

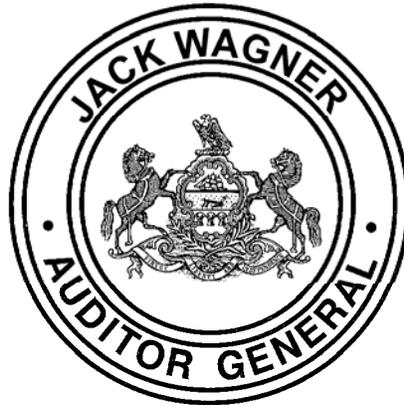
CITY OF ERIE AGGREGATE PENSION FUND

ERIE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2003, TO DECEMBER 31, 2004



CITY OF ERIE AGGREGATE PENSION FUND

ERIE COUNTY

COMPLIANCE AUDIT REPORT

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The Honorable Mayor and City Council
City of Erie
Erie County
Erie, PA 16501

We have conducted a compliance audit of the City of Erie Aggregate Pension Fund for the period January 1, 2003, to December 31, 2004. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 of 1984 and in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report; and
2. To determine if the pension plans were administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. The City of Erie contracted with independent certified public accounting firms for annual audits of the financial statements of each of the city's pension plans, which are available at the city's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

The Department of the Auditor General (Department) is mandated by state statute to calculate state aid provided to municipal pension funds and to audit municipal pension funds having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

The results of our tests indicated that, in all significant respects, the City of Erie Aggregate Pension Fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed in the conclusions section of this report:

Objective No. 2

Police Pension Plan

Finding No. 1 - Receipt Of Excess State Aid For Police Officers Electing A Partial Lump-Sum Distribution

Firemen's Pension Plan

Finding No. 2 - Receipt Of Excess State Aid For Firefighters Electing A Partial Lump-Sum Distribution

Police and Firemen's Pension Plans

Finding No. 3 - Incorrect Data On Certification Form AG 64 Resulting In An Overpayment Of Ad Hoc Reimbursement

Nonuniformed Pension Plan

Finding No. 4 - Failure To Collect Required Member Contributions

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of the City of Erie and, where appropriate, their responses have been included in the report.

August 25, 2006

JACK WAGNER
Auditor General

BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, 53 P.S. §895.101, et seq.). The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system State aid and of every municipal pension plan and fund in which general municipal pension system State aid is deposited.

Pension plan aid is provided from a 2 percent foreign casualty insurance premium tax, a portion of the foreign fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the City of Erie pension plans are also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 147 - Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of 1988, (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101, et seq.

Act 399 - Optional Third Class City Charter Law, Act of July 15, 1957, (P.L. 901, No. 399), as amended, 53 P.S. § 41101, et seq.

The city's pension plans are single-employer defined benefit pension plans locally controlled by Articles 145 (NUPP), 147 (PPP) and 149 (FPP) of the city's codified ordinances. The plans are also affected by the provisions of collective bargaining agreements between the city and its nonuniformed employees, police officers and firefighters.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report for the period January 1, 2001, to December 31, 2002, dated October 23, 2003; and
2. To determine if the city's pension plans were administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

The scope of the audit covered the period January 1, 2003, to December 31, 2004.

City officials are responsible for establishing and maintaining an internal control structure to provide reasonable assurance that the City of Erie Aggregate Pension Fund is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. To assist us in planning and performing our audit, we obtained an understanding of the city's internal control structure as it relates to the city's compliance with those requirements. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to the extent necessary to satisfy the audit objectives.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 1

The first objective of the audit was to determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report for the period January 1, 2001, to December 31, 2002, dated October 23, 2003. Our audit conclusions are presented below.

Compliance With Prior Audit Recommendation

The City of Erie has complied with the prior audit recommendation concerning the following:

· Failure To Properly Calculate 2002 Special Ad Hoc Postretirement Adjustment

The city recalculated the 2002 special ad hoc postretirement adjustment due to the retirees, made adjustments retroactive to July 1, 2002, and began paying the correct monthly pension benefits due the retirees in accordance with Act 147, as amended.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2

The second objective of the audit was to determine if the City of Erie Aggregate Pension Fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Our audit conclusions are presented below.

Our tests indicated that, in all significant respects, the City of Erie Aggregate Pension Fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the findings listed below.

Police Pension Plan

Finding No. 1 – Receipt Of Excess State Aid For Police Officers Electing A Partial Lump-Sum Distribution

Condition: Ordinance No. 18-2004, enacted on February 25, 2004, amended Section 147.10 of the city’s codified ordinances to provide a Partial Lump Sum Distribution Option (PLSDO) to eligible police officers, effective December 1, 2003. This option grants full-time active police officers that satisfy certain age and service requirements the opportunity to retire as of a “pension lookback date” which precedes the officer’s actual employment termination date by 12, 24 or 36 months. Under this option, the officer’s retirement benefit is determined as of the pension lookback date and, upon termination, the officer receives a lump-sum distribution in the amount of the calculated monthly benefit times the number of months elected by the officer. Thereafter, the officer begins receiving his normal monthly pension benefit directly.

Since the election to “retire” is made retroactively by PLSDO participants, they were certified for state aid by the city on Certification Form AG 385 after their respective pension lookback dates, which resulted in the receipt of state aid by the city for employees who were, in substance, retired for all pension-related purposes.

Criteria: Article 147.10 (b) of the city’s codified ordinances states in part:

A Participant may elect the PLSDO at any time after six (6) months following attainment of his/her Normal Retirement Date by delivering to the Association and the Employer a written notice stating his/her intention to terminate his/her employment with the City on an Employment Termination Date which follows by at least six (6) months the date of delivery of such notice to the Association and the Employer, and his/her intention to retire under the Plan as of a Pension Lookback Date which precedes his/her selected Employment Termination Date by either twelve (12), twenty-four (24) or thirty-six (36) months, as selected by the Participant in such Notice, which is hereinafter referred to as the “PLSDO Notice.” (emphasis added)

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2 – (Continued)

Police Pension Plan – (Continued)

Finding No. 1 – (Continued)

As indicated above, officers who elect the PLSDO are retired as of their pension lookback date. Accordingly, it is our position that they should be treated as such in the calculation of the city’s annual state aid allocations.

Cause: City officials believed that officers who elected the PLSDO were eligible for certification until their actual employment termination date with the city.

Effect: The city certified 22 ineligible PLSDO participants (44 units) in 2002, 25 ineligible PLSDO participants (50 units) in 2003, and 27 ineligible PLSDO participants (54 units) in 2004 on Certification Form AG 385.

The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Since the city’s state aid allocations were based on unit value, the effect of the incorrect certification of pension data on the city’s state aid allocations is identified below:

Year	Units Overstate d	Unit Value	State Aid Overpayment
2002	44	\$ 2,762.97	\$ 121,571
2003	50	\$ 2,894.40	144,720
2004	54	\$ 2,911.36	<u>157,213</u>
Total Overpayment of State Aid			<u><u>\$ 423,504</u></u>

In addition, since the city used the overpayments of state aid to pay the minimum municipal obligations (MMOs) due to the police pension plan, if the reimbursement to the Commonwealth is made from the pension plan, the plan’s MMOs will not be fully paid.

It is noted, however, that since the police pension plan’s 2004 MMO was overpaid by \$66,649, this amount may be paid from the plan in order to comply with the audit finding.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2 – (Continued)

Police Pension Plan – (Continued)

Finding No. 1 – (Continued)

Recommendation: We recommend that the total excess state aid, in the amount of \$423,504, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 1205 Pittsburgh State Office Building, 300 Liberty Avenue, Pittsburgh, PA 15222. A copy of the interest calculation must be submitted along with the check.

In addition, if the reimbursement to the Commonwealth is made from police pension plan funds, we recommend that any resulting MMO deficiencies be paid to the pension plan with interest, at a rate earned by the pension plan.

Management's Response: The city objects to this finding, believing that the Auditor General Department's chief legal counsel's opinion is incorrect. City officials contend that:

Section 402(e)(2) of the Municipal Pension Plan Funding Standard and Recovery Act sets forth the criteria for certification of the State aid entitlement. The Section requires only that each employee certified be an active employee, employed on a full time basis for a minimum of six consecutive months prior to December 31 preceding the date of certification. And that these employees are participants in a Plan maintained by the City of Erie. The city has met this criterion.

Auditor's Conclusion: As indicated in the criteria listed above, it is the position of the department that officers who elect the PLSDO are retired as of their pension lookback date and, therefore, they should be treated as such in the calculation of the city's annual state aid allocations. Accordingly, the finding and recommendation remain as stated.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

Firemen's Pension Plan

Finding No. 2 – Receipt Of Excess State Aid For Firefighters Electing A Partial Lump-Sum Distribution

Condition: Ordinance No. 21-2004, enacted on May 19, 2004, amended Section 149.09 of the city's codified ordinances to provide a Partial Lump Sum Distribution Option (PLSDO) to eligible firefighters, effective February 15, 2004. This option grants full-time active firefighters that satisfy certain age and service requirements the opportunity to retire as of a "pension lookback date" which precedes the firefighter's employment termination date by 12, 24 or 36 months. Under this option, the firefighter's retirement benefit is determined as of the pension lookback date and, upon termination, the firefighter receives a lump-sum distribution in the amount of the calculated monthly benefit times the number of months elected by the firefighter. Thereafter, the firefighter begins receiving his normal monthly pension benefit directly.

Since the election to "retire" is made retroactively by PLSDO participants, they were certified for state aid by the city on Certification Form AG 385 after their respective pension lookback dates, which resulted in the receipt of state aid by the city for employees who were, in substance, retired for all pension-related purposes.

Criteria: Article 149.09 (b) of the city's codified ordinances states in part:

A Participant may elect the PLSDO at any time after six (6) months following attainment of his/her Normal Retirement Date by delivering to the Employer a written notice stating his/her intention to terminate his/her employment with the City on an Employment Termination Date which follows by at least six (6) months the date of delivery of such notice to the Employer, and his/her intention to retire under the Plan as of a Pension Lookback Date which precedes his/her selected Employment Termination Date by either twelve (12), twenty-four (24) or thirty-six (36) months, as selected by the Participant in such Notice, which is hereinafter referred to as the "PLSDO Notice." (emphasis added)

As indicated above, firefighters who elect the PLSDO are retired as of their pension lookback date. Accordingly, it is our position that they should be treated as such in the calculation of the city's annual state aid allocations.

Cause: City officials believed that firefighters who elected the PLSDO were eligible for certification until their actual employment termination date with the city.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2 – (Continued)

Firemen’s Pension Plan – (Continued)

Finding No. 2 – (Continued)

Effect: The city certified 22 ineligible PLSDO participants (44 units) in 2002, 25 ineligible PLSDO participants (50 units) in 2003, 30 ineligible PLSDO participants (60 units) in 2004 and 5 ineligible PLSDO participants (10 units) in 2005 on Certification Form AG 385.

The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Since the city’s state aid allocations were based on unit value, the effect of the incorrect certification of pension data on the city’s state aid allocations is identified below:

Year	Units Overstate d	Unit Value	State Aid Overpayment
_____	_____	_____	_____
2002	44	\$ 2,762.97	\$ 121,571
2003	50	\$ 2,894.40	144,720
2004	60	\$ 2,911.36	174,682
2005	10	\$ 2,926.77	<u>29,268</u>
Total Overpayment Of State Aid			<u><u>\$ 470,241</u></u>

In addition, since the city used the overpayments of state aid to pay the minimum municipal obligations (MMOs) due to the firemen’s pension plan, if the reimbursement to the Commonwealth is made from the pension plan, the plan’s MMOs will not be fully paid.

Recommendation: We recommend that the total excess state aid, in the amount of \$470,241, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 1205 Pittsburgh State Office Building, 300 Liberty Avenue, Pittsburgh, PA 15222. A copy of the interest calculation must be submitted along with the check.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2 – (Continued)

Firemen’s Pension Plan – (Continued)

Finding No. 2 – (Continued)

In addition, if the reimbursement to the Commonwealth is made from firemen’s pension plan funds, we recommend that any resulting MMO deficiencies be paid to the pension plan with interest, at a rate earned by the pension plan.

Management’s Response: The city objects to this finding, believing that the Auditor General Department’s chief legal counsel’s opinion is incorrect. City officials contend that:

Section 402(e)(2) of the Municipal Pension Plan Funding Standard and Recovery Act sets forth the criteria for certification of the State aid entitlement. The Section requires only that each employee certified be an active employee, employed on a full time basis for a minimum of six consecutive months prior to December 31 preceding the date of certification. And that these employees are participants in a Plan maintained by the City of Erie. The city has met this criterion.

Auditor’s Conclusion: As indicated in the criteria listed above, it is the position of the department that firefighters who elect the PLSDO are retired as of their pension lookback date and, therefore, they should be treated as such in the calculation of the city’s annual state aid allocations. Accordingly, the finding and recommendation remain as stated.

Police And Firemen’s Pension Plans

Finding No. 3 – Incorrect Data On Certification Form AG 64 Resulting In An Overpayment Of Ad Hoc Reimbursement

Condition: The city overstated non-employee contributions by \$247,487 on Section II, line B of the 2006 Certification Form AG 64, by including water authority contributions deposited to the City of Erie Officers and Employees’ Retirement Fund in 2005. As a result, the non-reimbursable ratio calculated was 34.85%, instead of 35.85%.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2 – (Continued)

Police And Firemen’s Pension Plans – (Continued)

Finding No. 3 – (Continued)

Criteria: Regarding the amounts used in the calculation of the special ad hoc reimbursement, Section 502.1(a)(2) of Act 147 states, in part:

... the amortization contribution requirement attributable to the special ad hoc postretirement adjustment... multiplied by the ratio of the amount of general municipal pension system State aid allocated to the retirement system in the immediate prior year to the total amount of municipal contributions made to the retirement system from all sources other than employee contributions in the immediate prior year. (emphasis added)

Cause: Plan officials believed that water authority contributions were eligible to be included on Certification Form AG 64, as non-employee contributions made to all plans.

Effect: The effect of the incorrect certification of non-employee contributions resulted in the city receiving an excess Act 64 ad hoc reimbursement of \$806 in 2006.

Recommendation: We recommend that the excess ad hoc reimbursement, in the amount of \$806, be returned to the Commonwealth from city funds. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 1205 Pittsburgh State Office Building, 300 Liberty Avenue, Pittsburgh, PA 15222. A copy of the interest calculation must be submitted along with the check.

We also recommend that, in the future, plan officials comply with the instructions that accompany Certification Form AG 64, to assist them in accurately reporting the required pension data.

Management’s Response: Municipal officials agreed with the finding without exception.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2 – (Continued)

Nonuniformed Pension Plan

Finding No. 4 – Failure To Collect Required Member Contributions

Condition: Effective May 20, 2005, the then mayor of the City of Erie improperly discontinued making mandatory member contributions to the officers' and employees' pension plan in violation of the city's codified ordinances.

Criteria: Section 145.06 of the city's codified ordinances states, in part:

All officers and employees of the City who are also covered by the Social Security Act shall pay into such Fund monthly an amount equal to three and one-half percent of that portion of monthly compensation on which social security allowances are payable and five percent of any monthly compensation in excess of that on which social security allowances are payable.

Section 145.06 of the city's codified ordinances further states:

Each contributor shall, from and after January 1, 1969, pay into the retirement fund, a monthly sum, in addition to his or her retirement contribution, which shall be equal to one percent of his or her salary.

In addition, Section 145.19(b) of the city's codified ordinances states, in part:

Each contributor, who so chooses to become entitled to the service increments provided by this section shall ... pay into the Retirement Fund, a monthly sum in addition to his or her retirement contribution, which shall be equal to one-half of one percent of his or her salary.

Finally, Section 145.01(c) of the city's codified ordinances states, in part:

“Officer” means a person elected or appointed to City service....

Cause: In a memorandum dated May 19, 2005, the mayor instructed the city's Director of Finance to stop the withholdings for pension contributions from his paycheck. The Director of Finance complied with those instructions.

CITY OF ERIE AGGREGATE PENSION FUND
AUDIT REPORT

CONCLUSIONS - OBJECTIVE NO. 2 – (Continued)

Nonuniformed Pension Plan – (Continued)

Finding No. 4 – (Continued)

Effect: Mandatory member contributions in the amount of \$162.50 per bi-weekly pay period were not made to the plan by the mayor from May 20, 2005, until the end of his term on December 31, 2005, in violation of the city's codified ordinances. While the total amount of the unpaid contributions was not material to the plan, the fact that the mayor was able to override the internal controls over the collection of member contributions as prescribed in the city's codified ordinances because of his position is a matter of concern.

Recommendation: We recommend that, in the future, member contributions be collected from all plan members in accordance with the city's codified ordinances.

Management's Response: Municipal officials agreed with the finding without exception.

CITY OF ERIE AGGREGATE PENSION FUND
POTENTIAL WITHHOLD OF STATE AID

Finding Nos. 1, 2 and 3 contained in this audit report cite overpayments of state aid to the city in the total amount of \$894,551. Conditions of this nature may lead to a total withholding of state aid in the future unless those findings are corrected. A check in the amount of \$894,551, with interest, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 1205 Pittsburgh State Office Building, 300 Liberty Avenue, Pittsburgh, PA 15222.

CITY OF ERIE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF FUNDING PROGRESS

Historical trend information about the city's pension plans is presented herewith as supplementary information. It is intended to help users assess the plans' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially, except for distressed pension plans, for which annual reporting was required through January 1, 2003. The historical information, beginning as of January 1, 1998, is presented on the following pages.

CITY OF ERIE AGGREGATE PENSION FUND
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULES OF FUNDING PROGRESS – (Continued)

POLICE PENSION PLAN

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
01-01-98	\$57,048,494	\$79,334,122	\$ 22,285,628	71.9%	\$7,985,915	279.1%
01-01-99	82,777,559	76,075,535	(6,702,024)	108.8%	8,117,183	(82.6%)
01-01-00	86,795,663	82,005,769	(4,789,894)	105.8%	8,307,807	(57.7%)
01-01-01	82,623,003	74,986,733	(7,636,270)	110.2%	7,968,804	(95.8%)
01-01-02	77,544,714	78,431,402	886,688	98.9%	9,587,540	9.2%
01-01-03	78,550,628	80,282,806	1,732,178	97.8%	9,761,666	17.7%

Note: The market value of the plan's assets at 01-01-03 has been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF ERIE AGGREGATE PENSION FUND
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULES OF FUNDING PROGRESS – (Continued)

FIREMEN’S PENSION PLAN

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
01-01-98	\$ 29,130,343	\$ 48,342,067	\$ 19,211,724	60.3%	\$ 7,585,845	253.3%
01-01-99	43,093,313	52,265,427	9,172,114	82.5%	7,482,814	122.6%
01-01-00	46,061,924	52,882,849	6,820,925	87.1%	7,627,883	89.4%
01-01-01	44,666,569	56,053,467	11,386,898	79.7%	7,373,547	154.4%
01-01-02	54,111,161	59,015,734	4,904,573	91.7%	8,147,879	60.2%
01-01-03	56,066,394	61,773,653	5,707,259	90.8%	8,495,918	67.2%

Note: The market value of the plan’s assets at 01-01-03 has been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF ERIE AGGREGATE PENSION FUND
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULES OF FUNDING PROGRESS – (Continued)

NONUNIFORMED PENSION PLAN

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
01-01-98	\$ 46,689,218	\$ 60,757,007	\$ 14,067,789	76.8%	\$ 13,016,885	108.1%
01-01-99	54,113,978	60,513,120	6,399,142	89.4%	13,371,805	47.9%
01-01-00	57,250,999	62,230,383	4,979,384	92.0%	14,000,070	35.6%
01-01-01	54,919,649	64,177,260	9,257,611	85.6%	14,516,359	63.8%
01-01-02	51,922,482	67,577,798	15,655,316	76.8%	15,677,339	99.9%
01-01-03	60,657,335	72,598,072	11,940,737	83.6%	16,541,458	72.2%

Note: The market value of the plan's assets at 01-01-03 has been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF ERIE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (Column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

CITY OF ERIE AGGREGATE PENSION FUND
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES

POLICE PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1999	\$ 2,477,666	100.0%
2000	None	N/A
2001	144,796	100.0%
2002	None	N/A
2003	882,758	100.0%
2004	591,333	111.3%

CITY OF ERIE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

FIREMEN'S PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1999	\$ 2,126,733	100.0%
2000	871,258	100.0%
2001	887,420	100.0%
2002	572,147	100.0%
2003	1,071,832	100.0%
2004	1,073,522	100.0%

CITY OF ERIE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

NONUNIFORMED PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
1999	\$ 1,413,989	100.0%
2000	533,404	100.0%
2001	517,191	100.0%
2002	665,851	100.0%
2003	1,383,999	100.0%
2004	1,675,883	100.0%

CITY OF ERIE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

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

POLICE PENSION PLAN

Actuarial valuation date	January 1, 2003
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases *	5.0%
* Includes inflation at	3.0%
Cost-of-living adjustments	4.0%

CITY OF ERIE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

FIREMEN'S PENSION PLAN

Actuarial valuation date	January 1, 2003
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	14 years
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases *	5.0%
* Includes inflation at	3.0%
Cost-of-living adjustments	4.0%

CITY OF ERIE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

NONUNIFORMED PENSION PLAN

Actuarial valuation date	January 1, 2003
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	Established January 1, 1985 (22 years) Occurring after January 1, 1985 (16 years)
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases *	5.0%
* Includes inflation at	3.0%
Cost-of-living adjustments	None assumed

CITY OF ERIE AGGREGATE PENSION FUND
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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