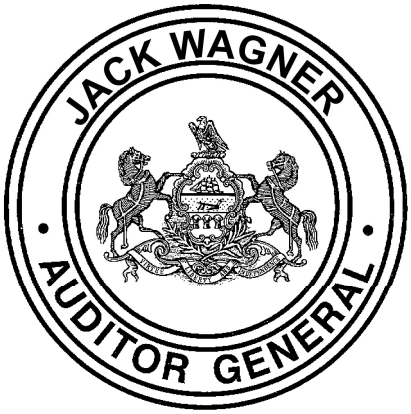
CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND

ALLEGHENY COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007, TO DECEMBER 31, 2009



CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND

ALLEGHENY COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2007, TO DECEMBER 31, 2009

CONTENTS

Page

Background....1

Letter from the Auditor General....3

Status of Prior Findings....10

Findings and Recommendations:

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits....11

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits....14

Finding No. 3 – Partial Compliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid....18

Supplementary Information....20

Subsequent Event Comments....31

Report Distribution List....32

ABBREVIATION

PERC - Public Employee Retirement Commission

BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 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 Pittsburgh Comprehensive Municipal Pension Trust Fund is also governed by implementing regulations adopted by the Public Employee Retirement Commission (PERC) 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 14 - Second Class City Code, Act of March 7, 1901 (P.L. 20, No. 14), as amended, 53 P.S. § 22101, et seq.

Act 147 - Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of December 14, 1988 (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101 et seq.

The City of Pittsburgh Comprehensive Municipal Pension Trust Fund serves as a common administrative and investment agent for the city's police, firemen's and nonuniformed employee defined benefit pension plans. Ordinances governing pension plan operations are codified in the Pittsburgh Code, Title 1, Administrative, Article XI, Personal, Chapter 192. The plans are also affected by the provisions of collective bargaining agreements between the city and its police officers, firefighters and nonuniformed employees.

JACK WAGNER

AUDITOR GENERAL

The Honorable Mayor and City Council
City of Pittsburgh
Allegheny County
Pittsburgh, PA 15219

We have conducted a compliance audit of the City of Pittsburgh Comprehensive Municipal Pension Trust Fund for the period January 1, 2007, to December 31, 2009. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with *Government Auditing Standards* applicable to performance audits issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report; and

2. To determine if the pension trust fund was 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 Pittsburgh contracted with an independent certified public accounting firm for annual audits of the City of Pittsburgh Comprehensive Municipal Pension Trust Fund's combined financial statements 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.

City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Pittsburgh Comprehensive Municipal Pension Trust Fund is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the city's internal controls as they relate to the city's compliance with those requirements and that we considered to be significant within the context of our audit objectives, and assessed whether those significant controls were properly designed and implemented. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our tests indicated that, in all significant respects, the City of Pittsburgh Comprehensive Municipal Pension Trust 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 later in this report:

Police and Firemen's Pension Plans

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Nonuniformed Pension Plan

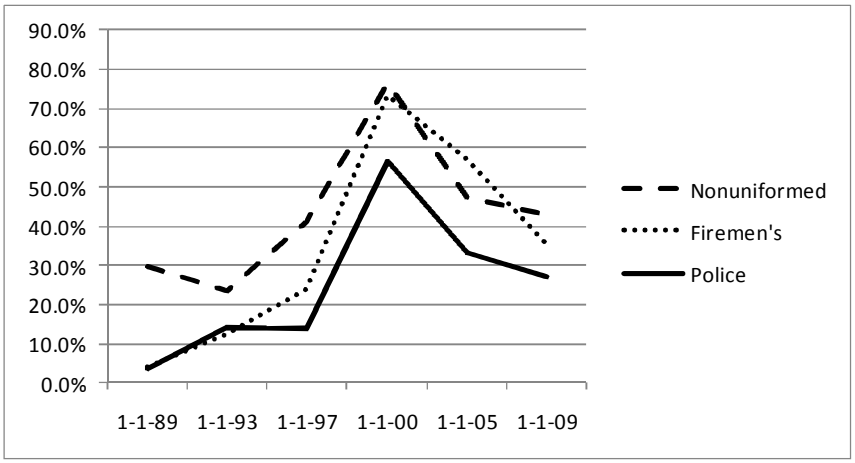
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Police, Firemen's and Nonuniformed Pension Plans

Finding No. 3 – Partial Compliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

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. However, we are extremely concerned about the historical trend information contained in the respective schedules of funding progress included in this report which indicate a continued decline of assets available to satisfy the long-term liabilities of the fund. For example, over the past nine years, the Police Pension Plan's Funded Ratio went from a high of 57% as of January 1, 2000, to a ratio of 27% as of January 1, 2009, which is the most recent date available. Similarly, the Firemen's Pension Plan's Funded Ratio went from 73% as of January 1, 2000, to 35% as of January 1, 2009. Finally, the Nonuniformed Pension Plan's Funded Ratio went from 76% as of January 1, 2000, to 43% as of January 1, 2009. This condition will require increased municipal contributions to fund the plan in accordance with Act 205 funding standards. We encourage city officials to make responsible decisions when monitoring the funding of its pension plans to ensure their long-term financial stability.

A graphic illustration of the deterioration of the plans' funding status before and after the issuance of a general obligation bond in 1998, is presented below:



As previously noted, Objective No. 2 of our audit of the City of Pittsburgh Comprehensive Municipal Pension Trust Fund is to determine compliance with applicable state laws, contracts, administrative procedures, and local ordinances and policies. During the current audit period, Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the bill provides for the implementation of a distress recovery program. Three levels of distress have been established:

Level	Indication	Funding Criteria
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

The data from the January 1, 2009, actuarial valuation reports filed with the Public Employee Retirement Commission (PERC) for the city's police, firemen's and nonuniformed pension plans contained the following aggregated funding data:

Actuarial Valuation of Assets	Actuarial Accrued Liability	Funding Ratio
$ 339,179,908	$ 989,532,948	34%

Based on this information, PERC issued a notification that the City of Pittsburgh Comprehensive Municipal Pension Trust Fund is currently in Level III severe distress status. It should be noted that the actuarial valuations of the fund's assets were determined pursuant to actuarial smoothing techniques which do not accurately reflect the market value of the fund's assets at January 1, 2009. Utilizing data from the city's comprehensive annual financial report (CAFR), the net assets of the pension fund at market value on January 1, 2009, were $260,907,622, which represents 26 percent of the fund's actuarial accrued liability as of that date.

Act 205, as amended by Act 44, at Section 902(c) mandates the transfer of administration of the City of Pittsburgh's pension plans to the Pennsylvania Municipal Retirement System (PMRS) if the city is determined to be in Level III distress as of January 1, 2011. The January 1, 2011, actuarial valuation reports are to be filed with PERC by September 1, 2011. As noted in the Subsequent Event Comments included in this audit report, in order to avoid a transfer of the city's pension plans to PMRS, the city adopted Ordinance No. 44 and Resolution No. 882 which are intended to provide additional funding to the Comprehensive Municipal Pension Trust Fund. We strongly recommend city officials take appropriate action to ensure the terms of these documents are adhered to in the future.

Act 205 of 1984 established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. Through the establishment of mandatory actuarial reporting and funding requirements, and by providing annual allocations of state aid, Act 205 was intended to provide a pathway for Pennsylvania's municipal pension plans to become fully funded. However, in the 25 years since Act 205 was implemented, despite the deposit of $250,000,000 from the issuance of a general obligation bond in 1998, not only has the City of Pittsburgh Comprehensive Municipal Pension Trust Fund failed to achieve progress towards becoming fully funded, the funding status of the city's pension plans has dramatically deteriorated.

Given the current funded status of its pension plans, regardless of the available remedies pursuant to Act 205 that the city implements to increase the plan's funding level by January 1, 2011, the city should consider all available options, including joining PMRS, in the development of a strategic plan to deal with its pension funding crisis. City officials must realize that there are no short-term fixes and that they must make fiscally responsible decisions as both plan fiduciaries and city officials that will benefit the City of Pittsburgh and its taxpayers to ensure the city's pension plans have adequate resources to meet current and future benefit obligations to the city's hard-working police officers, firefighters and municipal employees. It is clear that the City of Pittsburgh's Comprehensive Municipal Pension Trust Fund is facing serious financial problems that city officials must address. The Department of the Auditor General pointed out these concerns to city officials in my letter dated December 3, 2010. Unfortunately, city officials did not respond to this letter. If city officials are not prepared to address these critical issues they should be prepared for the transfer of the administration of the pension plan to the Pennsylvania Municipal Retirement System.

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

December 14, 2010

JACK WAGNER
Auditor General

JACK WAGNER

AUDITOR GENERAL

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

The City of Pittsburgh has complied with the prior audit recommendations concerning the following:

- Undocumented Payment Of The Minimum Municipal Obligation Of The Plans

  The city deposited $1,995,219 into the pension trust fund for the unpaid 2006 minimum municipal obligation (MMO);

- Incorrect Data On Certification Form AG 64 Resulting In An Overpayment of Reimbursement For The 2002 Special Ad Hoc Postretirement Adjustment

  The city reimbursed $11,068 to the Commonwealth for the excess reimbursement received in 2007; and

- Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements By The Commonwealth For Special 1989 Ad Hoc Postretirement Adjustment

  The city reimbursed $3,582 to the Commonwealth for the excess reimbursements received in 2006 and 2007.

Partial Compliance With Prior Audit Recommendation

- Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

  The city reimbursed $93,415 to the Commonwealth for the overpayments of state aid received in 2006 and 2007; however, plan officials failed to comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data in the years 2008, 2009 and 2010 as further discussed in the Findings and Recommendations section of this report.

Noncompliance With Prior Audit Recommendations

The City of Pittsburgh has not complied with the prior audit recommendations concerning the following as further discussed in the Findings and Recommendations section of this report:

- Inconsistent Pension Benefits – (Police and Firemen's Pension Plans)

- Inconsistent Pension Benefits – (Nonuniformed Pension Plan)

Police and Firemen's Pension Plans

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Condition: As disclosed in the prior audit report, the police and firemen's pension plan governing documents were amended by Ordinance No. 22, which was formally adopted by the city on October 18, 2001. Ordinance No. 22 contains a benefit provision that conflicts with the collective bargaining agreement between the city and its police officers, as follows:

Benefit Provision	Ordinance No. 22	Collective Bargaining Agreement
Final average salary	Beneficiaries under Policemen's Benefit Plan No. 2, who retire or who become eligible to receive a pension allowance on or after January 1, 1988, shall be entitled to receive from the fund, per month, an amount equaling 50% of the average monthly earnings received by the contributor as an employee of the Bureau of Police of the city during the last 48 consecutive months preceding retirement. If any employee has not been employed in the Bureau of Police at least 48 months, but is otherwise entitled to a pension, the employee's pension shall equal not less than 50% of the amount which would constitute the average monthly earnings received by the beneficiary as an employee of the Bureau of Police.	For employees hired on or after January 1, 1992, the pension benefit will be determined on the basis of the last three (3) years of pay. (Section 14 of the police pension plan handbook states, in part, beneficiaries under the fund, who retire or who become eligible to receive a pension allowance…shall be entitled to receive from the fund, per month, an amount equaling fifty per centum of the average monthly salary earned by the contributor as an employee of the Bureau of Police of the city during any three calendar years of service or the last thirty-six months immediately preceding retirement.)

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Police and Firemen's Pension Plans – (Continued)

Finding No. 1 – (Continued)

With respect to the firemen's pension plan, Ordinance No. 22 provides that beneficiaries under Firemen's Benefit Plan No. 2 who retire on or after January 1, 1988, shall be entitled to receive, per month, an amount equaling 50 percent of the average monthly earnings received by the contributor as an employee of the Bureau of Fire of the city during the last 48 consecutive months preceding retirement. If any employee has not been employed in the Bureau of Fire at least 48 months, but is otherwise entitled to a pension, the employee's pension shall equal not less than 50% of the amount which would constitute the average monthly earnings received by the beneficiary as an employee of the Bureau of Fire. However, it has been determined that contrary to the ordinance, it has been the city's practice to provide pension benefits for all members of the firemen's pension plan based on 50 percent of the member's average monthly wages during any 3 calendar years of service or the last 36 months preceding retirement.

Furthermore, actuarial valuation report forms 201C for the police pension plan, with valuation dates of January 1, 2007, and January 1, 2009, submitted to PERC, reported the benefit provision included in the collective bargaining agreement. In addition, actuarial valuation report form 202C for the firemen's pension plan, with valuation dates of January 1, 2007, and January 1, 2009, submitted to PERC, reported the pension benefit to be based on wages averaged over the 36 month period prior to retirement.

Criteria: A governing document which contains clearly defined and updated benefit provisions is a prerequisite for the consistent, sound administration of retirement benefits. In addition, benefits should be calculated and paid in accordance with the provisions in the governing document in effect at the time of a member's retirement.

Cause: The city failed to establish adequate internal control procedures to ensure compliance with the prior audit recommendation.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan. For the period January 1, 2005, to December 31, 2009, the fund began paying pension benefits to 50 police plan retirees and 22 firemen's plan retirees whose pension benefits were not calculated in accordance with Ordinance No. 22.

Police and Firemen's Pension Plans – (Continued)

Finding No. 1 – (Continued)

Recommendation: We again recommend that municipal officials consult with their solicitor and take the appropriate action to ensure that the plans' governing documents properly reflect all benefit obligations of the pension plan and that the inconsistencies among the various plan documents are eliminated.

Management's Response: City officials agreed with the finding without exception. The city has drafted ordinances to amend Sections 192.33 and 192.43 of the codified Pittsburgh Code to correct the inconsistent benefit provisions noted, however, these ordinances have not been officially adopted.

Auditor's Conclusion: Based on the management response, it appears the city intends to comply with the finding recommendation. Evidence of such compliance should be immediately submitted to: Department of the Auditor General, Bureau of Municipal Pension Audits, 406 Finance Building, Harrisburg, PA 17120.

Nonuniformed Pension Plan

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Condition: As disclosed in the prior audit report, inconsistencies in benefit provisions exist between the nonuniformed pension plan's governing document, as amended by Ordinance No. 22, and the various collective bargaining agreements (CBAs).

Nonuniformed Pension Plan – (Continued)

Finding No. 2 – (Continued)

The collective bargaining agreements between the city and The Fraternal Association of Professional Paramedics for the periods January 1, 2001, to December 31, 2005, and January 1, 2006, to December 31, 2010, contain the following inconsistency:

Benefit Provision	Ordinance No. 22 (Section 192.26 (b))	Collective Bargaining Agreement
Normal retirement benefit	The amount of any monthly pension of a member who terminates service prior to age 60 shall be either of the following as the member may elect at the time of termination of services: 1) A deferred pension, commencing on attainment of age 60, computed under the provisions of subsection (a) hereof based only on credited service and average monthly earnings to the date of early retirement; or 2) A reduced pension, commencing prior to age 60, equal to the deferred pension to which the member would have been eligible had he or she elected, reduced .5% for each month that the commencement of the pension precedes the month of the member's attainment of age 60.	Section 21A provides, effective January 1, 2003, bargaining unit employees shall be entitled to retire with the full pension benefits at age 55 and there shall be no actuarial reduction for employees electing to retire at age 55.

Nonuniformed Pension Plan – (Continued)

Finding No. 2 – (Continued)

The CBA between the city and the AFSCME District Council 84 Local 2719 for the period January 1, 2005, to December 31, 2009, and January 1, 2010, to December 31, 2014, contains the following inconsistency:

Benefit Provision	Ordinance No. 22 (Section 192.21)	Collective Bargaining Agreement
Social Security offset	There is hereby established a pension benefit plan which shall be known as the Municipal Benefit Plan No. 2 for eligible employees of the city hired on or after January 1, 1988. The provisions contained in this Municipal Benefit Plan No. 2 shall become a part of the municipal pension plan. . . (Eliminates Social Security offset).	Employees hired January 1, 2005 or thereafter shall receive those benefits established within Act 187 of 1975, which includes a Social Security offset.

The CBA between the city and the Pittsburgh Recreation Teachers Union Local 668 for the period January 1, 2005, to December 31, 2009, contains the following inconsistency:

Benefit Provision	Ordinance No. 22 (Section 192.21)	Collective Bargaining Agreement
Social Security offset	There is hereby established a pension benefit plan which shall be known as the Municipal Benefit Plan No. 2 for eligible employees of the city hired on or after January 1, 1988. The provisions contained in this Municipal Benefit Plan No. 2 shall become a part of the municipal pension plan. . . (Eliminates Social Security offset).	Employees hired January 1, 2005 or thereafter shall receive those benefits established within Act 187 of 1975, which includes a Social Security offset.

Nonuniformed Pension Plan – (Continued)

Finding No. 2 – (Continued)

The CBA between the city and the AFSCME AFL-CIO Local 2037 for the period January 1, 2005, to December 31, 2009, and January 1, 2010, to December 31, 2014, contains the following inconsistency:

Benefit Provision	Ordinance No. 22 (Section 192.21)	Collective Bargaining Agreement
Social Security offset	There is hereby established a pension benefit plan which shall be known as the Municipal Benefit Plan No. 2 for eligible employees of the city hired on or after January 1, 1988. The provisions contained in this Municipal Benefit Plan No. 2 shall become a part of the municipal pension plan. . . (Eliminates Social Security offset).	Employees hired January 1, 2005 or thereafter shall receive those benefits established within Act 187 of 1975, which includes a Social Security offset.

Criteria: Governing documents which contain clearly defined and updated benefit provisions are a prerequisite for the consistent, sound administration of retirement benefits.

Cause: The city has failed to establish adequate internal control procedures to ensure compliance with the prior audit recommendation.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We again recommend that municipal officials consult with their solicitor and take the appropriate action to ensure that the plan's governing document properly reflects all benefit obligations of the pension plan and that the inconsistencies among the various plan documents are eliminated.

Management's Response: City officials agreed with the finding without exception and stated they would continue to work with their solicitor to ensure that all collective bargaining agreements are brought into compliance with Ordinance No. 22.

Auditor's Conclusion: Based on the management response, it appears the city intends to comply with the finding recommendation. Evidence of such compliance should be immediately submitted to: Department of the Auditor General, Bureau of Municipal Pension Audits, 406 Finance Building, Harrisburg, PA 17120.

Police, Firemen's and Nonuniformed Pension Plans

Finding No. 3 – Partial Compliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

Condition: As disclosed in the prior audit report, the city received overpayments of state aid for the years 2006 and 2007. The city reimbursed $93,415 to the Commonwealth for the overpayments of state aid received in 2006 and 2007; however, plan officials failed to comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data in the years 2008, 2009 and 2010.

During the current audit period, the city certified 1 ineligible nonuniformed employee (1 unit), 2 ineligible firefighters (4 units) and failed to certify 1 eligible police officer (2 units) in 2008 on Certification Form AG 385. In addition, the city certified 3 ineligible nonuniformed employees (3 units) and failed to certify 1 eligible police officer (2 units) in 2009 on Certification Form AG 385. Furthermore, the city failed to certify 1 eligible police officer (2 units) in 2010 on Certification Form AG 385.

Criteria: Pursuant to Act 205, at Section 402(e)(2), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the city for distribution to its pension plans.

Police, Firemen's and Nonuniformed Pension Plans – (Continued)

Finding No. 3 – (Continued)

Because the city's state aid allocations were based on unit value, the incorrect certification of pension data affected the city's state aid allocations, as identified below:

Year	Type Of Plan	Units Overstated (Understated)	Unit Value	State Aid Overpayment (Underpayment)
2008	Police	(2)	$3,186	$ (6,372)
	Nonuniformed	1	$3,186	3,186
	Firemen's	4	$3,186	12,744
				$ 9,558
2009	Police	(2)	$3,128	$ (6,256)
	Nonuniformed	3	$3,128	9,384
				$ 3,128
2010	Police	(2)	$3,235	$ (6,470)
		Total Net Overpayment of State Aid		$ 6,216

Recommendation: We recommend that the total net overpayment of state aid, in the amount of $6,216, be returned to the Commonwealth from the city's general fund. 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, 11 Stanwix Street, Suite 1450, Pittsburgh, PA 15222. A copy of the interest calculation must be submitted along with the check.

We also again recommend that, in the future, plan officials establish adequate internal control procedures to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

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

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

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's 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, 2005, is as follows:

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)]
01-01-05	$ 117,821,971	$ 353,479,164	$ 235,657,193	33.3%	$ 50,252,864	468.9%
01-01-07	114,889,067	353,521,990	238,632,923	32.5%	54,861,899	435.0%
01-01-09	105,564,988	387,857,613	282,292,625	27.2%	63,787,288	442.5%

Note: The market value of the plan's assets at 01-01-09 has been adjusted to reflect the smoothing of gains and/or losses over a 4-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 PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST 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)]
01-01-05	$ 145,995,397	$ 255,769,628	$ 109,774,231	57.1%	$56,590,713	194.0%
01-01-07	142,787,099	308,412,402	165,625,303	46.3%	47,573,078	348.1%
01-01-09	118,292,383	334,059,624	215,767,241	35.4%	47,509,475	454.2%

Note: The market value of the plan's assets at 01-01-09 has been adjusted to reflect the smoothing of gains and/or losses over a 4-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 PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST 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)]
01-01-05	$ 109,791,039	$ 231,532,412	$ 121,741,373	47.4%	$67,376,388	180.7%
01-01-07	117,692,558	237,314,186	119,621,628	49.6%	70,189,133	170.4%
01-01-09	115,322,537	267,615,711	152,293,174	43.1%	73,072,430	208.4%

Note: The market value of the plan's assets at 01-01-09 has been adjusted to reflect the smoothing of gains and/or losses over a 4-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.

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 PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

POLICE PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2004	$ 14,892,379	100.0%
2005	17,530,520	100.0%
2006	18,429,806	100.0%
2007	19,923,487	100.0%
2008	19,768,698	101.8%
2009	20,240,957	100.0%

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

FIREMEN'S PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2004	$ 8,530,304	100.0%
2005	9,046,362	100.0%
2006	10,432,886	100.0%
2007	7,850,916	100.0%
2008	7,900,618	100.7%
2009	14,116,164	100.0%

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

NONUNIFORMED PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2004	$ 8,136,061	100.0%
2005	10,143,306	100.0%
2006	10,920,565	100.0%
2007	10,383,206	100.0%
2008	10,457,628	99.9%
2009	10,158,310	100.0%

Note: In 2008, although the city contributed more than the total required employer contribution to its 3 pension plans, an error was made in the allocation to the nonuniformed pension plan. City officials and the plan's consultant were notified of the discrepancy and the necessity to make the necessary accounting adjustment.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST 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, 2009
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	29 years
Asset valuation method	Tabular smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.75%
Cost-of-living adjustments	3.5%

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

FIREMEN'S PENSION PLAN

Actuarial valuation date	January 1, 2009
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	29 years
Asset valuation method	Tabular smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.75%
Cost-of-living adjustments	3.5%

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

NONUNIFORMED PENSION PLAN

Actuarial valuation date	January 1, 2009
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	29 years
Asset valuation method	Tabular smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	4.0%
Cost-of-living adjustments	3.5%

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUBSEQUENT EVENT COMMENTS

As noted in the Letter from the Auditor General, Act 205, as amended by Act 44, at Section 902(c) mandates the transfer of administration of the City of Pittsburgh's pension plans to PMRS if the City is determined to be in Level III distress as of January 1, 2011. The January 1, 2011, actuarial valuation reports are to be filed with PERC by September 1, 2011.

Subsequent to the date of this audit report, in attempt to avert a takeover of the city's pension plans by PMRS, Pittsburgh City Council adopted Ordinance No. 44 and Resolution No. 882, effective December 31, 2010.

Ordinance No. 44 irrevocably dedicates to the Comprehensive Municipal Pension Trust Fund the receipts of revenue from the city's parking tax for the years 2011 through 2041. The payment schedule provides for annual deposits of $13,376,000 for the years 2011 through 2017, and $26,752,000 for the years 2018 through 2041, resulting in total deposits to the Fund in the amount of $735,680,000.

Resolution No. 882 requests that the Intergovernmental Cooperation Authority authorize the transfer of $45,000,000 from the City Restricted Debt Fund to the Comprehensive Municipal Pension Trust Fund for the new purpose of improving the cash position of the Fund.

The effect of Ordinance No. 44 and Resolution No. 882 will be included in the January 1, 2011, actuarial valuation reports to be filed with PERC by September 1, 2011. The Department of the Auditor General will continue to monitor the city's compliance with Act 205, as amended by Act 44 of 2009, and the implementation of Ordinance No. 44 and Resolution No. 882, during future audits of the City of Pittsburgh Comprehensive Municipal Pension Trust Fund.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

City of Pittsburgh Comprehensive Municipal Pension Trust Fund
Allegheny County
414 Grant Street
Pittsburgh, PA 15219

The Honorable Luke Ravenstahl	Mayor
Ms. Darlene M. Harris	Council President
Mr. Michael Lamb	Controller
Mr. Scott Kunka	Finance Director
Mr. Anthony J. Pokora	Assistant Finance Director
Mr. Michael R. Kroner	Secretary, Police Pension Plan
Mr. Joseph E. King	Secretary, Firemen's Pension Plan
Ms. Valerie A. Sullivan	Executive Secretary, Nonuniformed Pension Plan

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, Room 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.