Township (CB)	Union Township (Snyder County)
Muncy Creek Township	Richland Township (Venango County)	Union Township (Washington County)
New Garden Township	Ridgway Township	Unity Township
New Sewickley Township	Rome Township	Upper Burrell Township
Nockamixon Township	Rose Township	Upper Nazareth Township
North Buffalo Township	Ross Township	Valley Township
North Coventry Township	Rutland Township	Wallace Township
North Franklin Township	Rye Township	Warrington Township
North Strabane Township	Scott Township	Warsaw Township
North Strabane Township (CB)	Sewickley Township	Warwick Township
Nottingham Township	Shade Township	Washington Township (Berks County)
Oakland Township	Sheffield Township	Washington Township (Cambria County)
Oil Creek Township (Venango County)	Shippensburg Township	Washington Township (Dauphin County)
Oil Creek Township (Crawford County)	Shrewsbury Township	Washington Township (Erie County)
Old Lycoming Township	Slippery Rock Township	Washington Township (Fayette County)
Oliver Township	Smithfield Township	Washington Township (Greene County)

Schedule of Participating Pension Plans (continued)

Washington Township (Jefferson County)	Bridgewater Borough Police	Fairview Township Police
Washington Township (Northampton County)	Buckingham Township Police	Falls Creek Borough Police
Washington Township (Schuylkill County)	California Borough Police	Farrell City Police
Washington Township (Westmoreland County)	Cambria Township Police	Forest City Borough Police
Washington Township (Wyoming County)	Cambridge Springs Borough Police	Forward Township Police
Wayne Township	Camp Hill Borough Police	Franklin Borough Police
West Bradford Township	Carroll Township Police	Franklin Township Police (Beaver County)
West Brunswick Township	Carroll Valley Borough Police	Frazer Township Police
West Caln Township	Carrolltown Borough Police	Freedom Borough Police (Beaver County)
West Carroll Township	Central City Borough Police	Freedom Township Police
West Fallowfield Township	Centre Township Police (Berks County)	Freeland Borough Police
West Lampeter Township	Clairton Police	Gilpin Township Police
West Pennsboro Township	Clymer Borough Police	Greenfield Township Police
West Rockhill Township	Cochranton Borough Police	Greenville Borough Police
West Salem Township	Colebrookdale Township Police	Hamiltonban Township Police
West Wheatfield Township	Conneaut Lake Regional Police	Harveys Lake Borough Police
Westtown Township	Covington Township Police	Heidelberg Township Police
Wetmore Township	Crescent Township Police	Hellam Township Police
White Township	Danville Borough Police	Hemlock Township Police
Whiteley Township	Darlington Township Police	Hilltown Township Police
Wiconisco Township	Decatur Township Police	Honey Brook Borough Police
Williams Township	Delmont Borough Police	Hummelstown Borough Police
Windsor Township	Donegal Township Police (Washington County)	Hyndman Borough Police
Woodward Township	Douglass Township Police (Berks County)	Independence Township Police
Wright Township	Douglass Township Police (Montgomery County)	Jackson Township Police (Luzerne County)
Wrightstown Township	Dublin Borough Police	Johnsonburg Borough Police
Zerbe Township	Duboistown Borough Police	Kennett Township Police
POLICE	Dunbar Borough Police	Knox Borough Police
Apollo Borough Police	Duncannon Borough Police	Lancaster Township Police (Butler County)
Ashley Borough Police	Duncansville Borough Police	Larksville Borough Police
Bally Borough Police	East Bangor Borough Police	Lewistown Borough Police
Barrett Township Police	East Berlin Borough Police	Liberty Borough Police
Bedminster Township Police	East Coventry Township Police	Linesville Borough Police
Bellwood Borough Police	East Deer Township Police	Locust Township Police
Bentleyville Borough Police	East Fallowfield Township Police	Lower Windsor Township Police
Bentleyville Borough Police (CB)	East Marlborough Township Police	Lower Yoder Township Police
Berks-Lehigh Regional Police	East Pennsboro Twp Police	Lykens Borough Police
Big Beaver Borough Police	East Washington Borough Police	Mahoning Township Police (Lawrence County)
Biglerville Borough Police	Elizabeth Township Police (Allegheny County)	Mahoning Township Police (Montour County)
Birmingham Township Police	Emlenton Borough Police	Manor Borough Police
Blair Township Police	Emporium Borough Police	Mars Borough Police
Brecknock Township Police	Everett Borough Police	Martinsburg Borough Police
Briar Creek Township Police	Factoryville Borough Police	Marysville Borough Police
		Mayfield Borough Police

Schedule of Participating Pension Plans (continued)

Mead Township Police	Penbrook Borough Police	Springdale Township Police
Mercer Borough Police	Pennridge Regional Police Dept	Stewartstown Borough Police
Middleburg Borough Police	Perkasie Borough Police	Summit Hill Borough Police
Middlesex Township Police	Pine Grove Borough Police	Telford Borough Police
Millcreek Township Police	Point Township Police	Tinicum Township Police
Millersburg Borough Police	Polk Borough Police	Tulpehocken Township Police
Millville Borough Police	Pulaski Township Police	Tunkhannock Township Police
Montour Township Police	Pymatuning Township Police	Upper Burrell Township Police
Moore Township Police	Quarryville Borough Police	Upper Macungie Township Police
Moosic Borough Police	Red Lion Police	Vanport Township Police
Morrisville Borough Police	Redstone Township Police	Versailles Borough Police
Moscow Borough Police	Richland Township Police	Washington Township Police (Fayette County)
Mount Jewett Borough Police	Roaring Brook Township Police	Waverly Township Police
Mount Pleasant Borough Police	Roaring Spring Borough Police	West Caln Township Police
Mount Pleasant Township Police (Washington County)	Rochester Township Police	West Fallowfield Township Police
Mount Union Borough Police	Rye Township Police	West Grove Borough Police
New Castle Township Police	Sandy Lake Borough Police	West Lampeter Township Police
New Garden Township Police	Saxton Borough Police	West Middlesex Borough Police
New Wilmington Borough Police	Schwenksville Borough Police	West Newton Borough Police
Newport Borough Police	Scott Township Police	West Pikeland Township Police
Newtown Borough Police	Scottdale Borough Police	West Pottsgrove Township Police
Nockamixon Township Police	Selinsgrove Borough Police	West Sadsbury Township Police
North Coventry Township Police	Shade Township Police	West Vincent Township Police
North Huntingdon Township Police	Shamokin Dam Borough Police	Westfield Borough Police
North Middleton Township Police	Sheffield Township Police	Wheatland Borough Police
North Sewickley Township Police	Shippingport Borough Police	White Haven Borough Police
Northeastern Regional Police Department	Shiremanstown Borough Police	Wiconisco Township Police
Northumberland Borough Police	Sinking Spring Borough Police	Williamstown Borough Police
Ohio Township Police	South Beaver Township Police	Windsor Borough Police
Old Lycoming Township Police	South Centre Township Police	Windsor Township Police
Orangeville Area Police Board	South Pymatuning Township Police	Wrightstown Township Police
Orwigsburg Borough Police	South Waverly Borough Police	Yardley Borough Police
Palmyra Borough Police	South Williamsport Borough Police	Youngwood Borough Police
Paxtang Borough Police	Southern Police Commission	

FIREFIGHTERS	Manchester Township
Clairton City	Manchester Township (CB)
Farrell City	South Strabane Township
Greenville Borough	Upper Moreland Township
Harrisburg City	Wilson Borough
Larksville Borough	

AUTHORITIES & OTHER UNITS

Allegheny Valley Joint Sewer Authority	Columbia County Conservation District
Ambridge Borough Municipal Authority	Connellsville Municipal Authority
Armstrong Conservation District	Connellsville Redevelopment Authority
Avonmore Borough Municipal Authority	Conshohocken Borough Authority
B.A.R.T.A.	Coolspring-Jackson-Lake Latonka Joint Authority
Bangor Borough Authority	Coplay-Whitehall Sewer Authority
Bath Borough Authority	Corry Redevelopment Authority
Bedford Borough Water Authority	Cressona Borough Authority
Bedford Township Municipal Authority	Creswell Heights Joint Authority
Belle Vernon Municipal Authority	Cumberland-Franklin Joint Municipal Authority
Berks-Lehigh Regional Police NU	Curwensville Municipal Authority
Bethlehem Authority	Delaware Valley Municipal Management Association
Bethlehem City Redevelopment Authority	Derry Township Municipal Authority
Bethlehem Parking Authority	Derry Township Sanitary Sewer Authority
Bloomfield Township Sewer Authority	DuBois City Redevelopment Authority
Bradford City Water Authority	DuFAST Authority
Bradford Regional Airport Authority	East Berlin Area Joint Authority
Brighton Township Municipal Authority	East Norriton-Plymouth-Whitpain Joint Sewer Authority
Brighton Township Sewer Authority	Eastern Snyder County Regional Authority
Brockway Area Sewage Authority	Economy Borough Municipal Authority
Brockway Borough Municipal Authority	Elizabeth Borough Municipal Authority
Brodhead Creek Regional Authority	Elizabeth Township Sanitary Authority
Brookville Municipal Authority	Elizabethville Area Authority
Bucks County Redevelopment Authority	Emlenton Area Municipal Authority
Bucks County Water & Sewer Authority	Erie County Housing Authority
Burrell Township Sewage Authority	Everett Area Municipal Authority
Butler Area Public Library	Fairfield Municipal Authority
Cambria County Conservation & Recreation Authority	Fawn Township Sewage Authority
Cambria Township Sewer Authority	Fawn-Frazer Joint Water Authority
Cambria Township Water Authority	Fayette County Conservation District
Capital Region Water	Forward Township Municipal Authority
Carbon County Conservation District	Frackville Area Municipal Authority
Carmichaels-Cumberland Joint Sewer	Franklin City Housing Authority
Carroll Township Authority	Franklin Township Municipal Sanitary Authority
Catawissa Borough Municipal Water Authority	Franklin Township Sewer Authority
Centerville Borough Sanitary Authority	Frazer Transportation Authority
Central Carbon Municipal Authority	Fredericksburg Sewer & Water Authority
Central Indiana County Joint Sanitary Authority	Freeland Borough Municipal Authority
Centre County Library & Historical Museum	Greater Lebanon Refuse Authority
Clarion County Housing Authority	Greenville Municipal Authority
Clarion County Housing Authority (CB)	Glendale Valley Municipal Authority
Coaldale-Lansford-Summit Hill Sewer Authority	Guilford Township Authority
	Guilford Water Authority

Schedule of Participating Pension Plans (continued)

Harrison Township Water Authority	Middletown Township Sewer Authority
Hawley Area Authority	Mifflin County Regional Police NU
Hazleton Transit Authority	Mifflintown Municipal Authority
Hellertown Borough Authority	Milford Water Authority
Hilltown Township Water & Sewer Authority	Millcreek - Richland Joint Authority
Horsham Township Sewer Authority	Millersburg Area Authority
Hughesville-Wolf Township Joint Municipal Authority	Mon Valley Sewage Authority
Indiana County Conservation District	Monroe County Control Center
Indiana County Solid Waste Authority	Monroe County Redevelopment Authority
Jackson Township Water Authority	Montgomery County Sewer Authority
Jeannette Municipal Authority	Montour County Conservation District
Jefferson Conservation District	Montrose Municipal Authority
Jenner Area Joint Sewer Authority	Moon Township Municipal Authority
Johnsonburg Municipal Authority	Mount Joy Township Authority
Juniata County Conservation District	Mount Pleasant Township Municipal Authority
Kiskiminetas Township Municipal Authority	Mount Pocono Municipal Authority
Kittanning Suburban Joint Water Authority	Mt. Jewett Borough Authority
Kulpmont-Marion Heights JMA	Mt. Lebanon Parking Authority
Lancaster City Parking Authority	Municipal Authority of the Borough of Matamoras
Lansford - Coaldale Joint Water Authority	Municipal Authority of the Borough of Morrissville
Lebanon City Authority	Municipal Authority of the Borough of Portage Water Department
Lebanon Community Library	Myerstown Community Library Association
Leetsdale Borough Municipal Authority	Myerstown Water Authority
Lehigh County Authority	Nanty Glo Sanitary Sewer Authority
Lehighon Water Authority	Nanty Glo Water Authority
Linesville Pine Joint Municipal Authority	Nesquehoning Borough Authority
London Grove Township Municipal Authority	New Kensington Municipal Sanitary Authority
Lower Bucks County Joint Municipal Authority	New Kensington Redevelopment Authority
Lower Bucks County Joint Municipal Authority Supervisors	Newport Borough Water Authority
Lower Indiana County Municipal Authority	Norristown Municipal Waste Authority
Lower Mahanoy Township Municipal Authority	North & South Shenango Joint Municipal Authority
Lower Providence Township Sewer Authority	North Coventry Municipal Authority
Luzerne Conservation District	North Huntingdon Township Municipal Authority
Lycoming Sanitary Committee	North Middleton Authority
Mahanoy Township Authority	North Strabane Township Municipal Authority
Mahoning Township Authority	Northampton Borough Municipal Authority
Maidencreek Township Authority	Northampton Borough Municipal Authority (CB)
Manheim Borough Authority	Northeastern Regional Police (NU)
Manor Township Joint Municipal Authority	Northern Lancaster County Authority
Mary Meuser Memorial Library	Northern York County Regional Police (NU)
McKean County Solid Waste Authority	Northumberland Sewer Authority
Mercer County Regional Planning Commission	Northwest Regional Lancaster County Police (NU)
Mid Mon Valley Water Authority	Oil City Housing Authority
Middlesex Township Municipal Authority	PA League Of Cities & Municipalities

Schedule of Participating Pension Plans (continued)

Parks Township Municipal Authority	Sunbury Municipal Authority
Penn Township Sewage Authority	Susquehanna Township Authority
Pennridge Regional Police (NU)	Swatara Township Authority
Pennridge Waste Treatment Authority	Tower City Borough Authority
Perkasie Borough Authority	Township of Falls Authority
Peters Creek Sanitary Authority	Tri-County COG IBC
Peters Township Municipal Authority	Tri-County Joint Municipal Authority
Pleasant Hills Authority	Twin Boroughs Sanitary Authority
Portage Area Sewer Authority	Upper Allegheny Joint Sanitary Authority
Possum Valley Municipal Authority	Upper Montgomery Joint Authority
Reynoldsville Water Authority	Upper Southampton Municipal Authority
Riverview Sanitary Authority	Vanport Township Municipal Authority
Robesonia-Wernersville Municipal Authority	Vernon Township Sanitary Authority
Robinson Township Municipal Authority	Vernon Township Water Authority
Rochester Area Joint Sewer Authority	Warren County Housing Authority
Rostraver Township Sewer Authority	Warren County Solid Waste Authority
Saxton Borough Municipal Authority	Warwick Township Municipal Authority
Seward/St. Clair Township Sanitary Authority	Washington Area COG
Shade-Central City Joint Authority	Washington Township Municipal Authority (Berks County)
Shamokin City Redevelopment Authority	Washington Township Municipal Authority (Fayette County)
Shannock Valley General Services Authority	Waterford Borough Municipal Authority
Sharon Sanitary Authority	Wayne County Redevelopment Authority
Sheffield Township Municipal Authority	Wayne Library Authority
Slippery Rock Municipal Authority	Wernersville Municipal Authority
Smithton Borough Municipal Authority	West Carroll Township Water & Sewer Authority
Snake Spring Township Authority	Western Butler County Authority
Snyder County Housing Authority	Western Clinton County Municipal Authority
Somerset Conservation District	Western Westmoreland Municipal Authority
South Fayette Township Municipal Authority	Westmoreland-Fayette Municipal San Authority
South Middleton Township Municipal Authority	White Run Regional Municipal Authority
Southern Police Commission NU	Whitehall Township Authority
Southwest Regional Dispatch Center	Williamstown Borough Authority
Southwestern Pa Water Authority	Womelsdorf-Robeson Joint Authority
Southwestern Regional Police NU	York County Planning Commission
St. Marys Area Water Authority	



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Comprehensive Annual Financial Report