

**CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL  
PENSION TRUST FUND**

**ALLEGHENY COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2005, TO DECEMBER 31, 2006**





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## 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 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 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.





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, 2005, to December 31, 2006. 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 an internal control structure 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. 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.

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:

- Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits
- Finding No. 2 – Partial Compliance With Prior Audit Recommendation – Inconsistent Pension Benefits
- Finding No. 3 – Undocumented Payment Of The Minimum Municipal Obligation Of The Plans
- Finding No. 4 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid
- Finding No. 5 – Incorrect Data On Certification Form AG 64 Resulting In An Overpayment Of Reimbursement For The 2002 Special Ad Hoc Postretirement Adjustment
- Finding No. 6 – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements By The Commonwealth For Special Ad Hoc Adjustments

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 seven years, the Police Pension Plan's Funded Ratio went from a high of 57% as of January 1, 2000, to a ratio of 33% as of January 1, 2007, 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 46% as of January 1, 2007. Finally, the Nonuniformed Pension Plan's Funded Ratio went from 76% as of January 1, 2000, to 50% as of January 1, 2007. This condition may require increased municipal contributions to fund the plan in accordance with Act 205 funding standards. We encourage city officials to monitor the funding of its pension plans to ensure their long-term financial stability.

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 11, 2007

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:

- Pension Benefit Payments Made To Deceased Individuals

Pension fund officials implemented procedures to timely detect and stop payments to deceased benefit recipients;

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

The city reimbursed \$1,735,884 to the Commonwealth for the overpayment of state aid in the years 2004 and 2005; and

- Incorrect Pension Calculations – (Nonuniformed Pension Plan)

During the current audit period, pension benefits were calculated in accordance with Ordinance No. 22.

Partial Compliance With Prior Audit Recommendation

- Inconsistent Pension Benefits – (Nonuniformed Pension Plan)

The city has partially complied with our prior audit recommendation regarding the inconsistency of the nonuniformed pension plan's governing document, as amended by Ordinance No. 22 and the various collective bargaining agreements (CBAs) between the city and its nonuniformed employees. The inconsistency noted in the CBA between the city and the Service Employees International Union Local 192-B has been corrected by the adoption of Resolution No. 23, effective November 8, 2006, as further discussed in the Findings and Recommendations section of this report.

Noncompliance With Prior Audit Recommendation

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

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

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Police and Firemen’s Pension Plans

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

Condition: As disclosed in our 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:

<u>Benefit Provision</u>	<u>Ordinance No. 22</u>	<u>Collective Bargaining Agreement</u>
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.

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 form 201C for the police pension plan, with a valuation date of January 1, 2005, submitted to the Public Employee Retirement Commission (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 a valuation date of January 1, 2005, 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 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. In addition, because the city's state aid allocations and minimum municipal obligations are based, in part, on information contained in the actuarial valuation reports, inconsistent information could result in incorrect state aid allocations or incorrect funding of the plan pursuant to Act 205 requirements. For the period January 1, 2005, to June 30, 2007, the fund began paying pension benefits to 28 police plan retirees and 9 firemen's plan retirees whose pension benefits were not calculated in accordance with Ordinance No. 22.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

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 inconsistencies among the various plan documents are eliminated.

Management's Response: The city has operated its pension plans in accordance with state and federal law and collective bargaining agreements regardless of any inconsistency in other city documents or city ordinances. Management will resolve this issue by having the city solicitor present the proper legal documentation to council for Ordinance No. 22 amendment and approval.

Auditor's Conclusion: Based on the management response, it appears that city officials intend 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 – Partial Compliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Condition: The city has partially complied with our prior audit recommendation regarding the inconsistency of the nonuniformed pension plan's governing document, as amended by Ordinance No. 22 and the various collective bargaining agreements (CBAs) between the city and its nonuniformed employees. The inconsistency noted in the CBA between the city and the Service Employees International Union Local 192-B, has been corrected by the adoption of Resolution No. 23, effective November 8, 2006. However, as disclosed in our prior audit report, the nonuniformed pension plan's governing document, as amended by Ordinance No. 22, contains benefit provisions that conflict with several other current CBAs between the city and its nonuniformed employees.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Nonuniformed Pension Plan – (Continued)

Finding No. 2 – (Continued)

The CBAs 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:

<u>Benefit Provision</u>	<u>Ordinance No. 22 (Section 192.26 (b))</u>	<u>Collective Bargaining Agreement</u>
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 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.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Nonuniformed Pension Plan – (Continued)

Finding No. 2 – (Continued)

The CBA between the city and the American Federation of State, County and Municipal Employees AFL-CIO Local 2037 for the period January 1, 2005, to December 31, 2009, contains the following inconsistency:

Benefit Provision	Ordinance No. 22 (Section 192.26 (a) (4))	Collective Bargaining Agreement
Social security offset	Pensions for members who were employees who terminated employment on or before December 31, 2001 shall be reduced upon his or her attainment of age 65 by an amount equal to 50% of the primary insurance amount paid or payable to him under the Federal Social Security Act . . .	Employees hired January 1, 2005 or thereafter shall receive those benefits established within Act 87 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 192.26 (a) (4))	Collective Bargaining Agreement
Social security offset	Pensions for members who were employees who terminated employment on or before December 31, 2001 shall be reduced upon his or her attainment of age 65 by an amount equal to 50% of the primary insurance amount paid or payable to him under the Federal Social Security Act . . .	Employees hired January 1, 2005 or thereafter shall receive those benefits established within Act 87 of 1975, which includes a Social Security offset.



CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

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, contains the following inconsistency:

Benefit Provision	Ordinance No. 22 (Section 192.26 (a) (4))	Collective Bargaining Agreement
Social security offset	Pensions for members who were employees who terminated employment on or before December 31, 2001 shall be reduced upon his or her attainment of age 65 by an amount equal to 50% of the primary insurance amount paid or payable to him under the Federal Social Security Act . . .	Employees hired January 1, 2005 or thereafter shall receive those benefits established within Act 87 of 1975, which includes a Social Security offset.

We also note that a new CBA between the city and Teamsters Local Union No. 249 for the period January 1, 2006, to December 31, 2010, contains the following inconsistency:

Benefit Provision	Ordinance No. 22 (Section 192.26 (a) (4))	Collective Bargaining Agreement
Social Security Offset	Pensions for members who were employees who terminated employment on or before December 31, 2001 shall be reduced upon his or her attainment of age 65 by an amount equal to 50% of the primary insurance amount paid or payable to him under the Federal Social Security Act . . .	Eliminates the 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 full compliance with the prior audit recommendation.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Nonuniformed Pension Plan – (Continued)

Finding No. 2 – (Continued)

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 amend the plan’s governing document, as necessary, to reflect all benefit obligations of the pension plan and eliminate inconsistencies among the various plan documents.

Management’s Response: The nonuniformed pension plan has made changes to governing documents to properly reflect all benefit obligations of the pension plan. Management will continue to work with the city 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 that city officials intend 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.

Finding No. 3 – Undocumented Payment Of The Minimum Municipal Obligation Of The Plans

Condition: The city failed to adequately document the minimum municipal obligation (MMO) payments to its pension plans for the year 2006, as required by Act 205. The city paid the 2006 MMOs based on revised calculations, which were neither signed nor dated, and which were prepared after December 31, 2005. In addition, the city did not provide documentation that the revised MMO calculations were properly budgeted and approved. The total of the MMOs originally calculated and approved by the city in September 2005 were \$39,783,257; however, the city’s total deposits were \$37,979,322, as illustrated below:

<u>Plan</u>	<u>MMO Due</u>	<u>MMO Paid</u>	<u>Difference</u>
Police	\$ 18,429,806	\$ 19,537,212	\$ 1,107,406
Nonuniformed	10,920,565	10,692,188	(228,377)
Firemen’s	10,432,886	7,749,922	(2,682,964)
	<u>\$ 39,783,257</u>	<u>\$ 37,979,322</u>	<u>\$ (1,803,935)</u>

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Section 302(d) of Act 205 states, in part:

Annually the municipality shall provide for the full amount of the minimum obligation of the municipality in the budget of the municipality. The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Furthermore, Section 302(e) of Act 205 states, in part:

Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid. . . .

Finally, Section 507 of the Second Class City Charter states, in part:

Council may amend by resolution the operating budget within five weeks after the close of the fiscal year, but not thereafter except with the approval of the mayor....

Cause: The city failed to establish adequate internal control procedures to ensure MMO payments were made pursuant to amounts that were properly determined and budgeted.

Effect: The failure to fully pay the MMOs in accordance with Act 205 requirements could result in the plans not having adequate resources to meet current and future benefit obligations to its members.

Furthermore, if the city is unable to substantiate the MMO payments made in 2006, the city must add the unpaid 2006 MMO balances to the current year's MMOs and include interest, as required by Act 205.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Recommendation: We recommend that the city either provide adequate supporting documentation to substantiate the revised MMO payments made to the plans or pay the balance due to the city’s pension plans based on the original MMO calculations for the year 2006, with interest, in accordance with Section 302(e) of Act 205. A copy of the interest calculation must be maintained by the city for examination during our next audit of the fund.

Furthermore, we recommend that the city establish and implement adequate internal control procedures to ensure future MMOs are properly determined, budgeted and paid.

Management’s Response: The Finance Department has reviewed the final 2006 audit recommendations for the City of Pittsburgh Comprehensive Municipal Pension Trust Fund. In response to Audit Finding No. 3, the balance due with appropriate interest will be included in the 2009 MMO payment. The city thanks representatives of the Department of the Auditor General who have worked diligently with the City for a resolution to this finding.

Auditor’s Conclusion: Based on the management response, it appears that city officials intend 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.

Finding No. 4 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: The city certified 6 ineligible firefighters (12 units) and failed to certify 9 nonuniformed employees (9 units) in 2006 and certified 1 ineligible police officer (2 units), 2 ineligible firefighters (4 units) and 20 ineligible nonuniformed employees (20 units) in 2007 on the 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 were unaware of the applicable Act 205 guidelines for the certification of eligible employees.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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. Since the city’s state aid allocations were based on unit value, the city’s certification of ineligible employees resulted in the following total overpayment of state aid:

Year	Type Of Plan	Units Overstated (Understated )	Unit Value	State Aid Overpayment (Underpayment)
2006	Firemen’s Nonuniformed	12 (9)	\$ 3,089 \$ 3,089	\$ 37,068 (27,801)
				<u>\$ 9,267</u>
2007	Police Firemen’s Nonuniformed	2 4 20	\$ 3,206 \$ 3,206 \$ 3,206	\$ 6,412 12,824 64,120
				<u>\$ 83,356</u>
			Total Overpayment of State Aid	<u>\$ 92,623</u>

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

Recommendation: We recommend that the total excess state aid, in the amount of \$92,623, 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.

We also recommend that, in the future, plan officials comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Management's Response: City officials agreed with the finding without exception. On December 21, 2007, the city returned \$93,415 to the Commonwealth for the overpayments of state aid received in 2006 and 2007.

Auditor's Conclusion: Based on the management response, it appears the city has partially complied with the finding recommendation. Full compliance will be subject to verification during our next audit of the fund.

Police and Firemen's Pension Plans

Finding No. 5 – Incorrect Data On Certification Form AG 64 Resulting In An Overpayment Of Reimbursement For The 2002 Special Ad Hoc Postretirement Adjustment

Condition: The city overstated the total non-employee contributions made to all pension plans on the Certification Form AG 64 filed for 2007.

Criteria: Section 502.1(a)(2) of Act 147 states, in part:

The determination of the reimbursable amount of the amortization contribution requirement attributable to the special ad hoc postretirement adjustment under Chapter 4 in any year shall be calculated as the amortization contribution requirement attributable to the special ad hoc postretirement adjustments under Chapter 4 and reflected in the determination of the financial requirements of the pension plan under Chapter 3 of the Municipal Pension Plan Funding Standard and Recovery Act for the immediate prior year less the product of that amortization contribution requirement 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.

Cause: Plan officials failed to comply with the instructions that accompany Certification Form AG 64.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Police and Firemen’s Pension Plans – (Continued)

Finding No. 5 – (Continued)

Effect: The data submitted on this certification form is used to calculate the reimbursement due the city for ad hoc postretirement adjustments granted pursuant to Chapter 4 of Act 147. The effect of the incorrect certification of pension data on the city’s reimbursement is identified below:

<u>Reimbursement Claimed</u>	<u>Reimbursement Due</u>	<u>Excess Reimbursement</u>
\$ 1,280,177	\$ 1,269,109	\$ 11,068

Recommendation: We recommend that the total excess reimbursement, in the amount of \$11,068, be returned to the Commonwealth. A check in this amount 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.

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 Response: City officials agreed with the finding without exception. On December 21, 2007, the city returned the total excess reimbursement of \$11,068 to the Commonwealth.

Auditor’s Conclusion: Based on the management response, it appears the city has partially complied with the finding recommendation. Full compliance will be subject to verification during our next audit of the fund.

Finding No. 6 – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements By The Commonwealth For Special 1989 Ad Hoc Postretirement Adjustment

Condition: The city certified incorrect amounts for the 1989 special ad hoc postretirement adjustments on Certification Forms AG 490 filed in 2006 and 2007. In 2006, the city certified 4 ineligible police retirees. In 2007, the city failed to certify 2 eligible police retirees and certified 5 ineligible firemen’s surviving spouses.

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Police and Firemen’s Pension Plans – (Continued)

Finding No. 6 – (Continued)

Criteria: Pursuant to Act 147, Certification Form AG 490 should report only the amount of special ad hoc postretirement adjustments paid in the previous year to eligible retirees and/or their surviving spouses.

Cause: Plan officials were unaware of the applicable guidelines for the certification of eligible ad hoc beneficiaries.

Effect: Since the city’s reimbursement is determined based on amounts reported on Certification Form AG 490, the city received excess reimbursements in 2006 and 2007, totaling \$3,474, as illustrated below:

<u>Year</u>	<u>Reimbursement Claimed</u>	<u>Reimbursement Due</u>	<u>Excess Reimbursement</u>
2006	\$ 351,425	\$ 350,001	\$ 1,424
2007	\$ 317,535	\$ 315,485	<u>2,050</u>
		Total	<u>\$ 3,474</u>

Recommendation: We recommend that the total excess reimbursement, in the amount of \$3,474, 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.

We also recommend that, in the future, plan officials comply with the instructions that accompany Certification Form AG 490 to assist them in accurately reporting the required pension data.



CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDINGS AND RECOMMENDATIONS

Police and Firemen's Pension Plans – (Continued)

Finding No. 6 – (Continued)

Management's Response: City officials agreed with the finding without exception. On December 21, 2007, the city returned \$3,582 to the Commonwealth for the excess reimbursements received in 2006 and 2007.

Auditor's Conclusion: Based on the management response, it appears the city has partially complied with the finding recommendation. Full compliance will be subject to verification during our next audit of the fund.

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, 2000, 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)]
01-01-00	\$169,357,576	\$ 298,470,000	\$129,112,424	56.7%	\$ 54,423,730	237.2%
01-01-01	150,832,600	305,281,823	154,449,223	49.4%	59,965,442	257.6%
01-01-02	133,279,704	314,033,150	180,753,446	42.4%	61,417,748	294.3%
01-01-03	106,340,161	323,465,969	217,125,808	32.9%	66,504,321	326.5%
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%

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)]
01-01-00	\$158,092,788	\$215,461,941	\$ 57,369,153	73.4%	\$ 47,367,857	121.1%
01-01-01	147,291,033	222,040,616	74,749,583	66.3%	50,170,222	149.0%
01-01-02	136,441,784	233,373,253	96,931,469	58.5%	53,371,849	181.6%
01-01-03	114,527,374	230,092,003	115,564,629	49.8%	54,364,053	212.6%
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%

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)]
01-01-00	\$140,158,265	\$183,715,344	\$ 43,557,079	76.3%	\$ 75,222,736	57.9%
01-01-01	124,934,799	185,655,812	60,721,013	67.3%	80,014,902	75.9%
01-01-02	111,528,051	205,300,038	93,771,987	54.3%	83,965,975	111.7%
01-01-03	91,603,430	212,205,521	120,602,091	43.2%	88,033,792	137.0%
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%

CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST 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 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
2001	\$ 10,501,980	100.0%
2002	10,565,373	100.0%
2003	12,925,574	100.0%
2004	14,892,379	100.0%
2005	17,530,520	100.0%
2006	18,429,806	106.0%

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
2001	\$ 5,782,754	100.0%
2002	5,032,390	100.0%
2003	6,624,506	100.0%
2004	8,530,304	100.0%
2005	9,046,362	100.0%
2006	10,432,886	74.3%

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
2001	\$ 3,865,258	100.0%
2002	2,829,010	100.0%
2003	4,325,182	100.0%
2004	8,136,061	100.0%
2005	10,143,306	100.0%
2006	10,920,565	97.9%



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, 2005
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	33 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.75%
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, 2005
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	33 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.75%
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, 2005
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	33 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.75%
Projected salary increases	5.75%
Cost-of-living adjustments	3.5%



CITY OF PITTSBURGH COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
PENSION PLAN  
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This report was initially distributed to the following:

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