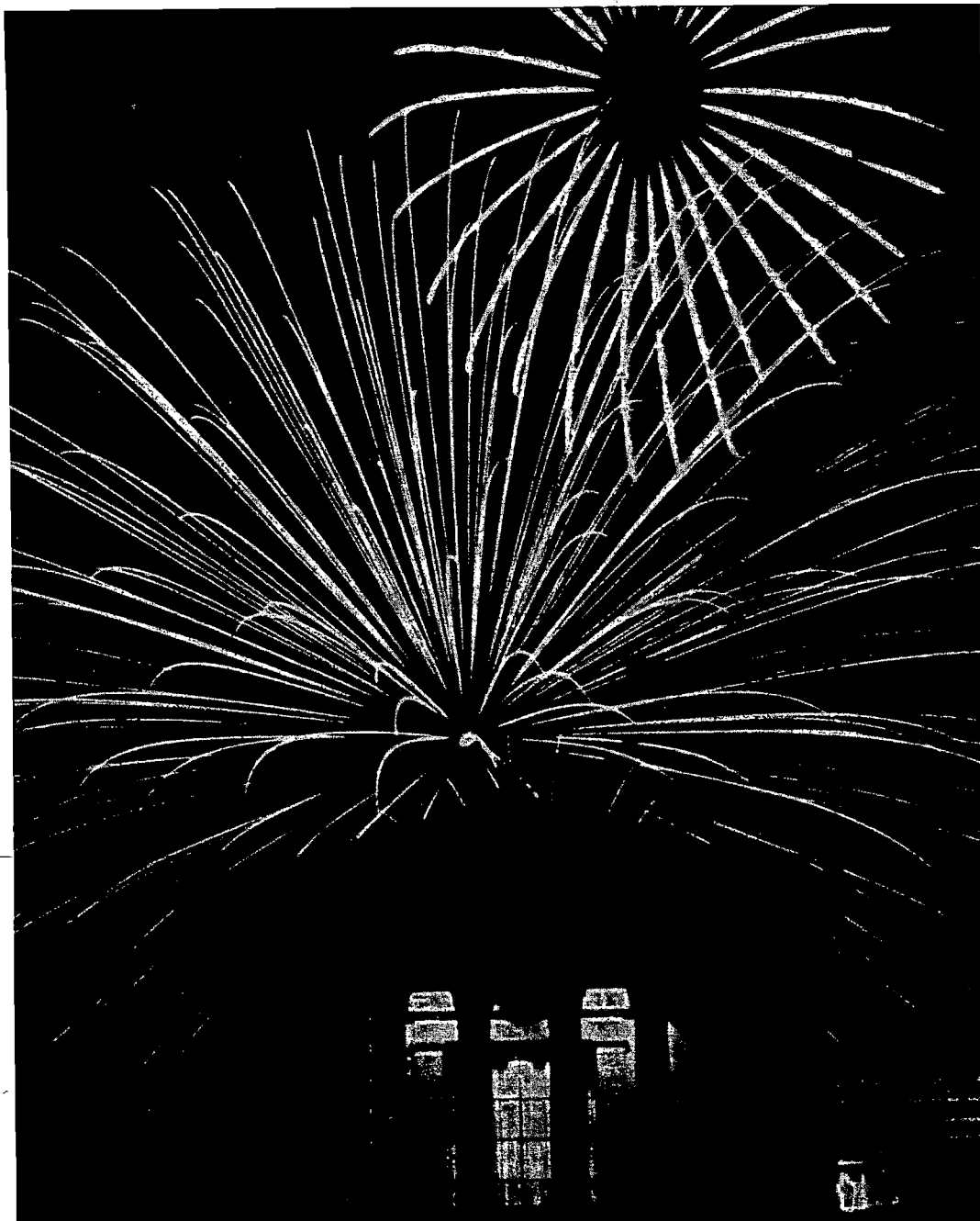




ANNUAL REPORT

City of Philadelphia BOARD OF PENSIONS AND RETIREMENT



FISCAL YEAR ENDING JUNE 30, 2001

John F. Street
Mayor

Janice D. Davis
Chairperson

Joseph J. Herkness
Executive Director

**Cover photo provided by courtesy of Richard McMullin, Office of the
City Representative, City of Philadelphia**

CITY OF PHILADELPHIA

BOARD OF PENSIONS AND RETIREMENT

ANNUAL REPORT

FISCAL YEAR JULY 1, 2000 - JUNE 30, 2001

**PREPARED BY
JAMES KIDWELL, ACTING EXECUTIVE DIRECTOR
20TH FLOOR, TWO PENN CENTER PLAZA
PHILADELPHIA, PENNSYLVANIA 19102
(215-496-7413)**

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TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>PAGE</u>
Letter of Transmittal	1
The Board and its Consultants	2-6
Mission	7
Membership	7
Funding	8
Income	9
Investments	9-10
Expenses	10
Amendments to Public Employees Retirement Code	10-11
Professional Services	11
Audit	11
Acknowledgments	11
ACTUARIAL SECTION	
Executive Summary of Findings – July 1, 2001	
William M. Mercer, Incorporated	14-21
Cost Derivation	22-23
Schedule of Annual Payments to Fund the Anticipated	
July 1, 2001 Unfunded Actuarial Accrued Liability	24
Minimum Municipal Obligation	
For Fiscal Year Ending June 30, 2003	25-28
Governmental Accounting Standards Board (GASB)	29-31
FINANCIAL SECTION	
Independent Auditors' Report	
Zelenkofske Axelrod LLC	34-51
Additional Financial Information	
(Compiled by the Finance Department of the City of Philadelphia)	
Statement of Plan Net Assets – June 30, 2001	Exhibit A-1 54
Statement of Changes in Plan Net Assets	
Fiscal Years Ended June 30, 2001 and 2000	Exhibit A-2 55
Analysis of Members' Contributions	
Fiscal Year Ended June 30, 2001	Exhibit A-3 56-57
Analysis of Fund Balance	
Fiscal year Ended June 30, 2001	Exhibit A-4 58
Statement of Cash Receipts and Disbursements	
Fiscal year Ended June 30, 2001	Exhibit A-5 59
Summary Schedule of Investments – June 30, 2001	Schedule A-1A 60
Statement of Changes in Plan Net Assets	Exhibit I-A-6
For the Fiscal Year Ended June 30, 2001	61
Combining Statement of Plan Net Assets – June 30, 2001	Exhibit II-C-2 62

	<u>PAGE</u>
Municipal Pension Fund Fiscal 2001 Information	63
Pension Contributions by Division Fiscal Year Ending June 30, 2001	64
Contributions from Quasi-Agencies	65
Receipts and Disbursements By Division	66

**Statistical Information
(Compiled by Board of Pensions and Retirement)**

Comparison of Applications Processed During Period July 1999 Through June 2000 and July 2000 Through June 2001	68
Comparative Statement of Retirement Benefits in Force As of June 30, 2000 and June 30, 2001	69
Analysis of Membership	70

NOTES:

If you require more detailed information on the Board's Investment Portfolio, please write to:

James Kidwell
Acting Executive Director
Two Penn Center Plaza – 20th Floor
Philadelphia, PA 19102
Or Call 215-496-7418

For additional copies of this report, write to: Linda Donovan
Pension Program Administrator
Or Call 215-496-7413

To the People of the City of Philadelphia:

On behalf of the Board of Pensions and Retirement, I hereby submit the Annual Report of the Retirement System for City of Philadelphia employees for the fiscal year ending June 30, 2001. The report consists of three sections: An introductory section which contains a brief summary of the Board's activities and identifies the administrators and professional consultants of the Retirement System, an actuarial section which details the methods of costing and funding current and future benefits to members and beneficiaries of the Retirement System, and a financial section which contains the System's financial statements, membership and pension data, and investment statistics.

CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Joseph J. Herkness

Executive Director

MEMBERS OF THE BOARD

Janice D. Davis

Chairperson, Director of Finance
Appointed May 15, 2000.

Joseph E. Certaine

Managing Director
Appointed March 21, 1994.

Kenneth Trujillo, Esquire

City Solicitor
Appointed February 28, 2000.

Linda Seyda

Personnel Director
Appointed August 1, 1994.

Jonathan Saidel, Esquire

City Controller
Elected by voters of Philadelphia.
Serving as Board Member since
January 2, 1990.

John A. Reilly

Local No. 22, Philadelphia
Firefighters Union. Serving as
Employee Elected Representative
since November 1976.

Charles Johnson

AFSCME District Council 33. Serving
as Employee Elected Representative
since November 1988.

Carol Stukes

AFSCME District Council 47. Serving
as Employee Elected Representative
since September 29, 1994.

Serena Tenant

Fraternal Order of Police. Serving as
Employee Elected Representative
since November 1996.

CONSULTANTS

ACTUARY

William M. Mercer, Incorporated
Washington, D. C.

AUDITOR

City Controller

And

Zelenkofske Axelrod LLC
Philadelphia, Pennsylvania

LEGAL COUNSEL

City Solicitor

GENERAL INVESTMENT CONSULTANT

Mercer Investment Consulting
Los Angeles, California

REAL ESTATE CONSULTANT

Pension Consulting Alliance
Portland, Oregon

ALTERNATIVE INVESTMENT CONSULTANT

Hamilton Lane Advisors
Bala Cynwyd, Pennsylvania

CUSTODIAN BANK

State Street Bank
Quincy, Massachusetts

INVESTMENT MANAGERS

U. S. Equities

Aronson + Partners
Philadelphia, Pennsylvania

Denver Investment Advisors
Denver, Colorado

Rittenhouse Financial Services, Inc.
Radnor, Pennsylvania

Sturdivant & Co., Inc.
Voorhees, New Jersey

Wellington Management Company, LLP
Boston, Massachusetts

Bankers Trust Company
New York, New York

Dreyfus Corporation
New York, New York

J.W. Seligman & Co.
New York, New York

Turner Investment Partners
Berwyn, Pennsylvania

International Equities

Delaware International Advisers
London, England

Putnam Company
Boston, Massachusetts

Glenmede Trust Company
Philadelphia, Pennsylvania

Montgomery Asset Management, L.P.
San Francisco, California

Emerging Market Equities

City of London Investment Management
Coatesville, Pennsylvania

Global Fixed Income

Julius Baer Investment
Management Inc.
New York, New York

Deutsche Asset Management
Investment Services Limited
London, England

Smith, Graham & Co.
Houston, Texas

Criterion Investment Management
Houston, Texas

Morgan Stanley, Dean Witter
Conshohocken, Pennsylvania

Western Asset Management Co.
Pasadena, California

Cash Management

State Street Bank
Quincy, Massachusetts

Tactical Asset Allocation

Mellon Capital Management Corp.
San Francisco, California

RTE Asset Management
Rydal, Pennsylvania

Opportunity Fund

FIS Funds Management, Inc.
Philadelphia, Pennsylvania

Spagnola-Cosack, Inc.
Fort Washington, Pennsylvania

Alternative Investments

Asian Financial Corporation
Philadelphia, Pennsylvania

Bachow Investment Partners, III, L.P.
Bala Cynwyd, Pennsylvania

Behrman Capital III L.P.
New York, New York

Columbia Capital Equity Partners II
& III QP, L.P.
Alexandria, Virginia

European Strategic Partners—I, L.P.
Standard Life of Scotland
Edinburgh, Scotland

Fairview Capital II & III, L.P.
Farmington, Connecticut

Fenway Partners Capital Fund II, L.P.
New York, New York

GS Capital, L.P.
Wayne, Pennsylvania

Keystone Venture IV & V, L.P.
Philadelphia, Pennsylvania

Thomas H. Lee Equity Fund IV
& V, L.P.
Boston, Massachusetts

LLR Equity Partners, L.P.
Philadelphia, Pennsylvania

MGIC Mortgage Marketing Corp.
Milwaukee, Wisconsin

Meridian Venture Partners, L.P.
& MVP Distribution Partners, L.P.
Radnor, Pennsylvania

Morgan Stanley Dean Witter
Venture Partners IV, L.P.
New York, New York

OCM Opportunities Fund III, L.P.
Los Angeles, California

The Retail Initiative
New York, New York

SCP Private Equity Partners, L.P.
Wayne, Pennsylvania

TCW/Crescent Mezzanine
Partners II & III, L.P.
Los Angeles, California

Technology Leaders I, II & V L.P.
Wayne, Pennsylvania

TGP Partners II & III, L.P.
Fort Worth, Texas

United Bank
Philadelphia, Pennsylvania

Villas Del Caribe, Ltd.
Partnership
Philadelphia, Pennsylvania

Thomas Weisel Capital Partners, LP
San Francisco, California

Real Estate Investments

LaSalle Advisors
Baltimore, Maryland

CIGNA Investment Management
Hartford, Connecticut

AEW Capital Management
Boston, Massachusetts

Heitman Capital Management
Corp.
Chicago, Illinois

MIG Realty Advisors, Inc.
West Palm Beach, Florida

MISSION

The Board of Pensions and Retirement was charged under the Philadelphia Home Rule Charter with the creation and maintenance of an actuarially sound Retirement System providing benefits for all City employees. The Ordinance (Bill No. 907) implementing the present Retirement System was formally approved by City Council on December 3, 1956, and the System became operational effective January 1, 1957. The enactment of Bill No. 907 superseded the Act of Assembly approved May 20, 1915, P.L. 566, under which the Pension Fund had previously been governed.

The Board, as defined in the Home Rule Charter, is composed of the Director of Finance, who serves as chairperson, the Managing Director, the City Solicitor, the Personnel Director, the City Controller and four members who are elected by the Civil Service employees of the City of Philadelphia. The elected members serve a four-year term of office.

The 9-member Board formally approves all benefit applications, but its major role is that of "trustee", to ensure that the Retirement System remains actuarially and financially sound for the benefit of current and future benefit recipients. The Board, with the assistance of its professional consultants, develops the policies and strategies which will enable the Board to successfully execute its fiduciary obligations.

The Executive Director, aided by a staff of 51 personnel, administers the day-to-day activities of the Retirement System, providing services to 31,769 active employees and 31,174 retirees.

MEMBERSHIP

The Public Employees Retirement System provides benefits to police, fire and civilian workers of the City of Philadelphia through the administration of 19 separate plans adopted from 1915 to the present. In addition, the Board of Pensions administers (but does not fund) a pension plan for the employees of quasi-public agencies (the Philadelphia Parking Authority, the Hospitals and Higher Education Facilities Authority of Philadelphia, the Philadelphia Municipal Authority, the Philadelphia Housing Development Corporation, and the Philadelphia Regional Port Authority).

In fiscal year 2001, the Public Employees Retirement System had 31,769 active members and 31,174 retired members, including 8,499 survivors and 4,950 people receiving disability benefits.

During fiscal year 2001, the Board approved 1,124 pension applications submitted by retiring employees, surviving spouses, beneficiaries and disabled members. The Board processed 1,177 refunds of pension contributions to former employees and beneficiaries of deceased members:

FUNDING

The Municipal Pension Plan Funding Standard and Recovery Act of December 1984 (Act 205) mandated funding methods for all municipal pension plans in the Commonwealth of Pennsylvania. Under the provisions of Act 205, the Municipal Retirement System is required to fund the actuarial liability accrued after July 1, 1985 on a level dollar payment method. In effect, the cost of current pension obligations must be satisfied annually.

The unfunded actuarial liability which had accrued prior to July 1, 1985 is being amortized over a 40-year period with payments increasing at the rate of 6% per year. This debt portion will be satisfied on June 30, 2019.

A class action suit, *Dombrowski v. City of Philadelphia*, was instituted against the City of Philadelphia asserting that the funding level was insufficient to maintain an actuarially sound system as required by the City Charter. The Philadelphia Court of Common Pleas ordered that the judgment in the *Dombrowski* case was to be amortized in level dollar payments over 40 years, ending June 30, 2009.

Act 205 requires that an actuarial valuation be performed annually and that an experience study, covering a 5-year period, be conducted every 4 years to insure that the pension costs derived by the actuary are accurate and based on valid historical experience.

In January 1999, the City issued \$1.29 billion of pension obligation bonds that reduced the City's unfunded pension obligation liability by \$1.25 billion and also reduced the annual General Fund payments to the Pension Fund. The bond issuance can have this positive impact in today's low interest market because the annual debt service payments that the City pays on the bonds, together with the payments toward the remaining unfunded liability are less, in the short term, than the annual payments that the City would otherwise pay to the Pension Fund if no bonds were issued. The bond proceeds were applied immediately to funding the \$2.6 billion unfunded pension liability, reducing it by close to 50 percent. The Pension Board, then, is expected to earn a high return on the investment of the bond proceeds than the City will pay in debt service on the bonds. Consequently, the City's annual General Fund payments towards the unfunded liability will be reduced by more than 40%, offset partially by the new debt service payments on the bonds. The City estimates that, with an overall rate of 6.61% on 30-year bonds issued in January 1999, the bond issuance will save the General Fund a total of \$20 million in Fiscal Year 2000 alone. The bond issuance is projected to save the General Fund a total of approximately \$704 million through Fiscal Year 2019, with average annual savings of \$35 million per year.

The normal cost to the Public Employees Retirement System for fiscal year 2001 was \$71,346,737. The total unfunded accrued liability for fiscal year 2001 was \$109,685,610, including \$2,024,000 for the *Dombrowski* annual payment.

INCOME

The City of Philadelphia is the largest single contributor to the Public Employees Retirement System. The City contributed \$163,464,441 or 42.9% of the total additions to the Retirement System's net assets in fiscal year 2001. Employees contribute a percentage of their pay, and the percentage varies with plan membership. Employee contributions totalled \$49,278,453 or 12.9% of additions. Contributions from the quasi-public agencies amounted to \$4,151,389 or 1.1% of additions.

A major source of income is the earnings of the System's investment portfolio. Interest and dividends amounted to \$133,787,204 or 35.1% of total additions, while securities lending revenue increased plan net assets by \$29,434,716 or 7.7% of additions. Miscellaneous sources provided \$647,998 towards the additions. Together the contributions and earnings added \$380,764,201 to the plan net assets.

However, normal investing activity along with a decrease in the fair value of the investments overshadowed all of the additions to the plan net assets and resulted in a decrease of \$408,821,981. Combining the decrease from the investment activity with other deductions such as investment expenses of \$14,032,276 and securities lending expenses of \$27,388,843 resulted in a decrease to the plan net assets of \$450,243,100. Offset by the additions, the plan net assets decreased by \$69,478,899 in fiscal year 2001.

INVESTMENTS

The 9-member Board of Pensions and Retirement plays an active role in the determination of investment policy and strategy. All major decisions with regard to the portfolio are approved by the Board based upon the recommendations of its investment consultant and managers and the Board's in-house investment staff. Mercer Investment Consulting, the Board's Investment Consultant, oversees the management of the portfolio by investment management firms (a listing of these firms is presented on Pages 3-6). Pension Consulting Alliance serves as the Board's consultant on the real estate segment of the portfolio.

The investment policy developed by the Board provides the framework for the investment of funds. However, the manner in which the Board invests its funds is constrained by legal statutes. Investments of the Public Employees Retirement System must be made in compliance with Section 22-1001 of the Public Employees Retirement Code and the regulations for the investment of similar State funds as set forth in the Act of March 1, 1974 (P.L. 125, No. 31), as amended (71 Pa. C.S. Section 5931).

As part of its overall investment policy, the Board approved an asset allocation strategy which has as its goal the identification of the mix of broad asset classes that most efficiently balances the need for achieving a 9% rate of return with the desire to minimize the possibility of capital loss. This strategy is periodically reviewed by the Board for possible fine-tuning to ensure that it remains dynamic and reflective of market conditions.

The current portfolio structure is: 29.62% Domestic Equities; 17.78 % International Equities; 33.09% Global Fixed Income; 2.49% Direct Fixed Income Investment; 8.68% Tactical Asset Allocation (TAA) Balanced Portfolio of Stocks and Bond (60/40); 2.11% Opportunity Fund; 1.79% Emerging Markets; 3.90% Alternative Investments; 0.26% Real Estate; and 0.27% Cash.

Earnings on the Public Employees Retirement System's investment portfolio provided a significant source of income and reduced the City's funding liability. As of the fiscal year ending June 30, 2001, the total market value of Pension Fund investments was \$4,510,047,972 (a 10.5% decrease over fiscal year 2000) vs. the value at cost of \$4,486,580,964 (a 1.7% decrease over fiscal year 2000). Accounting principles require the recognition of the assets at fair value and the resultant unrealized gain or loss shown as an addition or deduction to plan net assets.

EXPENSES

Pension benefit payments are the Board's greatest current normal expense. Of the total deductions from plan net assets of \$466,820,911 in fiscal 2001, \$456,741,689 or 98.0%, were pension payments. Other expenses included \$4,718,952 for the refund of pension contributions to employees who left City employment and \$5,360,270 for administrative expenses.

AMENDMENTS TO CITY OF PHILADELPHIA PUBLIC EMPLOYEES RETIREMENT CODE

Section 22-401 – Service-Connected Disability Retirement Benefits – Bill No. 000536 (Approved by the Mayor on December 6, 2000)

Section 22-401(4) was amended to add a Hero exemption on the earnings offset for police members who receive service-connected disability retirement benefits either as an immediate result of the violent conduct of a third party that was directed toward the officer or a member of the public or as an immediate result of performing other heroic action in an emergency situation in the line of duty.

Section 22-202 – Membership After Transfer of Employment – Bill No. 000642 (Approved by the Mayor on February 21, 2001)

Section 22-202(1) was amended to add a provision that any member of non-uniformed Plans J or Y who is appointed to a position as a uniformed or investigatory employee in the Police Department other than Commissioner or Deputy Commissioner, or in the District Attorney's Office, shall not become a member of the applicable Police Plan D or Plan B until after five years' service as a police employee.

Section 22-202 – Membership After Transfer of Employment – Bill No. 000656
– (Approved by the Mayor on February 21, 2001)

Section 22-202(1) was amended to add a provision that any member of non-uniformed Plans J or Y who is appointed to a position as a uniformed employee in the Fire Department, other than Commissioner or Deputy Commissioner, shall not become a member of the applicable Fire Plan X or Plan A until after five years' service as a fire employee.

PROFESSIONAL SERVICES

Professional consultants are retained by the Board of Pensions and Retirement to provide expertise and support necessary for the administration of the Public Employees Retirement System. A list of those firms rendering professional services to the Board is presented on Pages 3-6.

AUDIT

The City Controller's Office, which is independent of the City of Philadelphia Administration, audits all operational transactions of the Board of Pensions and Retirement. For the Fiscal year ending June 30, 2001, the Board elected to have the annual financial audit of the Municipal Pension Fund performed by the accounting firm of Zelenkofske Axelrod LLC. The findings of that audit are listed on Pages 34-51.

ACKNOWLEDGMENTS

This report is intended to provide the information necessary for making management decisions, determining compliance with legal provisions and assuring the public that the Board administers the Public Employees Retirement System responsibly. It was compiled with the cooperation of our administrative staff, fund managers and actuary. On behalf of the members of the Board, I would like to express my gratitude to these people and the counselors and personnel, and in particular to Linda Donovan, Pension Program Administrator, all of whom work diligently to ensure the successful operation of the Municipal Retirement System.

James Kidwell
Acting Executive Director
Board of Pensions and Retirement

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ACTUARIAL SECTION

EXECUTIVE SUMMARY

This report presents the actuarial valuation of the costs and liabilities for the City of Philadelphia Municipal Retirement System as of July 1, 2001 and City contributions for the fiscal year ending June 30, 2003. This section summarizes the valuation results and discusses changes in the System's costs and liability arising from plan changes, changes in assumptions to reflect this year's experience study results and experience for the year ending June 30, 2001.

Findings summary

Table 1 shows actuarial valuation results for all divisions as of July 1, 2001.

1. July 1, 2001 actuarial valuation (dollars in thousands)

Participants	
Active	29,322
Retired	18,081
Beneficiaries	8,577
Disabled	4,767
Terminated vested	709
DROP	2,321 ^c
Total	63,777
Total annual salaries	\$ 1,180,398
Net actuarial accrued liability	\$ 6,379,819
Unfunded actuarial accrued liability	\$ 1,436,369
Assets for valuation purposes	\$ 4,943,450
Funding percent	77.5%
City normal cost as percent of payroll (beginning-of-year payment)	5.406%
Fiscal 2003 funding requirements (beginning-of-year payments)	
City's funding policy	\$ 191,752 ^{a, b}
Minimum municipal obligation	\$ 142,400 ^a

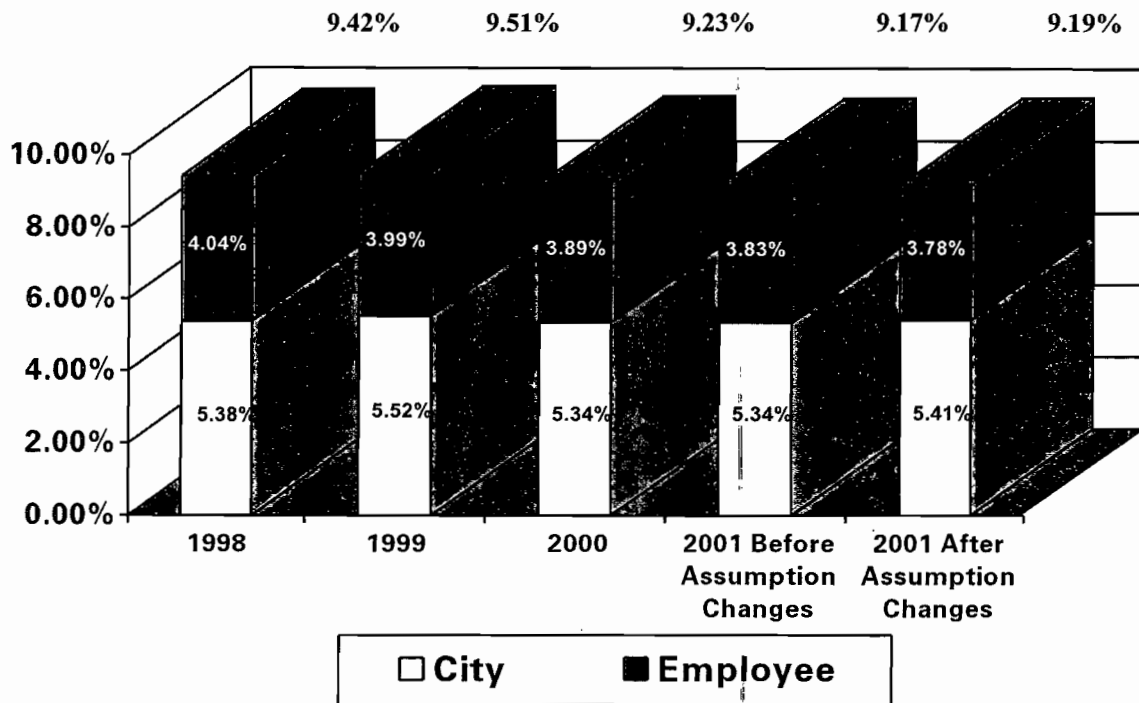
- a. The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal 2001, these totaled \$36,426,000.
- b. Based on July 1, 2001 payroll. Final contribution will be based on actual fiscal 2003 payroll.
- c. While still active employees, the Deferred Retirement Option Plan (DROP) participants are treated as retired for valuation purposes since they no longer accrue benefits.

EXECUTIVE SUMMARY

Normal cost

The total normal cost is the cost of one year's accrual of projected benefits. The City's normal cost equals the total normal cost *less* expected employee contributions. The total normal cost percentage declined this year. The change in actuarial assumptions has resulted in a slight increase in the normal cost rate. The following graph is a four-year history of the total normal cost with employee and City components as a percent of pay.

2. Total normal cost - percent of pay



Unfunded actuarial accrued liability

From July 1, 2000 through June 30, 2001, the unfunded actuarial accrued liability increased \$7,953,000 from \$1,428,416,000 to \$1,436,369,000 because:

- The valuation assets had a return of 8.3% during the year. We assume the valuation assets will have a 9% return. This was the primary cause for the increase in unfunded liability.
- While upgrading the valuation software, we made additional changes to the programming to more appropriately value the timing of benefit accruals. This change resulted in increasing the liability. (Note that this change was included as an assumption change for amortization purposes.)

EXECUTIVE SUMMARY

- The June 30, 1985 unfunded liability, which is amortized with payments increasing 4.5% per year, continues to increase the unfunded liability each year through fiscal year 2003; after then it will decrease.

Offsetting the above causes for the unfunded increase are:

- Assumption changes as a result of the quadrennial experience study. Please note that the unfunded liability increased for the Uniform '87 groups because we increased the likelihood that these employees will reach retirement.
- Salary increases less than the anticipated 5% resulting in a gain.
- Other non-economic plan experience resulted in a small gain.

These factors are illustrated in Table 3.

3. Unfunded liability (millions)

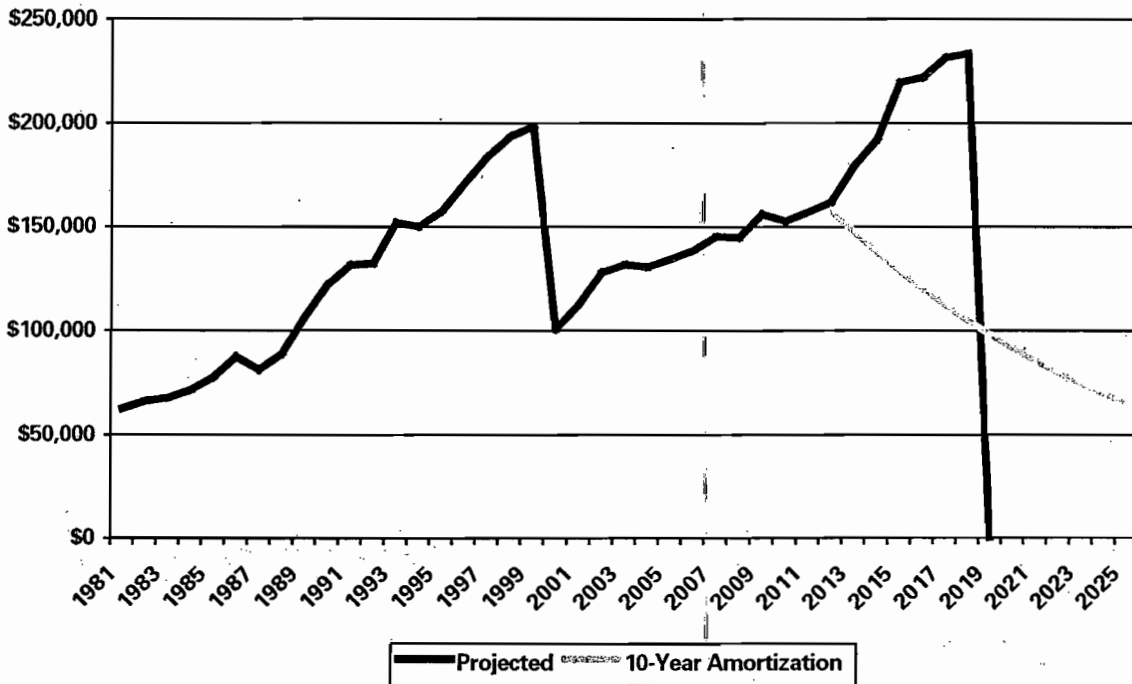
2000 Unfunded liability		\$ 1,428.4
Change due to:		
Plan changes	0.0	
Payment schedule	18.9	
Salary increases	(33.3)	
Investment return	40.0	
Assumption changes	(114.1)	
Programming upgrade	102.3	
Other actuarial experience	(5.8)	
Total of all changes		\$ 8.0
2001 unfunded liability		\$ 1,436.4

Because the July 30, 1985 unfunded liability is being amortized with payments increasing 4.5% per year, the amortization payment is scheduled to increase until 2019 and then to drop to zero. This is a change over last year when payments were increased at 5% resulting in a large payment schedule adjustment. The total unfunded liability is scheduled to increase each year until fiscal year 2003, and then decrease to zero by 2019. With the 1997 change in Act 205, once the funding ratio reaches 70% the City may shift to a 10 year rolling level amortization schedule. The plan is currently 77.5% funded; however, the alternative amortization schedule is not expected to result in lower cost to the City until fiscal year 2013.

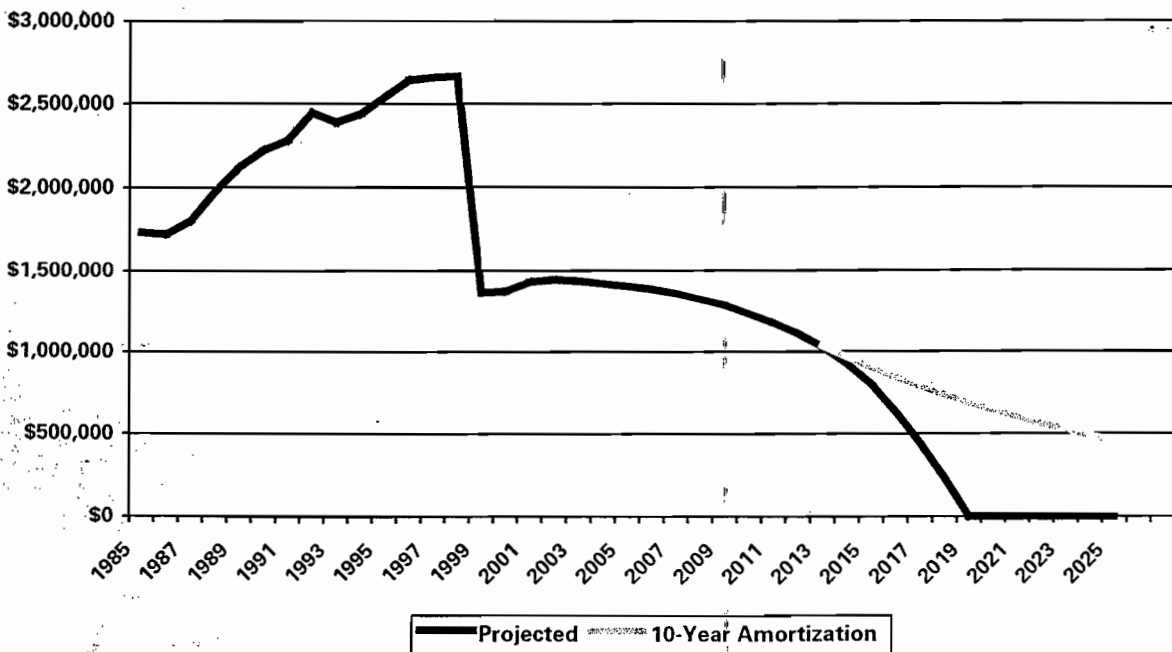
Graph 3(A) illustrates changes in the amortization payment through 2019. Graph 3(B) tracks the unfunded liability through 2019. The red lines indicate actual changes in the amortization payment or unfunded liability and includes scheduled increases and changes because of previous plan amendments, assumption changes, gains and losses and the impact of the Pension Obligation Bond (POB) of 1999. The yellow lines reflect projected changes under the 10 year amortization schedule. In both cases, we assume no future gains or losses.

EXECUTIVE SUMMARY

3(A). Amortization schedule



3(B). Unfunded actuarial accrued liability



EXECUTIVE SUMMARY

City funding policy

The report shows the recommended City contributions, assuming they're paid at the beginning of the fiscal year (July 1, 2002). If paid after July 1 the City's funding policy has been to pay interest at 9% from July 1, 2002 to the date paid.

The resulting estimated City contributions for fiscal years 2002 and 2003 are shown in Table 4(A).

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

	Fiscal 2002	Fiscal 2003
Normal cost	\$ 61,015	\$ 63,818 ^a
Amortization payment	<u>112,554</u>	<u>127,934</u>
Total City cost	\$ 173,569	\$ 191,752 ^b

- Based on July 1, 2001 payroll. Actual normal cost will be based on actual fiscal 2003 payroll. This payroll does not include DROP participants.
- The City may use general state aid and state cost-of-living reimbursements to meet this commitment. For fiscal year 2001, they totaled \$36,426,000.

Table 4(B) shows July 1, 2002 employee contribution rates.

4(B). Employee contribution rates effective July 1, 2002 (based on July 1, 2001 results)

	Municipal	Elected	Police	Fire
1967 Plan	3.75% ^a	N/A	6.00%	6.00%
Plan 87	2.00%	7.57%	5.00%	5.00%

- 6.00% on wages over the Social Security maximum taxable wage base — \$84,900 in 2002.

Quasi agency funding

Table 4(C) shows the quasi agencies funding rate for fiscal years 2002 and 2003 and the Parking Authority's additional contribution for their early retirement window. This special amortization charge must be made through fiscal 2004.

EXECUTIVE SUMMARY

4(C). Quasi agency funding rate

	Fiscal 2002	Fiscal 2003
Valuation date	July 1, 2000	July 1, 2001
Normal cost	5.029% ^a	5.160% ^a
Amortization rate	13.664%	16.835% ^b
Total, year-end rate	18.693%	21.995%
Total, adjusted for quarterly payments	18.234%	21.455% ^c
Parking authority special amortization payment		
Annual year-end payment	\$ 78,000	\$ 78,000
Quarterly payment	\$ 19,021 ^d	\$ 19,021 ^d

- a. Normal cost rate, page 11, Municipal 1967 Plan.
b. $(\$76,932 - \$78) \div \$456,491$, see pages 15 and 11.
c. $.97546$ (quarterly adjustment factor) \times 21.995%.
d. $\$78,000 \div 4 \times .97546$.

Minimum municipal obligation

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

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

- The City uses a 34-year increasing amortization of its July 1, 1985 unfunded actuarial accrued liability, while Act 205 allows a 40-year increasing amortization schedule.
- The City applies the normal cost rates to the fiscal year's actual payroll. The MMO is based on the prior year's estimated payroll.
- No interest accumulates on the MMO if the payment is made by year-end.
- The City's funding policy uses a one-year delay in applying actuarial valuation results to fiscal years. The MMO also reflects a one-year delay, however, no interest is applied to the MMO for the one-year delay. As a result, this July 1, 2001 valuation report determines the City's fiscal 2003 MMO and funding contribution.
- The MMO reflects amortization of prior years' City contributions above past MMOs as actuarial gains.

Table 46 of this report summarizes the City's unfunded liability payment for its fiscal 2003 MMO. These payments reflect the 40-year funding from July 1, 1985 with increasing payments at 4.5%.

The resulting fiscal 2003 MMO is summarized in Table 4(D).

EXECUTIVE SUMMARY

4(D). Fiscal 2003 minimum municipal obligation (thousands)

Valuation report	July 1, 2001
Normal cost	\$ 107,877
Amortization payment	76,057
Expected administrative expense	<u>5,500</u>
Subtotal	\$ 189,434
Expected member contributions	<u>(47,035)</u>
Minimum municipal obligation	\$ 142,400
Interest	<u>0^a</u>
Total	<u>\$ 142,400^b</u>

a. Assumes the MMO will be paid before December 31, 2002.

b. The City may use general state aid and state COLA reimbursement, estimated at \$36 million, to meet this commitment.

Funding status

The plan's funding status is measured by the ratio of actuarial value of assets to the actuarial accrued liability. A comparison of this ratio as of July 1, 2000 and July 1, 2001 is shown in Table 4(E).

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

	2000	2001
Actuarial value of assets	\$ 4,764,990	\$ 4,943,450
Actuarial accrued liability	\$ 6,193,407	\$ 6,379,819
Funding ratio	76.9%	77.5%

EXECUTIVE SUMMARY

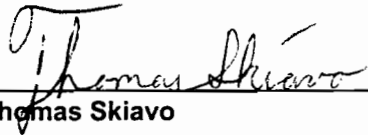
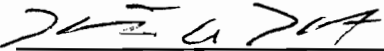
Certification

William M. Mercer, Incorporated has prepared the actuarial valuation of the City of Philadelphia Municipal Retirement System as of July 1, 2001 for fiscal year contributions ending June 30, 2003. The valuation is based on employee and financial data which were provided by the City and trustee, respectively, and which are summarized in this report.

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

There have been no changes in valuation procedures, or actuarial cost methods since the last valuation of the Plan as of July 1, 2000. Actuarial assumptions have changed and are summarized in this report.

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

 Thomas Skiavo	<u>3/26/2002</u> Date
<p>As a Fellow of the Conference of Consulting Actuaries and the Society of Actuaries, I meet the Qualification Standards to provide the statements of actuarial opinion contained in this report.</p>	
 Kenneth A. Kent, FSA, FCA	<u>3/26/2002</u> Date
<p>William M. Mercer, Incorporated 1255 23rd Street, NW, Suite 500 Washington, DC 20037 202 331 5200</p>	

COST DERIVATION

This section explains the Retirement System's costs. Costs are determined using the entry age actuarial cost method. The cost estimates derived in this actuarial valuation will be the basis for determining pension costs for the fiscal year ending June 30, 2003. Pension costs consist of the normal cost and the unfunded liability amortization payment.

Derivation of normal cost

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

Derivation of the unfunded actuarial accrued liability

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

The valuation assets are determined as of July 1, 2001, using an actuarial asset method that spreads investment experience over a five-year period to minimize the impact of investment volatility on the Retirement System's costs. The method measures gains or losses against the assumed 9% investment yield, recognizing one-fifth of the gain or loss over the current and each of the next four years. The Pension Adjustment Fund (PAF), if any, is subtracted from the market value to determine the assets to use for the valuation.

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

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

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

COST DERIVATION

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

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

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

Table 45 shows the annual unfunded liability payments needed to satisfy the City's MMO for fiscal year ending June 30, 2003.

Table 16 shows the annual payments needed to fund plan liabilities through fiscal year ending June 30, 2020.

COST DERIVATION

16. Schedule of annual payments to fund the anticipated July 1, 2001 unfunded actuarial accrued liability (dollars in thousands)

Plan Year Beginning July 1	Annual Beginning-of-Year Payment							Progress of Unfunded Actuarial Accrued Liability	Estimated Annual Payroll	Annual Payment as a Percent of Payroll	
	Municipal	1967 Plan Police	Fire	Municipal	Plan 87 Elected	Police	Fire				Total
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,436,369	1,180,398	N/A
2002	70,580	62,044	14,346	(9,138)	(121)	(7,565)	(2,211)	127,934	1,442,958	1,233,516	10.1%
2003	73,311	62,753	14,834	(9,138)	(121)	(7,569)	(2,220)	131,850	1,433,376	1,289,024	10.0%
2004	72,916	61,664	15,215	(9,090)	(193)	(7,537)	(2,208)	130,767	1,418,664	1,347,030	9.5%
2005	76,252	61,821	15,402	(9,056)	(188)	(7,514)	(2,194)	134,524	1,403,808	1,407,647	9.4%
2006	82,475	59,381	15,326	(8,963)	(187)	(7,264)	(2,158)	138,610	1,383,519	1,470,991	9.3%
2007	84,953	62,243	16,412	(8,902)	(233)	(7,193)	(2,147)	145,132	1,356,951	1,537,185	9.3%
2008	81,783	64,452	17,284	(9,002)	(289)	(7,149)	(2,118)	144,963	1,320,883	1,606,359	9.0%
2009	87,508	68,222	18,804	(8,931)	(279)	(7,076)	(2,110)	156,139	1,281,753	1,678,645	9.3%
2010	84,502	67,362	19,128	(8,722)	(358)	(7,208)	(2,068)	152,636	1,226,920	1,754,184	8.7%
2011	86,114	69,185	20,181	(8,787)	(342)	(7,179)	(2,039)	157,134	1,170,970	1,833,122	8.7%
2012	88,186	70,706	21,121	(8,739)	(299)	(7,075)	(1,977)	161,921	1,105,081	1,915,612	8.6%
2013	97,980	75,188	23,660	(8,463)	(300)	(6,710)	(1,917)	179,439	1,028,044	2,001,815	9.1%
2014	104,377	78,601	25,982	(8,261)	(265)	(6,468)	(1,810)	192,156	924,979	2,091,897	9.4%
2015	115,703	72,252	30,606	(389)	26	1,281	186	219,664	798,777	2,186,032	10.3%
2016	120,478	69,524	30,377	(195)	21	1,519	330	222,054	631,233	2,284,404	10.1%
2017	124,777	75,145	29,784	270	27	1,363	264	231,629	446,005	2,387,202	10.1%
2018	125,102	78,169	30,916	(95)	21	1,105	220	235,438	233,670	2,494,626	9.9%
2019	1,270	(1,363)	(806)	(95)	21	1,105	220	352	(1,927)	2,606,884	0.0%
2020	(348)	(1,363)	(806)	(124)	21	1,105	220	(1,295)	(2,484)	2,724,194	0.0%
2021	(348)	(1,363)	(806)	(124)	21	1,105	220	(1,295)	(1,295)	2,846,782	0.0%
2022	—	—	—	—	—	—	—	—	—	2,974,888	0.0%
2023	—	—	—	—	—	—	—	—	—	3,108,758	0.0%
2024	—	—	—	—	—	—	—	—	—	3,248,652	0.0%
2025	—	—	—	—	—	—	—	—	—	3,394,841	0.0%
2026	—	—	—	—	—	—	—	—	—	3,547,609	0.0%
2027	—	—	—	—	—	—	—	—	—	3,707,251	0.0%
2028	—	—	—	—	—	—	—	—	—	3,874,078	0.0%
2029	—	—	—	—	—	—	—	—	—	4,048,411	0.0%
2030	—	—	—	—	—	—	—	—	—	4,230,590	0.0%

Note: Numbers may not add because of rounding.

MINIMUM MUNICIPAL OBLIGATION

The minimum municipal obligation (MMO) is the minimum required City contribution under state law (Acts 205 and 189). The City's MMO for the year ending June 30, 2003 is \$142,399,527. This amount is summarized by division in Table 45 and is based on the July 1, 2001 actuarial valuation report.

The City receives general pension state aid and cost-of-living adjustment reimbursement from the state. The MMO includes these amounts. For fiscal 2002, the total state payments are \$36,426,000. Amounts received during fiscal 2003 may be used to meet the \$142,399,527 obligation. Supplemental State Assistance (SSA), if any, may not be used to offset this commitment.

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

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

MINIMUM MUNICIPAL OBLIGATION

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

45. MMO calculation for fiscal 2003 (July 1, 2001 valuation report)

	Fiscal 2003 (dollars in thousands)			
	Non-Uniformed	Police	Fire	Total
Estimated FY 2002 payroll	\$ 821,663	\$ 306,528	\$ 97,889	\$1,226,080
Normal cost percent	7.264%	11.676%	12.210%	8.717%
Normal cost	\$ 59,992	\$ 35,890	\$ 11,995	\$ 107,877
Amortization payment ^a	31,737	39,563	4,757	76,057
Administrative expense	<u>3,602</u>	<u>1,420</u>	<u>478</u>	<u>5,500</u>
Subtotal	\$ 95,331	\$ 76,873	\$ 17,231	\$ 189,434
Expected member contributions	<u>(25,066)</u>	<u>(16,523)</u>	<u>(5,447)</u>	<u>(47,035)</u>
MMO ^b	\$ 70,265	\$ 60,350	\$ 11,784	\$ 142,400

- a. The portion of the unfunded actuarial accrued liability attributable to the Dombrowski class action suit is included in the initial unfunded liability that was established July 1, 1985. For MMO calculations, it is amortized over 40 years ending June 30, 2025 in annual payments increasing 4.5% per year. The City's funding policy, however, amortizes the original Dombrowski liability in level dollar payments over 40 years ending June 30, 2009.
- b. Includes general pension state aid and state cost-of-living adjustment reimbursement. For fiscal 2002, the total is \$36,426 (thousands). Also includes quasi agencies.

MINIMUM MUNICIPAL OBLIGATION

46. Unfunded liability payments toward MMO for fiscal 2003 (thousands) — July 1, 2001 valuation report

	Municipal			Police			Fire		
	July 1, 2001 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2001 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2001 Remaining Balance	Years Remaining	Amortization Payment
Original July 1, 1985 unfunded actuarial accrued liability	\$ 873,148	24	\$ 56,638 ^a	\$ 560,511	24	\$ 36,358 ^a	\$ 223,521	24	\$ 14,499 ^a
July 1, 1986 additional amounts									
Active	\$ 1,153	6	\$ 236	\$ 100	6	\$ 20	\$ 50	6	\$ 10
(Gain)/loss	(4,924)	1	(4,924)	(2,308)	1	(2,308)	(1,175)	1	(1,175)
Subtotal ^b	\$ (3,771)		\$ (4,688)	\$ (2,208)		\$ (2,287)	\$ (1,125)		\$ (1,165)
July 1, 1987 additional amounts									
(Gain)/loss	\$ (782)	2	\$ (408)	\$ 1,523	2	\$ 794	\$ 237	2	\$ 121
July 1, 1988 additional amounts									
(Gain)/loss	\$ 7,456	3	\$ 2,702	\$ 7,033	3	\$ 2,549	\$ 555	3	\$ 201
July 1, 1989 additional amounts									
Active	\$ 10,480	9	\$ 2,816	\$ 2,930	9	\$ 787	\$ 1,362	9	\$ 366
(Gain)/loss	(714)	4	(993)	971	4	1,351	294	4	410
Assumption change	(11,439)	9	(3,073)	(3,327)	9	(894)	(1,334)	9	(358)
Subtotal ^b	\$ (1,672)		\$ (1,251)	\$ 574		\$ 1,244	\$ 323		\$ 417
July 1, 1990 additional amount									
(Gain)/loss	\$ (6,727)	5	\$ (4,055)	\$ 7,074	5	\$ 4,264	\$ 1,425	5	\$ 859
July 1, 1991 additional amount									
(Gain)/loss ^c	\$ (2,020)	6	\$ (801)	\$ (1,979)	6	\$ (785)	\$ (897)	6	\$ (356)
July 1, 1992 additional amounts									
Active	\$ 355	12	\$ 63	\$ 0	0	\$ 0	\$ 0	0	\$ 0
(Gain)/loss	18,915	7	5,707	(2,232)	7	(674)	(922)	7	(278)
Subtotal ^b	\$ 19,269		\$ 5,770	\$ (2,232)		\$ (674)	\$ (922)		\$ (278)

MINIMUM MUNICIPAL OBLIGATION

	Municipal			Police			Fire		
	July 1, 2001 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2001 Remaining Balance	Years Remaining	Amortization Payment	July 1, 2001 Remaining Balance	Years Remaining	Amortization Payment
July 1, 1993 additional amounts									
Nonactive	\$ 29	3	\$ 38	\$ 0	0	\$ 0	\$ 0	0	\$ 0
Active	(1,006)	13	(163)	(669)	13	(108)	0	0	0
(Gain)/loss	(13,663)	8	(3,381)	(10,767)	8	(2,665)	(4,340)	8	(1,074)
Assumption change	(9,903)	13	(1,605)	80	13	13	(1,845)	13	(299)
Subtotal ^b	\$ (24,542)		\$ (5,112)	\$ (11,357)		\$ (2,760)	\$ (6,185)		\$ (1,373)
July 1, 1994 additional amounts									
(Gain)/loss	\$ (6,924)	9	\$ (1,471)	\$ (1,059)	9	\$ (225)	\$ (4,106)	9	\$ (872)
July 1, 1995 additional amounts									
Active	\$ 404	14	\$ 48	\$ 0	0	\$ 0	\$ 0	0	\$ 0
(Gain)/loss	6,101	9	934	410	9	63	(2,648)	9	(405)
Subtotal ^b	\$ 6,505		\$ 981	\$ 410		\$ 63	\$ (2,648)		\$ (405)
July 1, 1996 additional amount									
(Gain)/loss	\$ 4,527	10	\$ 647	\$ 2,221	10	\$ 318	\$ (1,931)	10	\$ (276)
July 1, 1997 additional amount									
Assumption change	\$ 44,723	16	\$ 4,936	\$ 5,473	16	\$ 604	\$ 2,305	16	\$ 254
(Gain)/loss	(49,920)	11	(6,730)	(19,159)	11	(2,583)	(12,808)	11	(1,727)
Subtotal ^b	\$ (5,197)		\$ (1,794)	\$ (13,686)		\$ (1,979)	\$ (10,503)		\$ (1,472)
July 1, 1998 additional amounts									
(Gain)/loss	\$ (14,876)	12	\$ (1,906)	\$ (12,143)	12	\$ (1,556)	\$ (10,915)	12	\$ (1,398)
July 1, 1999 additional amounts									
(Gain)/loss	\$ (127,208)	13	\$ (15,588)	\$ 936	13	\$ 115	\$ (46,177)	13	\$ (5,658)
Active	14,421	18	1,511	0	0	0	0	0	0
Nonactive	37,725	8	6,253	16,791	8	2,783	6,233	8	1,033
Subtotal ^b	\$ (75,063)		\$ (7,824)	\$ 17,727		\$ 2,898	\$ 39,944		\$ (4,625)
July 1, 2000 additional amounts									
(Gain)/loss	\$ (25,898)	14	\$ (3,052)	\$ 36,021	14	\$ 4,244	\$ 738	14	\$ 87
July 1, 2001 additional amounts									
Assumption change	\$ (4,122)	20	\$ (414)	\$ (2,351)	20	\$ (236)	\$ (5,347)	20	\$ (537)
(Gain)/loss	(19,568)	15	(2,227)	(23,433)	15	(2,667)	11,708	15	1,333
Subtotal	\$ (23,691)		\$ (2,642)	(25,784)		(2,903)	\$ 6,361		\$ 795
Total unfunded actuarial accrued liability^b	\$ 719,740	—	\$ 31,737	\$ 562,647	—	\$ 39,563	\$ 153,982	—	\$ 4,757

a. Level dollar amortization payment (24 years remaining).

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

b. Numbers may not add because of rounding.

William M. Mercer, Incorporated

City of Philadelphia
Municipal Retirement System

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

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

- A *statement of plan net assets* including information about plan assets and liabilities at the reporting date. This information is shown in the Financial Experience of the Fund section of the report.
- A *statement of changes in plan net assets* including receipts and disbursements. This information is also contained in the Financial Experience of the Fund section of the report.
- A *schedule of funding progress* including historical information about the actuarially determined funded status of the plan and the progress made in accumulating sufficient assets. This information should be provided for each of the past six plan years. For the transition year and the following five years the schedules should show information for the current year and as many prior years as available. This schedule is shown in Table 51 below.
- A *schedule of employer contributions* including historical trend information about the Annual Required Contributions (ARC) and the contributions made by the employer in relation to the ARC. This information is shown in Table 52.

51. Schedule of funding progress (dollars in millions)

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

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

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

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

Statement No. 27 disclosure

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

The reporting elements are:

- **Annual required contributions or ARC** — this is the anticipated required contribution based on statement specific valuation methods, valuation assumptions and unfunded liability amortization over a period, not to exceed forty years as a level payment or level percent of pay, and amortization of contribution deficiencies or excesses.

Your valuation method conforms to the entry age cost method as defined in Section B of Statement 27. Unfunded actuarial accrued liabilities are funded on average over 17 years from July 1, 2001. Assets are valued as a five-year smoothing of gains and losses on the market value. All assumptions used in the calculation of the valuation reflect our long term expectations.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

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

During the 1994 fiscal year, the City contributed \$10,000,000 more than the ARC. Therefore, the initial NPO value at the effective date is \$(9,012,000) as shown in Table 54 below.

- **Annual pension cost** — is equal to the ARC plus one year's interest on NPO and ARC adjustment to avoid double counting of NPO and interest on NPO.

The following table summarizes the GASB Statement disclosure for fiscal years 1994 through 2001.

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

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

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

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FINANCIAL SECTION

Zelenkofske Axelrod LLC

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund
Philadelphia, Pennsylvania

We have audited the accompanying statement of plan assets of the CITY OF PHILADELPHIA MUNICIPAL PENSION FUND (the "Fund") as of June 30, 2001, and the related statement of changes in plan assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly in all material respects, the plan assets of the Fund as of June 30, 2001, and the changes in plan assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of funding progress and employer contributions, and notes to supplemental information are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. The information in the supplemental schedule of funding progress with the actuarial valuation date of July 1, 2000, the information in the supplemental schedule of employer contributions for the year ended June 30, 2001, and the notes to supplemental information have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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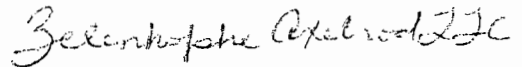
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Zelenkofske Axelrod LLC

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 2001 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



ZELENKOFKSKE AXELROD LLC

Blue Bell, Pennsylvania
November 30, 2001

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2001
(IN THOUSANDS)

ASSETS

Cash Deposits	\$ 15,833
Receivables:	
Due From Other Governmental Units	842
Installment Payments	6,387
Plan Members	1,320
Interest and Dividend	23,124
Due From Brokers for Securities Sold	82,605
Total Receivables	130,111
Investments, At Fair Value:	
Investments	4,510,048
Securities Lending Collective Investment Pool	459,828
Total Investments	4,969,876
Total Assets	5,099,987

LIABILITIES

Liabilities:	
Due to Brokers for Securities Purchased	189,368
Due on Return of Securities Loaned	459,828
Accounts Payable and Accrued Expenses	4,290
Deferred Revenue	6,388
Total Liabilities	659,874
Net Assets Held in Trust for Pension Benefits (A Schedule of Funding Progress Is Presented on Page 14)	\$4,440,113

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

CITY OF PHILADELPHIA
MUNICIPAL PENSION PLAN
STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2001
(IN THOUSANDS)

Additions:	
Contributions:	
Employer	\$167,616
Plan Members	49,278
	<hr/>
Total Contributions	216,894
Investment Income:	
Interest and Dividend Income	133,787
Net Depreciation in Fair Value of Investments	(408,822)
	<hr/>
	(275,035)
Less: Investment Expense	(14,032)
	<hr/>
Net Investment Loss	(289,067)
	<hr/>
Securities Lending Revenue	29,435
Securities Lending Expense:	
Borrower Rebates	(26,512)
Management Fees	(877)
	<hr/>
Net Income from Security Lending Activities	2,046
	<hr/>
Other Income	273
	<hr/>
Total Additions	(69,854)
Deductions:	
Benefit Payments	456,742
Refunds of Contributions	4,719
Other Administrative Expenses	4,985
	<hr/>
Total Deductions	466,446
	<hr/>
Net Decrease	(536,300)
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	4,976,413
	<hr/>
End of Year	\$4,440,113
	<hr/>

The accompanying notes are integral part of the financial statements.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1: PENSION SYSTEM DESCRIPTION

General Description

The City of Philadelphia (the "City") maintains two single employer defined benefit plans for its employees and employees of its component units. The two plans maintained by the City are the Municipal Pension Plan (the "Plan") and the Gas Works Plan.

The City is required by the Philadelphia Home Rule Charter to maintain an actuarially sound pension and retirement system (PERS). The Plan covers all officers and employees of the City, and the officers and employees of certain other governmental and quasi-governmental organizations.

As of the latest available actuarial valuation (July 1, 2000), the Plan's membership consisted of:

Retirees and Beneficiaries Receiving Benefits	33,445
Terminated Plan Members Entitled to Benefits But Not Yet Receiving Them	755
Active Plan Members	<u>28,796</u>
Total	<u>62,996</u>

Effective January 1, 1987, the City adopted a new Plan (Plan 87), which is part of the City of Philadelphia Municipal Pension Plan. The City intended to cover employees hired on or after January 8, 1967, as well as members in the current plan who elected to transfer to Plan 87. Except for elected officials, Plan 87 provides for less costly benefits and reduced employee contributions. For elected officials, Plan 87 provided for enhanced benefits, with participating elected officials required to pay for the additional normal cost. District Council 33 challenged Plan 87 in court and, as a result, none of their members were covered by Plan 87 until October 1, 1992. In addition, due to contract provisions, police and fire personnel were not included in Plan 87 until July 1, 1988. Employees represented by Local 2187 of District Council 47, by order of an arbitration award dated August 11, 1992, were transferred to the City's primary plan effective from their dates of hire. As of July 1, 2000 there were 13,643 participants in Plan 87.

Contributions

Court decisions have interpreted the Home Rule Charter requirement to mean that the City must make contributions to the pension system sufficient to fund:

- a. Accrued normal costs which are actuarially computed amounts necessary to be contributed to the pension fund to provide, in the future, the pension and survivor benefits earned by the work force during the year.
- b. Amortization in level installments (which include interest) over a period of 40 years, of certain unfunded prior service costs as ordered by the Court of Common Pleas of Philadelphia County in a class action suit brought by pension fund beneficiaries.
- c. Interest on the remaining unfunded accrued liability of the pension plan.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2001

NOTE 1: PENSION SYSTEM DESCRIPTION (CONTINUED)

Contributions (Continued)

In fiscal year 2001, the City contributed (1) the amounts described in (a), (b) and (c) above, plus (2) the scheduled amounts sufficient to amortize the remaining unfunded actuarial accrued liability as of July 1, 1985 over 34 years, determined on the basis of a formula which produces amounts expected to be level as a percentage of each year's aggregate payroll; plus (3) amounts necessary to amortize any subsequent actuarial gains and losses over 15 years in level dollar payments; plus (4) amounts necessary to amortize any increase in actuarial accrued liability due to benefit increases to nonactive employees made after July 1, 1985 over 10 years in level dollar payments; plus (5) amounts necessary to amortize any increase in actuarial liability due to benefit increases to active employees made after July 1, 1985 over 20 years in level dollar payments; plus (6) amounts necessary to amortize any changes in actuarial assumptions over 20 years in level dollar payments. Under this method, the unfunded accrued liability of \$1.4 billion at July 1, 2000 will increase until the fiscal year 2003 as unpaid interest on that liability compounds. Scheduled payments through the year 2019 will reduce the liability to zero.

Employee contributions are required by City Ordinance, and the City is required to contribute the remaining amounts necessary to fund the Plan, using an acceptable actuarial basis as specified by the Home Rule Charter, City Ordinance and State Statute. For Plan members, employee contribution rates are fixed on a per-employee basis by Council ordinance. Covered Plan employees who participate in the Social Security System contribute 3.75% of their total compensation up to the taxable wage base and 6% of total compensation above the taxable wage base to the Plan. Each employee who does not participate in the Social Security System contributes 6% of their total compensation to the Plan. Plan 87 member contribution rates are defined for the membership as a whole by council ordinance and individual contribution rates are determined annually by the actuary. For members of Plan 87 municipal division, the total employee contribution is fixed by Council ordinance at 30% of gross normal cost for all members. For members of Plan 87 uniformed division, the total employee contribution rate is set at 5% of total compensation, but with a floor and ceiling of 30% and 50%, respectively, of the total gross normal cost for all members.

Benefits

The Plan, as established by the Home Rule Charter and City ordinances, provides retirement benefits as well as death and disability benefits. Retirement benefits vest after 10 years of credited service. Employees who retire are entitled to an annual retirement benefit payable monthly for life.

- a. Uniformed personnel (police and fire) who retire at or after age 45 are eligible to receive a service pension equal to 2.5% of the employee's average final compensation multiplied by his or her years of credited service, subject to a maximum of 100% of average final compensation. Those uniformed personnel who are covered under Plan 87 and who retire at or after age 50 with 10 or more years of credited service are eligible to receive a service pension equal to 2.2% of the employee's average final compensation multiplied by years of service to a maximum of 20 years, plus 2% of the employee's average final compensation multiplied by years of service in excess of 20.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2001

NOTE 1: PENSION SYSTEM DESCRIPTION (CONTINUED)

Benefits (Continued)

- b. Municipal employees who retire at or after age 55 are eligible to receive a service pension equal to the sum of: 2.5% of the employee's average final compensation multiplied by his or her years of credited service to a maximum of 20 years; plus 2% of the employee's average final compensation multiplied by his or her years of credited service in excess of 20; limited to 80% of the employee's average final compensation. Municipal employees who are covered under Plan 87 and who retire at or after age 60 with 10 or more years of credited service are eligible to receive a service pension equal to the employee's service plus average final compensation multiplied by 2% for the years of service in excess of 10.

A Pension Adjustment Fund (PAF) is funded with fifty percent of the excess earnings that are between one percent and six percent above the actuarial assumed earnings rate. Each year within sixty days of the end of the fiscal year, by majority vote of its members, the Board of Pensions and Retirement (the "Board") shall consider whether sufficient funds have accumulated in the PAF to support an enhanced benefit distribution (which may include, but is not limited to, a lump sum bonus payment, monthly pension payment increases, ad-hoc cost-of-living adjustments, continuous cost-of-living adjustments or some other form of increase in benefits as determined by the Board) to retirees, their beneficiaries and their survivors. In December, 2001, the Board of Pensions approved the first bonus payment in the amount of \$37,067,199 from accumulated funds in the PAF which were distributed on March 31, 2001. All pensioners, survivors and beneficiaries who were receiving a benefit as of June 30, 2000 for at least one full year were eligible for a bonus distribution. An individual's bonus distribution was \$100 for each full year a member, survivor or beneficiary had received a benefit through June 30, 2000.

The Fund includes a Deferred Retirement Option Plan ("DROP" PLAN). The DROP Plan allows a participant to declare that they will retire within four years. During the four year period, the City will make no further contributions for the participant. The participant would continue to receive their salary, however, any increases would not be counted towards their pension benefit. During the four year period the individual participates in the DROP Plan, their pension benefits will be paid into an escrow account in the participant's name. After the four year period, the participant would begin to receive their pension benefits and the amount that has been accumulated in the escrow account in a lump sum payment.

The DROP Plan will be tested for a four year period ending June 30, 2003. If it is determined, after actuarial evaluation, that the DROP Plan was not costing the Fund a material amount the DROP Plan will be continued. If it is determined that the DROP Plan is costing the Fund a material amount it will be terminated. Any participants enrolled in the DROP Plan at the time of termination will be eligible to continue in the DROP Plan.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND ASSET MATTERS

Basis of Accounting

Financial statements of the Plan are prepared using the accrual basis of accounting. The Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds of contributions are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages 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. Investments that do not have an established market are reported at estimated fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges are recognized on the trade date.

Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned on an accrual basis.

Installment Payments Receivable and Deferred Revenues

Installment payments receivable and deferred revenue represent balances due from active participants who are in the process of purchasing retirement benefits from past city or military employment. Any Plan members who are eligible to repurchase credit for prior service is entitled to pay the required amount through uniform deductions each pay period, over a period not exceeding five years. These installment payments include interest on the unpaid balance at the annual rate of 6%.

Income Taxes

Income retained by the Plan is not subject to federal income tax.

Related Parties

The Board of Pensions is the custodian of the investments of the Plan. The Department of Finance provides cash receipt and cash disbursement services to the Plan. The City's solicitor's office provides legal services to the Plan. Other administrative services are also provided by the City.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2001

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND FUND ASSET MATTERS
(CONTINUED)

Use of Estimates

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, liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Risks and Uncertainties

Plan contributions are prepared based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Administrative Expenses

Administrative expenses of the Plan are paid by the Plan.

NOTE 3: CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING

The Plan is authorized to invest in "prudent investments" including obligations of the U.S. Treasury, agencies and instrumentalities of the United States, investment grade corporate bonds, common stock, real estate, etc. City ordinances contain provisions which preclude the Plan from investing in organizations that conduct business in a certain country and also impose limitations on the amounts invested in certain types of securities.

The Plan's investments are categorized below to give an indication of the level of risk assumed by the Plan at year-end. Category One includes investments that are insured or registered or for which the securities are held by the Plan or its agent in the Plan's name. Category Two includes uninsured and unregistered investments for which the securities are held at the broker's or dealer's trust department or agent in the Plan's name. Category Three includes uninsured and unregistered investments, for which the securities are held by the broker or dealers, or by its trust department or agent in street name, rather than in that of the Plan. There are no Category Two or Three investments at June 30, 2001. The Plan also holds investments that are not in any of the three defined categories, because the securities are not used as evidence of the investment. Such investments are separately identified. In addition, the Plan held cash deposits at June 30, 2001, with a carrying amount of \$15.8 million and a bank balance of \$12 million. Such cash deposits were collateralized with such collateral held by the pledging financial institution's trust department or agent in the City's name.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2001

NOTE 3: CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING (CONTINUED)

Investments held by the Plan at June 30, 2001 are summarized as follows (in thousands):

	<u>Fair Value</u>
Investments - Category 1	
U.S. Government Securities	\$ 569,812
Corporate Bonds	631,536
Corporate Equities:	
Not on Securities Loan	4,082
On Securities Loan for Securities Collateral	2,466,564
Mortgages	53,855
Other Investments	52,031
Short-term Investment Pools	116,502
Real Estate	32,657
Partnerships	137,938
	4,064,977
Subtotal	4,064,977
Investments - Not Categorized:	
Investments Held by Broker-Dealers Under	
Securities Loans With Cash Collateral:	
U.S. Government Securities	241,344
Corporate Bonds	20,729
Corporate Equities	182,998
Securities Lending Collective Investment Pool	459,828
	459,828
Total	\$4,969,876

State statutes do not prohibit the Plan from participating in securities lending transactions, and the Plan has, via a Securities Lending Authorization Agreement, authorized State Street Bank and Trust Company ("State Street") to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, State Street lent, at the direction of the Plan, the Plan's securities and received cash (United States currency) and securities issued or guaranteed by the United States government as collateral. State Street did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) in the case of loaned securities denominated in the United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign government, 102% of the market value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2001

NOTE 3: CASH DEPOSITS, INVESTMENTS AND SECURITIES LENDING (CONTINUED)

The Plan did not impose any restrictions during the fiscal year on the amount of the loans that State Street made on its behalf and State Street indemnified the Plan by agreeing to purchase replacement securities or return cash collateral in the event the borrower failed to return the loaned security or pay distributions thereon. There were no such failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or State Street.

During the fiscal year, the Plan and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral or other qualified tax-exempt plan lenders, in a collective investment pool. As of June 30, 2001, such investment pool had an average duration of 75 days and an average weighted maturity of 548 days. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2001, the Plan had no credit risk exposure to borrowers. The collateral held and the fair value of securities on loan for the Plan as of June 30, 2001 (in thousands), were \$464,838 and \$449,153 respectively.

Cash collateral received in respect of such loans was invested at the direction of the Plan in the Quality Funds for Short-Term Investment, a pooled external investment vehicle (the "Fund"). Following are required disclosures under Government Accounting Standards Board Statement 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*:

- a. Method for Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- b. Policy for Utilizing Amortized Cost Method. Because the Fund does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the Fund's investments at fair value for reporting purposes.
- c. Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the Fund) are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Client's position in the Fund is not the same as the value of the Fund shares.
- d. Involuntary Participation. There was no involuntary participation in an external investment pool by the Plan for the fiscal year.
- e. Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

Securities lent at year-end for cash collateral are presented as unclassified in the preceding schedule; securities lent for securities collateral are classified according to the category for the collateral.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2001

NOTE 4: INVESTMENT ADVISORS

The Fund utilizes investment advisors to manage long-term debt, real estate and equity portfolios. Real estate advisors must obtain prior approval before each purchase or sale of a particular security. To be eligible for consideration, investments must meet criteria set forth in governing laws and regulations.

NOTE 5: OTHER

Benefits under the Plan are guaranteed by statute. In the event that employee contributions do not equal required benefits, the City's General Fund must provide any shortfall.

NOTE 6: PARTICIPATION IN PENSION PLAN

The employees of the Board of Pensions and Retirement (the "Board"), the PERS for the Plan, are also members of the Plan and, as such, are subject to the provisions of the Plan as described in the notes to these financial statements.

During the years ended June 30, 2001, 2000, and 1999, the Board in accordance with the Plan's provisions contributed \$295,235, \$267,372 and \$404,869 respectively.

SUPPLEMENTAL
INFORMATION

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
SCHEDULE OF FUNDING PROGRESS
JUNE 30, 2001
(DOLLARS IN MILLIONS)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percentag of Covere Payroll ((b-a)/c)
7/1/95	2,312.1	4,850.8	2,538.7	47.66%	1,006.4	252.26%
7/1/96	2,457.2	5,098.1	2,640.9	48.20%	1,068.3	247.21%
7/1/97	2,660.9	5,318.1	2,657.2	50.03%	1,067.7	248.87%
7/1/98	2,921.3	5,586.1	2,664.8	52.30%	1,128.2	236.19%
7/1/99	4,496.8	5,862.1	1,365.3	76.71%	1,178.6	115.84%
7/1/00	4,765.0	6,193.4	1,428.4	76.94%	1,142.8	124.99%

The accompanying notes are an integral part of this schedule.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2001
(DOLLARS ARE IN THOUSANDS)

<u>Year Ended June 30</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1995	212,838	100.0
1996	222,482	100.0
1997	237,016	100.0
1998	252,080	100.0
1999	256,704	586.9
2000	168,928	108.9

The accompanying notes are an integral part of this schedule.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
NOTES TO SUPPLEMENTAL INFORMATION
JUNE 30, 2001

NOTE 1: ACTUARIAL VALUATION

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

Valuation Date	July 1, 2000
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage Closed
Equivalent Single Amortization Period	19 Years
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	9.0%
Projected Salary Increases	5.0%
Includes Inflation at	3.5%
Cost-of-Living Adjustments	None

NOTE 2: EMPLOYER CONTRIBUTIONS

In fiscal 1999, the Philadelphia Authority for Industrial Development issued \$1.29 billion in pension funding bonds. On February 2, 1999 the City of Philadelphia used \$1.25 billion of the proceeds to make an employer contribution to the plan.

Zelenkofske Axelrod LLC

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund
Philadelphia, Pennsylvania

We have audited the financial statements of the City of Philadelphia Municipal Pension Fund as of and for the year ended June 30, 2001 and have issued our report thereon dated November 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Philadelphia Municipal Pension Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Philadelphia Municipal Pension Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Zelenkofske Axelrod LLC

To the Board of Pensions and Retirement
City of Philadelphia
Municipal Pension Fund

This report is intended solely for the information and use of the Board members and fund management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



ZELENKOFKSKE AXELROD LLC

Blue Bell, Pennsylvania
November 30, 2001

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ADDITIONAL FINANCIAL INFORMATION
(Compiled by the Finance Department
of the City of Philadelphia)

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2001

ASSETS

Cash on Deposit and on Hand	\$ 15,832,938
Investments at Fair Value	4,510,047,972
Securities Lending	459,828,353
Accounts Receivable	7,693,899
Due from Brokers	82,604,643
Interest and Dividends Receivable	23,125,438
Due from Other Funds	-
Due from Other Governmental Units	841,916
Other Assets	11,220
	<hr/>
<u>Total Assets</u>	<u>\$ 5,099,986,379</u>

LIABILITIES

Vouchers Payable	\$ 372,991
Accounts Payable	2,791,110
Salaries and Wages Payable	46,993
Due on Securities Lending	459,828,353
Due to Brokers	189,367,941
Accrued Expenses	692,732
Funds Held in Escrow and Advance Deposits	-
Deferred Revenue	6,387,068
Other Liabilities	386,159
	<hr/>
<u>Total Liabilities</u>	<u>659,873,347</u>

Net Assets Held in Trust for Pension Benefits	<u>\$ 4,440,113,032</u>
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CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2001 AND 2000

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Additions:		
Contributions:		
Employer's Contributions	\$ 167,615,831	\$ 183,927,936
Employees' Contributions	49,278,453	50,248,065
Other Contributions	-	-
	<hr/>	<hr/>
Total Contributions	216,894,284	234,176,001
Investment Income:		
Interest and Dividends	133,787,204	124,879,185
Gain (Loss) from Sale of Investments	(408,821,981)	333,549,903
(Less) Investment Expenses	(14,032,276)	(14,871,036)
Securities Lending Revenue	29,434,716	28,491,789
(Less) Securities Lending Expenses	(27,388,843)	(26,992,901)
Net Investment Income	<u>(287,021,180)</u>	<u>445,056,940</u>
Miscellaneous Operating Revenues	647,998	194,773
	<hr/>	<hr/>
<u>Total Additions</u>	<u>(69,478,898)</u>	<u>679,427,714</u>
Deductions:		
Personal Services	2,600,679	2,329,523
Purchase of Services	1,403,417	1,125,046
Materials and Supplies	80,138	59,758
Employee Benefits	996,638	940,187
Pension Benefits	456,741,689	444,272,795
Refunds of Members' Contributions	4,718,952	4,197,810
Securities Lending Expenses	-	-
Other Operating Expenses	279,398	426,696
	<hr/>	<hr/>
<u>Total Deductions</u>	<u>466,820,911</u>	<u>453,351,815</u>
	<hr/>	<hr/>
<u>Net Increase</u>	<u>(536,299,809)</u>	<u>226,075,899</u>
Net Assets Held in Trust for Pension Benefits - July 1, 2000	4,976,412,841	4,750,336,942
Prior Period Adjustment	-	-
Revised Net Assets Held in Trust for Pension Benefits - July 1, 2000	<u>4,976,412,841</u>	<u>4,750,336,942</u>
Net Assets Held in Trust for Pension Benefits - June 30, 2001	<u>\$ 4,440,113,032</u>	<u>\$ 4,976,412,841</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
ANALYSIS OF MEMBERS' CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Municipal Division - Old	Municipal Division - New	Fire Division - New	Police Division - New
Balance, July 1, 2000	<u>\$ 203,351</u>	<u>\$ 369,234</u>	<u>\$ 65,107,163</u>	<u>\$ 119,347,868</u>
Additions:				
Regular Payroll Deductions	-	815	3,134,653	6,820,456
Installment Repurchase Deductions	-	-	76,980	112,265
Payments Through City Treasurer	-	-	290,276	226,597
Retirees' Pension Payments	-	-	18,551	30,245
Adjustments to Members' Contribution Accounts	-	-	-	-
Unclaimed Withdrawal Checks Deposited	-	-	-	11
Total Additions	<u>-</u>	<u>815</u>	<u>3,520,460</u>	<u>7,189,574</u>
Deductions:				
Withdrawals	-	-	219,587	541,723
Retirements	-	-	1,742,514	4,556,401
Net Change in Liability for Deceased Pensioners	-	-	(41,464)	(126,874)
Net Change In Liability for Pensioners' Unexpended Contributions	-	-	328,330	639,828
Adjustments to Members' Contribution Accounts	-	-	-	-
Total Deductions	<u>-</u>	<u>-</u>	<u>2,248,967</u>	<u>5,611,078</u>
Net Change in Year	<u>-</u>	<u>815</u>	<u>1,271,493</u>	<u>1,578,496</u>
Balance, June 30, 2001	<u>\$ 203,351</u>	<u>\$ 370,049</u>	<u>\$ 66,378,656</u>	<u>\$ 120,926,364</u>

<u>Elected Officials</u>	<u>Municipal Revised Plan 60</u>	<u>Municipal Revised Plan 87</u>	<u>Municipal Revised Plan 93</u>	<u>Fire Division Old</u>	<u>Police Division - Old</u>	<u>Total</u>
<u>\$1,410,615</u>	<u>\$274,890,608</u>	<u>\$7,122,353</u>	<u>\$21,487,912</u>	<u>\$10,010,335</u>	<u>\$42,385,202</u>	<u>\$542,334,641</u>
167,501	17,310,852	19,266	7,433,553	2,024,662	8,846,001	45,757,759
31,191	318,241	-	505,490	154,152	148,786	1,347,105
-	1,193,998	9,363	235,564	49,807	63,870	2,069,475
-	25,656	-	24,310	4,001	-	102,763
-	-	-	-	-	-	-
-	15	-	1,325	-	-	1,351
<u>198,692</u>	<u>18,848,762</u>	<u>28,629</u>	<u>8,200,242</u>	<u>2,232,622</u>	<u>9,058,657</u>	<u>49,278,453</u>
-	2,134,572	1,933	1,057,148	85,674	678,315	4,718,952
-	10,108,066	15,953	218,139	72,987	79,486	16,793,546
-	(121,643)	-	20,466	-	19,008	(250,507)
-	1,463,657	(5,519)	10,911	(15,326)	(4,345)	2,417,536
-	-	-	-	-	-	-
-	13,584,652	12,367	1,306,664	143,335	772,464	23,679,527
<u>198,692</u>	<u>5,264,110</u>	<u>16,262</u>	<u>6,893,578</u>	<u>2,089,287</u>	<u>8,286,193</u>	<u>25,598,926</u>
<u>\$1,609,307</u>	<u>\$280,154,718</u>	<u>\$7,138,615</u>	<u>\$28,381,490</u>	<u>\$12,099,622</u>	<u>\$50,671,395</u>	<u>\$567,933,567</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
ANALYSIS OF FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

	Reserve for Members' Contributions	Reserve for Payment of Pensions and All Other Purposes	Total Reserves
Balance, July 1, 2000	<u>\$ 542,334,641</u>	<u>\$ 4,434,078,200</u>	<u>\$ 4,976,412,841</u>
Additions:			
Contributions:			
Employees	\$ 49,277,102	\$ -	
Quasi-Public Agencies	-	4,151,390	
City Appropriations	-	163,464,441	
Commonwealth of Pennsylvania	-	-	
Total Contributions	<u>49,277,102</u>	<u>167,615,831</u>	
Interest:			
Members' Reinstatements	-	1,901,393	
Interest on Long-Term Investments	-	129,569,401	
Interest on Short-Term Investments	-	2,316,410	
Accrued Interest as of June 30, 2000	-	-	
Total Interest	<u>-</u>	<u>133,787,204</u>	
Members' Contributions Transferred to Reserve for Retirements	-	16,793,546	
Adjustments for Liability to Deceased Pensioners	-	-	
Adjustments to Members' Unexpended Contributions	-	2,417,536	
Adjustments for Accrued Death Benefits	-	172,289	
Net Income (Loss) from Investment Managers	-	42,651,806	
Net Appreciation(Depreciation)/Fair Value of Investments	-	-	
Other Additions:			
Unclaimed Withdrawal Checks Deposited	1,351	-	
Refunds and Cancelled Checks - Prior Years' Pensions	-	93,435	
Miscellaneous Receipts	-	2,349,930	
Miscellaneous Fund Balance Adjustment	-	-	
Adjustments to Members' Contributions	-	-	
Total Other Additions	<u>1,351</u>	<u>2,443,365</u>	
Total Additions	<u>49,278,453</u>	<u>365,881,577</u>	<u>415,160,030</u>
Deductions:			
Withdrawals	4,718,952	-	
Retirements	16,793,546	-	
Adjustments to Members' Contributions	-	-	
Administrative Expenses	-	5,208,014	
Payments to Pensions and Benefits	-	456,741,689	
Investment Manager Expenses	-	14,204,565	
Net Appreciation(Depreciation)/Fair Value of Investments	-	451,473,788	
Adjustments for Liability to Deceased Pensioners	(250,507)	-	
Adjustments to Members' Unexpended Contributions	2,417,536	-	
Adjustments for Employees Unexpended Vacation Time	-	27,850	
Miscellaneous Fund Balance Adjustment	-	124,406	
Total Deductions	<u>23,679,527</u>	<u>927,780,312</u>	<u>951,459,839</u>
Balance, June 30, 2001	<u>\$ 567,933,567</u>	<u>\$ 3,872,179,465</u>	<u>\$ 4,440,113,032</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

EXHIBIT A-5

<u>Balance, July 1, 2000</u>	\$ <u>33,574,354</u>
Receipts:	
From Members:	
Contributions	47,981,633
Interest	1,832,119
Repayment Fees	54,035
Payroll Deductions Accrued at June 30, 2000	<u>1,111,299</u>
Total Receipts - Members	50,979,086
From Operating Funds Appropriations-Current Year's Requirements	163,464,441
From Pension Bond Proceeds	-
Prior Year's Appropriations	-
PA Act 205 Grant	-
Revenue from Police and Firemen's Pension Funds	6,083
Interest on Long-Term Debt Securities	264,584
Interest on Short-Term Debt Securities	2,276,399
Accrued Interest Receivable at June 30, 2000	-
Sale or Maturity of Long-Term Debt Securities	3,317,679
Sale or Maturity of Equity/Debt Securities	378,834,758
Gain(Loss) on Sale of Investments	683,333
Refunds and Cancelled Checks Deposited	478,829
Reimbursement for Normal City Costs, Quasi-Public Agencies	3,309,474
Accrual Due from Quasi-Public Agencies at June 30, 2000	893,019
Other Receipts	<u>2,383,859</u>
<u>Total Receipts</u>	<u>606,891,544</u>
<u>Total Available for Disbursement</u>	<u>640,465,898</u>
Disbursements:	
Pensions and Benefits	457,107,410
Withdrawals	4,718,952
Administrative Expenses	16,566,355
Equity/Debt Securities Purchased	100,000,000
Long-Term Investments Purchased	<u>46,240,243</u>
<u>Total Disbursements</u>	<u>624,632,960</u>
<u>Balance, June 30, 2001</u>	\$ <u><u>15,832,938</u></u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
SUMMARY SCHEDULE OF INVESTMENTS
JUNE 30, 2001

	<u>Par Value</u>	<u>Cost</u>	<u>Market Value</u>
Repurchase Agreements	\$ -	\$ -	\$ -
U.S. Government Securities	268,778,865	296,995,023	296,135,267
U.S. Government Agency Securities	566,446,721	510,196,557	515,020,280
Corporate Bonds	587,568,631	637,643,619	652,265,654
Corporate Equity	-	2,620,187,959	2,653,642,969
Mutual Funds	-	-	-
Collateralized Mtg Obligations	69,167,549	53,889,606	53,855,373
Other Bonds and Investments	45,740,252	52,849,728	52,030,905
Short Term Investment Pools	116,500,130	116,502,126	116,502,095
Non-Categorized Mutual Funds	-	-	-
Real Estate	51,595,430	51,595,430	32,657,162
Financial Agreements	146,798,296	146,720,916	137,938,267
<u>Total Municipal Pension Fund</u>	<u>\$ 1,852,595,874</u>	<u>\$ 4,486,580,964</u>	<u>\$ 4,510,047,972</u>

CITY OF PHILADELPHIA
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

EXHIBIT I-A-6

Additions:	
Contributions:	
Employer's Contributions	167,615,831
Employee's Contributions	49,278,453
Other Contributions	-
<u>Total Contributions</u>	<u>216,894,284</u>
Investment Income:	
Interest & Dividends	133,787,204
Net Decline in Fair Value of Investments	(408,821,981)
(Less) Investment Expenses	(14,032,276)
Securities Lending Revenue	29,434,716
(Less)Securities Lending Expenses	(27,388,843)
<u>Net Investment Income</u>	<u>(287,021,180)</u>
Miscellaneous Operating Revenue	647,998
<u>Total Additions</u>	<u>(69,478,898)</u>
Deductions:	
Personal Services	2,600,679
Purchase of Services	1,403,417
Material & Supplies	80,138
Employee Benefits	996,638
Pension Benefits	456,741,689
Refund of Member's Contributions	4,718,952
Securities Lending Expenses	-
Other Operating Expenses	279,398
<u>Total Deductions</u>	<u>466,820,911</u>
<u>Net Increase</u>	<u>(536,299,809)</u>
Net Assets Held in Trust for Pension Benefits - July 1, 2000	4,976,412,841
Prior Period Adjustment	-
Revised Net Assets Held in Trust for Pension Benefits - July 1, 2000	4,976,412,841
Net Assets Held in Trust for Pension Benefits - June 30, 2001	<u>4,440,113,032</u>

CITY OF PHILADELPHIA
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
JUNE 30, 2001

EXHIBIT II-C-2

<u>Assets</u>	
Equity in Treasurer's Account	4,525,880,910
Securities Lending Collective Investment Pool	459,828,353
Accounts Receivable	7,693,899
Due from Brokers for Securities Sold	82,604,643
Interest and Dividends Receivable	23,125,438
Due From Other Governmental Units	841,916
Other Assets	11,220
<u>Total Assets</u>	<u>5,099,986,379</u>
<u>Liabilities</u>	
Vouchers Payable	372,991
Accounts Payable	2,791,110
Salaries & Wages Payable	46,993
Due on Return of Securities Loaned	459,828,353
Due to Brokers for Securities Purchased	189,367,941
Accrued Expenses	692,732
Funds Held in Escrow and Advance Deposits	0
Deferred Revenue	6,387,068
Other Liabilities	386,159
<u>Total Liabilities</u>	<u>659,873,347</u>
Net Assets Held in Trust for Pension Benefits	<u>4,440,113,032</u>

The Accounts Receivable of the Municipal Pension Fund consists of Employee Contributions Receivable in the amount of \$1,306,831 and Installment Repurchase Agreements Receivable in the amount of \$6,387,068.

MUNICIPAL PENSION FUND
FISCAL 2001 INFORMATION

Cash and Accrued Contributions from the City - Fiscal 2001 *

<u>Category</u>	<u>Amount</u>	
Cash received	\$ 163,464,441.33	
Accrued 6/30/01	<u>0.00</u>	\$ 163,464,441.33

Cash and Accrued Contributions from Quasi-Agencies - Fiscal 2001

Cash received	3,309,474.30	
Accrued 6/30/2001	<u>841,915.46</u>	<u>4,151,389.76</u>
 Total City & Quasi Agencies		 \$ 167,615,831.09
 Contribution from the Commonwealth		 <u>0.00</u>
 Total Contribution requirement		 <u><u>\$ 167,615,831.09</u></u>

* Analysis of Contributions from the City - Fiscal 2001

<u>Date</u>	<u>Amount</u>
07/03/00	\$ 16,200,000.00
07/14/00	143,000,000.00
06/30/01	<u>4,264,441.33</u>
	<u>\$ 163,464,441.33</u>

City of Philadelphia
 Year-End Pension Contribution
 Pension Contributions By Division
 Fiscal Year Ending June 30, 2001

	<u>Payroll Used To Determine Normal Cost</u>	<u>Normal Costs</u>	<u>Unfunded Liability</u>	<u>Less Quasi Contributions</u>	<u>Plus Total Interest Charges</u>	<u>Total Pension Contribution</u>
Police - 1967 Plan	115,748,686.87	9,259,894.95	57,869,190.00	(5,091,777.48)	62,037,307.47	
Police - 1987 Plan	178,989,464.33	10,671,351.86	(9,362,010.00)	(99,314.29)	1,210,027.57	
Fire - 1967 Plan	53,308,223.52	4,160,706.85	9,598,540.00	(1,043,646.33)	12,715,600.51	
Fire - 1987 Plan	40,815,977.30	2,670,181.23	(2,565,860.00)	(7,912.82)	96,408.41	
Municipal - 1967 Plan	458,378,054.92	24,949,517.53	63,346,440.00	(2,968,190.49)	78,855,609.66	
Municipal - 1987 Plan Y	325,719,176.13	18,295,646.12	(9,049,180.00)	(701,349.47)	8,545,116.66	
Municipal - 1987 Plan M	584,505.91	32,831.70	0.00	(2,490.30)	30,341.40	
Municipal Elected - 1987 Plan	2,105,221.98	123,408.11	(151,510.00)	2,131.54	(25,970.34)	
Quasi-Governmental Agencies	21,737,998.74	1,183,199.27		(1,183,199.27)	0.00	
	<u>1,197,387,309.70</u>	<u>71,346,737.63</u>	<u>109,685,610.00</u>	<u>(4,151,389.76)</u>	<u>(13,416,516.54)</u>	<u>163,464,441.33</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
FISCAL 2001 INFORMATION

Dates and Amounts of Contributions from the Quasi-Agencies for Fiscal 2001:

<u>Date</u>	<u>Amount</u>
08/01/00	\$ 83,353
08/10/00	14,268
08/11/00	216,926
10/12/00	102,728
10/23/00	245
10/31/00	4,234
11/06/00	560,084
11/07/00	4,898
12/01/00	261,793
12/20/00	157
01/25/01	19,974
02/07/01	695,032
02/14/01	22,585
02/21/01	284,476
04/05/01	1,959
04/25/01	17,548
04/30/01	8,613
05/08/01	1,001,706
05/25/01	8,895
	<hr/>
Cash Received as of June 30, 2001	3,309,474
	<hr/>
Accrued Contribution	841,916
	<hr/>
Total Quasi Contribution	<u>\$ 4,151,390</u>

CITY OF PHILADELPHIA
MUNICIPAL PENSION FUND
FISCAL 2001 INFORMATION

RECEIPTS AND DISBURSEMENTS BY DIVISION

	<u>Employee Contributions</u>	<u>Pension Benefits</u>	<u>Withdrawals</u>	<u>Miscellaneous Revenue & Expenses</u>	<u>Other Operating Expenses</u>
Police - Old	\$ 7,190,171	\$ 160,819,314	\$ 541,723	\$ 150,182	\$ -
Police - 1987 Plan	9,058,060	1,346,814	678,316	(19,008)	-
Fire - Old	3,520,460	52,136,541	219,588	56,578	-
Fire - 1987 Plan	2,232,622	208,503	85,674	-	-
Civilian - Old	27,049,819	241,731,685	3,191,718	162,272	-
Civilian - 1987 Plan	28,629	246,293	1,933	-	-
Civilian Elected - 1987 Plan	198,692	252,539	-	-	-
Operating Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,974</u>	<u>279,398</u>
<u>TOTAL</u>	<u>\$ 49,278,453</u>	<u>\$ 456,741,689</u>	<u>\$ 4,718,952</u>	<u>\$ 647,998</u>	<u>\$ 279,398</u>

STATISTICAL INFORMATION
(Compiled by the Board of Pensions and Retirement)

CITY OF PHILADELPHIA
MUNICIPAL RETIREMENT SYSTEM

APPLICATIONS PROCESSED DURING JULY 1999 THROUGH JUNE 2000

DIVISION	WITHDRAWAL APPLICATIONS			PENSION APPLICATIONS					GRAND TOTAL APPLICATIONS
	Members	Deaths	Total	Regular	Disabled	Survivors of Employees	Pensioners	Total	
MUNICIPAL	1,092	27	1,119	489	75	57	241	862	1,981
FIRE	19	-	19	50	2	5	49	106	125
POLICE	96	2	98	126	15	10	118	269	367
<u>GRAND TOTAL</u>	<u>1,207</u>	<u>29</u>	<u>1,236</u>	<u>665</u>	<u>92</u>	<u>72</u>	<u>408</u>	<u>1,237</u>	<u>2,473</u>

APPLICATIONS PROCESSED DURING JULY 2000 THROUGH JUNE 2001

DIVISION	WITHDRAWAL APPLICATIONS			PENSION APPLICATIONS					GRAND TOTAL APPLICATIONS
	Members	Deaths	Total	Regular	Disabled	Survivors of Employees	Pensioners	Total	
MUNICIPAL	1,023	25	1,048	434	78	50	275	837	1,885
FIRE	20	1	21	33	1	4	38	76	97
POLICE	107	1	108	106	17	12	76	211	319
<u>GRAND TOTAL</u>	<u>1,150</u>	<u>27</u>	<u>1,177</u>	<u>573</u>	<u>96</u>	<u>66</u>	<u>389</u>	<u>1,124</u>	<u>2,301</u>

CITY OF PHILADELPHIA
MUNICIPAL RETIREMENT SYSTEM
COMPARATIVE STATEMENT OF RETIREMENT BENEFITS IN FORCE
AS OF JUNE 30, 2000 AND JUNE 30, 2001

	NUMBER RECEIVING BENEFITS				MONTHLY RATE OF PENSION BENEFITS IN FORCE				
	Retired Members		Survivors		Retired Members		Survivors		
	Regular	Disabled	Regular	Disabled	Regular	Disabled	Regular	Disabled	
JUNE 30, 2000									
<u>MUNICIPAL DIVISION</u>	11,543	2,121	5,376	19,040	\$13,497,589	\$2,234,937	\$2,290,858	\$18,023,384	
<u>FIRE DIVISION</u>	1,642	537	1,020	3,199	2,707,467	745,293	493,657	3,946,417	
<u>POLICE DIVISION</u>	5,173	2,215	2,170	9,558	8,398,249	2,782,576	1,132,065	12,312,890	
<u>GRAND TOTAL</u>	<u>18,358</u>	<u>4,873</u>	<u>8,566</u>	<u>31,797</u>	<u>\$24,603,305</u>	<u>\$5,762,806</u>	<u>\$3,916,580</u>	<u>\$34,282,691</u>	
JUNE 30, 2001									
<u>MUNICIPAL DIVISION</u>	11,144	2,071	5,440	18,655	\$13,550,584	\$2,288,784	\$2,438,172	\$18,277,540	
<u>FIRE DIVISION</u>	1,579	521	994	3,094	2,676,465	733,459	511,059	3,920,983	
<u>POLICE DIVISION</u>	5,089	2,153	2,183	9,425	8,390,146	2,777,911	1,200,839	12,368,896	
<u>GRAND TOTAL</u>	<u>17,812</u>	<u>4,745</u>	<u>8,617</u>	<u>31,174</u>	<u>\$24,617,195</u>	<u>\$5,800,154</u>	<u>\$4,150,070</u>	<u>\$34,567,419</u>	

CITY OF PHILADELPHIA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
ANALYSIS OF MEMBERSHIP

ACTIVE MEMBERS

<u>DIVISION</u>	<u>6/30/99</u>	<u>6/30/00</u>	<u>6/30/01</u>
MUNICIPAL	21,590	21,941	22,248
FIRE	2,438	2,432	2,460
POLICE	6,955	7,093	7,061
<u>TOTAL</u>	<u>30,983</u>	<u>31,466</u>	<u>31,769</u>

