

# **City of Pittsburgh Combined Pension Trust Funds**

Financial Statements and Required  
Supplementary and Supplementary Information

Year Ended December 31, 2016  
with Independent Auditor's Report

**MaherDuessel**  
Certified Public Accountants

Pittsburgh | Harrisburg | Butler

Pursuing the profession while promoting the public good®  
[www.md-cpas.com](http://www.md-cpas.com)

**CITY OF PITTSBURGH**  
**COMBINED PENSION TRUST FUNDS**

YEAR ENDED DECEMBER 31, 2016

TABLE OF CONTENTS

<b>Independent Auditor's Report</b>	1
 <b>Financial Statements:</b>	
Combined Statement of Plan Net Position	3
Combined Statement of Changes in Plan Net Position	4
Notes to Financial Statements	5
 <b>Required Supplementary Information:</b>	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	22
Schedule of the City's Contributions and Investment Returns	23
Note to Schedules of Required Supplementary Information	24
 <b>Supplementary Information:</b>	
Combining Statement of Plan Net Position	27
Combining Statement of Changes in Plan Net Position	28

## Independent Auditor's Report

The Honorable Mayor, Honorable Members of  
City Council, and Boards of Directors of the Plans  
City of Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of the City of Pittsburgh (City), Pennsylvania, Combined Pension Trust Funds (Funds) as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Funds, as of December 31, 2016, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The Honorable Mayor, Honorable Members of  
City Council, and Boards of Directors of the Plans  
City of Pittsburgh, Pennsylvania  
Independent Auditor's Report

### **Emphasis of Matter**

As discussed in Note 4, the financial statements present only the Funds and do not purport to, and do not, present fairly the financial position of the City, as of December 31, 2016, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the pension schedules on pages 22 through 28 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

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

*Maher Duessel*  
Pittsburgh, Pennsylvania  
April 28, 2017

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## COMBINED STATEMENT OF PLAN NET POSITION

DECEMBER 31, 2016

<b>Assets</b>	
Cash and short-term investments, at cost, which approximate fair value	\$ 27,619,303
Investments, at fair value:	
Common stock	58,342,365
U.S. government and agency obligations	18,542,819
Corporate and other obligations	27,751,986
Mutual funds:	
U.S. equities	93,391,660
Non-U.S. equities	61,065,612
Fixed income	24,780,745
Hedge funds	42,474,642
Real estate funds	37,025,814
Private equity	12,568,913
Due from City of Pittsburgh General Fund	-
Accrued interest and dividends receivable	406,916
<b>Total Assets</b>	<b>403,970,775</b>
<b>Liabilities</b>	
Benefits and related withholdings payable	2,108,843
Accrued liabilities and accounts payable	28,472
Due to City of Pittsburgh Trust and Agency Fund	11,060
<b>Total Liabilities</b>	<b>2,148,375</b>
<b>Net Position - Restricted for Pension Benefits</b>	<b>\$ 401,822,400</b>

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

**CITY OF PITTSBURGH  
COMBINED PENSION TRUST FUNDS**

**COMBINED STATEMENT OF CHANGES IN PLAN NET POSITION**

YEAR ENDED DECEMBER 31, 2016

**Additions:**

Contributions:

Employer - pension benefits	\$ 52,659,159
Employer - other benefits	3,167,583
Commonwealth of Pennsylvania	20,490,603
Plan members	10,907,326
Total contributions	87,224,671

Investment income:

Net increase in fair value of investments	27,104,613
Interest and dividends	4,182,349

Total investment income	31,286,962
-------------------------	------------

Investment expense	(742,008)
--------------------	-----------

Net investment income (loss)	30,544,954
------------------------------	------------

Miscellaneous:

Other	194,581
-------	---------

Total additions	117,964,206
-----------------	-------------

**Deductions:**

Benefit payments	88,455,634
Benefit payments - other benefits	3,167,583
Refund of employee contributions	1,034,170
Administrative expenses	1,287,145

Total deductions	93,944,532
------------------	------------

<b>Net Increase (Decrease) in Plan Net Position</b>	24,019,674
---	------------

**Net Position:**

Beginning of year	377,802,726
-------------------	-------------

End of year	\$ 401,822,400
-------------	----------------

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

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

### 1. DESCRIPTION OF PLAN

The City of Pittsburgh (City) is responsible for the funding of retirement benefits for the three pension funds described below. Investments of the funds are held by the Comprehensive Municipal Pension Trust Fund (Comprehensive Trust), in accordance with the Municipal Pension Plan Funding Standard and Recovery Act of 1984 (Act 205) and are administered under the direction of that pension fund's Board of Directors.

In accordance with Act 205 and the Acts under which the Municipal Pension Fund of the City (Municipal Fund), the Policemen's Relief and Pension Fund of the City (Policemen's Fund), and the Firemen's Relief and Pension Fund of the City (Firemen's Fund) were established, a separate accounting for the activities of these three funds is maintained including the employees' contributions, allocation of state aid, and the City's annual contribution, and a calculation of each fund's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each fund. However, the individual funds do not record the undivided interest in the investments of each fund, since the assets of the Comprehensive Trust are available for the payments of benefits and expenses of any of the three pension funds without limitation. Therefore, in accordance with Government Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension trust funds, plus the Comprehensive Trust, constitute the City's Pension Plan.

In 1984, the Pennsylvania General Assembly passed Act 205, which has significantly improved the administration and funding of municipal pension plans. Act 205 made changes to the actuarial reporting requirements for municipalities, set forth minimum municipal pension contributions, and established the framework for customized recovery programs for municipalities with large unfunded pension liabilities.

In accordance with Act 205, the City established the Comprehensive Trust in August 1987. The Comprehensive Trust Board's purpose is to oversee the activities of the City's pension funds and to receive and invest the City's pension assets.

#### General

The City has three defined benefit pension funds (Municipal, Policemen, and Firemen), which are administered by the respective pension boards, the majority of whose members are elected by the employees. The Policemen's and Firemen's Funds cover all employees of the Bureau of Police and the Bureau of Fire, respectively. Each full-time employee not covered under either the Policemen's or Firemen's Fund is required to join the Municipal Fund after serving a ninety-day probationary period.

---

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

Commonwealth of Pennsylvania (Commonwealth) pension contributions are determined under Act 205. The City is eligible for the maximum remedies available under Act 205. To qualify, the City is required to fund an amount equal to normal cost and the amortization payment required to eliminate the unfunded liability over a 40-year period less any member contributions.

Act 205 contains both mandatory and optional remedies for municipalities to design a program for dealing with unfunded pension liabilities. The mandatory remedies implemented by the City were the development and adoption of an administrative improvement plan for its pension funds, the establishment of lower cost pension benefits for new hires, and the aggregation of all of the City's pension assets for investment purposes under the guidance of a new oversight Comprehensive Municipal Pension Trust Fund Board (Board). The Board, which is comprised of seven members, four appointed by the mayor and approved by City Council, and one elected from each plan, manages the investments of all pension assets and funds, each plan's monthly payment of benefits, and administrative expenses from plan net assets. The optional remedies initially selected by the City were: 40-year amortization of the unfunded liability, level percent amortization, and a 15-year phase-in allowing the City to gradually increase its pension contributions.

Act 189 of 1990 amended the provisions of Chapter 3 of Act 205. Amendments require (1) annual payroll used in the calculation of financial requirements to be that of the current year (of the calculation) plus projected payroll to the end of the year and (2) an estimated state aid amount not be deducted from the total financial requirements in determining the minimum municipal obligation. The revised definition of the Minimum Municipal Obligation (MMO) is effective for MMOs developed and adopted for budgeting purposes subsequent to 1991. Additionally, the provisions for payment of the MMO were revised to require any one of three alternative methods, more fully described in Act 189, and payment of the MMO is to occur by December 31 of each year. The Commonwealth of Pennsylvania provides pension aid grants to local municipalities.

### Funding Status

The City's funded status as of the actuarial valuation date, January 1, 2015, is as follows (in thousands). The deficit of assets over actuarial accrued liability, calculated under Act 205, for the municipal, policemen, and firemen is (\$135,584), (\$199,806), and (\$182,573), respectively. These calculations include assets reflected in the pension financial statements along with the dedicated stream of revenues created by Ordinances 42 and 44 of 2010, treated as an asset for purposes of submission to the Commonwealth of Pennsylvania for Act 205 of 1984 and Commonwealth of Pennsylvania Act 44 of 2009.

Commonwealth of Pennsylvania Act 44 of 2009 required the City's aggregate pension funding level to be at least 50 percent by December 31, 2010 to avoid having the City's pension funds seized and administered by the Pennsylvania Municipal Retirement System. The City's plan to

---

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

meet this level of funding included transferring approximately \$45 million to the Comprehensive Trust Fund, which was in the Debt Service Reserve Fund in 2010, and dedicating parking tax revenues for the next 31 years. Per Council legislation, the City intends to contribute parking tax revenues of \$13.4 million per year from 2011 through 2017 and \$26.8 million per year from 2018 through 2041. While the present value of the dedicated future parking tax revenues for future pension contributions did not meet the criteria for recognition as an asset in the City's financial statements, or those of the Comprehensive Trust, it was treated as an actuarial asset for purposes of funding levels under Commonwealth of Pennsylvania Act 44 of 2009 and the City was determined to have met the required funding level to avoid takeover of the City pensions by the Pennsylvania Municipal Retirement System, and the parking revenue stream continues to be treated as an actuarial asset for funding purposes.

For the year ended December 31, 2016, on an accrual basis, the City did contribute \$76.3 million to the Pension Trust Fund; contributions made to the Plan represent 100% of the Act 205 MMO plus additional contributions including \$13.4 million of dedicated parking tax revenue, \$11.2 million in gaming funds, and \$3.2 million related to other benefits.

Key provisions of the Municipal Pension Fund, the Policemen's Fund, and the Firemen's Fund are summarized below. The actual plan provisions should be reviewed to capture all of the details.

### **The Municipal Pension Fund:**

The Municipal Fund of the City was established by Act 259 of May 28, 1915, P.L. 596. Every full-time employee of the City and the Pittsburgh Water and Sewer Authority (PWSA) who is not covered by the Policemen's Fund or the Firemen's Fund is required to join the Plan after serving a ninety-day probationary period. The Municipal Fund is a single employer defined benefit plan and its purpose is to provide retirement, disability, and other benefits to its members. The City and members of the Municipal Fund are required to make contributions to the Municipal Fund for the purpose of paying benefits and administrative expenses. At January 1, 2015, the date of the most recent actuarial valuation, the Municipal Fund has 3,402 total members, of which 1,694 are active members; 1,643 are inactive plan members or beneficiaries currently receiving benefits; and 65 are inactive plan members entitled to but not yet receiving benefits.

Effective January 1, 1995, the City terminated employment of 255 employees of its Water Department. As part of a cooperation agreement with PWSA, the 255 terminated employees became employees of PWSA. The PWSA employees' membership in the Municipal Fund continued with no break in service, as provided for by the Municipal Pension Act, because PWSA has no retirement plan. The City considers PWSA a part of the reporting unit and thus the Municipal Fund continues to be a single employer plan. As of the date of these financial statements, no separate allocations of contributions to the Municipal Fund, Plan assets, or Plan liabilities have been allocated to the employees of PWSA, nor have any separate and distinct

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

actuarial determinations been made. PWSA reimburses the City's General Fund for its portion of employer contributions in an amount that is not actuarially determined.

Retirement benefits are available, for all employees other than Emergency Medical Services, at the employee's option upon the later of attainment of age 60 or completion of eight years of service, normal retirement. For Emergency Medical Service employees, normal retirement is available at the later of attainment of age 55 or eight years of service. A member is eligible for early retirement upon attainment of age 50 and completion of eight years of service. For early retirees, benefit payments may be deferred until 60 years of age or paid immediately at reduced amounts, as defined by the Plan. Upon completion of eight years of service and attainment of age 40, an employee may terminate and remain eligible to receive benefits by continuing to make contributions to age 50. An employee who was a member prior to January 1, 1975, may terminate at any age after 15 years of service and be vested by continuing contributions to age 50.

Employees who become permanently disabled during the performance of their duties and are unable to continue to perform those duties are eligible to receive a disability pension. Employees who become otherwise disabled are eligible for a disability pension if eight years of service have been completed.

Normal monthly retirement benefit is equal to 50% of average compensation (as defined) and service increment, if any. The service increment is an additional monthly benefit of 1 percent of average compensation for each completed year of service in excess of 20 years to a maximum of \$100 per month. The monthly benefit is prorated for service less than 20 years. On a limited basis, reductions could apply for related to social security benefits received after reaching 65 years of age and certain other benefit provisions could apply for members hired prior to January 1, 1975.

A survivor benefit is available to the surviving spouse upon the death of an active member eligible for early retirement. The benefit amount is equal to 50% of the member's pension, had the member retired at the date of death. A survivor benefit equal to the excess of the member's contributions over the retirement benefits paid is provided to the beneficiary of a member whose death occurs after the retirement date. The member's contributions are returned to the beneficiary of a member whose death occurs prior to eligibility for early retirement.

Prior to January 1, 2002, upon termination and prior to vesting, member's contributions were refundable without interest to the member. Beginning January 1, 2002, contributions were refundable with 5% interest for certain classes of employees. Employee contributions to the Plan are 5% of pre-tax for employees hired prior to January 1, 1988, and 4% of pre-tax pay for those hired thereafter.

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

### **The Policemen's Relief and Pension Fund:**

The Policemen's Fund of the City was established by Act 99 of May 25, 1935, P.L. 233. The Policemen's Fund is a single employer defined benefit plan and its purpose is to provide retirement, disability, and other benefits to its members. P.L. 233 requires the City and members of the Policemen's Fund to make contributions to the Policemen's Fund for the purpose of paying benefits and other plan administrative costs.

All employees of the Bureau of Police, including substitute uniformed employees, are eligible for membership in the Policemen's Fund. At January 1, 2015, the Policemen's Fund has 2,357 total members, of which 856 are active members; 1,466 are inactive plan members or beneficiaries currently receiving benefits; and 35 are inactive plan members entitled to but not yet receiving benefits.

Retirement benefits are available at the employee's option upon completion of the later of 20 years of service or attainment of age 50. Employees who become permanently disabled in the line of duty and who are unable to perform the duties of their position are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed 10 years of service.

The normal monthly retirement benefit is equal to 50% of average compensation (as defined) plus service increment, if any.

Service increments of \$20 per month for each year of service between 20 and 25 years and \$25 per month for each year in excess of 25 years are included in the retirement benefit. If so elected, a death benefit is available for the survivors, as defined by the plan, of any member who dies in the performance of his duties. A surviving spouse benefit, which is applicable to deaths not in the line of duty, may also be elected by plan participants.

An employee, who terminates employment after 20 years of service, and before age 50, may collect the normal retirement benefit based on average compensation at termination, providing the terminated member continues contributions at the rate in effect at termination. The benefit is deferred until age 50. If contributions continue at the same rate in effect at termination and continue to age 50, member may receive monthly benefit based on rate of pay in effect had the officer worked until the age of 50. If a member terminates employment before completing 20 years of service, accumulated employee contributions are refundable.

Employee contributions to the Policemen's Fund are 6% of pay plus \$1 per month, until age 65. Those electing the surviving spouse benefit contribute an additional ½% of pay.

---

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

### **The Firemen's Relief and Pension Fund:**

The Firemen's Fund of the City was established by Act of May 25, 1933, P.L. 1050. The Firemen's Fund is a single employer defined benefit plan and its purpose is to provide retirement, disability, and other benefits to its members. P.L. 1050 requires the City and members of the Firemen's Fund to make contributions to the plan for the purpose of paying benefits and administrative expenses.

Any uniformed employee of the City of Pittsburgh Bureau of Fire is eligible for membership in the Firemen's Fund. At January 1, 2015, the Fund has 1,711 total members, of which 611 are active members; 1,100 are inactive plan members or beneficiaries currently receiving benefits; and there are no inactive plan members entitled to but not yet receiving benefits.

Normal retirement benefits are available at the employee's option upon completion of 20 years of service for any participant employed before January 1, 1976, or for those employed thereafter, the later of completion of 20 years of service or attainment of age 50. Employees who become permanently disabled in the line of duty and who are unable to perform the duties of their position are eligible to receive a disability pension. Employees who become permanently disabled other than in the line of duty become eligible to receive a disability pension if they have completed 10 years of service.

The regular pension benefit is equal to 50% of the average compensation (as defined). A service increment of \$20 per month for each year of service in excess of 20, excluding years of service after age 65, is also payable for those members hired before January 1, 2005. For those hired on or after January 1, 2005, the service increment is \$10 per month for each completed year of service in excess of 20 years, excluding years of service after age 65. The service increment is only payable after age 50. A surviving spouse benefit may also be elected by plan participants. A lump sum death benefit of \$1,200 is paid to the beneficiary of any deceased member.

Normal vesting occurs upon attainment of 20 years of service. However, if a retiree is under the age of 50, they must make contributions to the plan until the age of 50 to qualify for a monthly pension at age 50. Upon termination of employment, a member's contributions, without accumulation of interest, are refundable.

Employee contributions to the Firemen's Fund are 6.5% of pay plus \$1 per month until age 65. Those electing the surviving spouse benefit contribute an additional ½% of pay.

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

### 2. NET PENSION LIABILITY

The components of the net pension liability of the City at December 31, 2016, were as follows:

	<u>Municipal</u>	<u>Policemen</u>	<u>Firemen</u>	<u>Total</u>
Total pension liability	\$ 362,060,146	\$ 466,229,577	\$ 424,485,249	\$ 1,252,774,972
Plan fiduciary net position (allocated)	(143,234,138)	(123,220,624)	(135,367,638)	(401,822,400)
Net pension liability	<u>\$ 218,826,008</u>	<u>\$ 343,008,953</u>	<u>\$ 289,117,611</u>	<u>\$ 850,952,572</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>39.56%</u>	<u>26.43%</u>	<u>31.89%</u>	<u>32.07%</u>

The plan fiduciary net position allocations are based on the method provided in Act 205.

*Actuarial assumptions* - The total pension liability was determined by an actuarial valuation on January 1, 2015 and rolled forward to December 31, 2016 using the following actuarial assumptions, applied to all periods in the measurement:

	<u>Municipal</u>	<u>Policemen</u>	<u>Firemen</u>
Actuarial valuation date	1/1/2015	1/1/2015	1/1/2015
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.50%
Projected salary increases	4.00%	4.50%	5.75%
Underlying inflation rate	3.00%	3.00%	3.00%
Merit and longevity	1.00%	1.50%	2.75%

Actuarial assumptions based on the January 1, 2015 actuarial experience study

RP-2000 Healthy Annuitant Mortality Table, with adjustments for mortality improvements based on Scale AA

There were no changes in actuarial assumptions or benefits made in connection with the 1/1/2015 actuarial valuation.

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

*Long-Term Expected Rate of Return* – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation and investment expenses not funded through the MMO) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following was the asset allocation policy and best estimates of arithmetic real rates of return for each major asset class included in the Plans’ target asset allocation as of December 31, 2016:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic equity	40.00%	7.5%
International equity	20.00%	7.9%
Private equity	5.00%	8.0%
Fixed income	30.00%	3.1%
Cash	5.00%	0.0%
	100.00%	

*Rate of Return* – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2016, the annual money-weighted rate of return on the Plan investments, net of investment expense, was 8.43%.

*Discount rate.* The discount rate used to measure the total pension liability for the Municipal, Policemen, and Firemen funds was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, parking tax revenue will be deposited in accordance with Ordinances 42 and 44 of 2010, and that the City’s contributions will be made in accordance with the City’s June 24, 2014 Amended Recovery Plan and equal to the yearly MMO calculation. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate* – The following presents the net pension liability of the City calculated using the discount rates described above, as well

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

as what the City's net pension liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rates:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Municipal	\$ 252,701,554	\$ 218,826,008	\$ 189,547,946
Policemen	388,968,614	343,008,953	303,714,521
Firemen	330,553,687	289,117,611	253,375,819
Total	\$ 972,223,855	\$ 850,952,572	\$ 746,638,286

### 3. PRIVATE EQUITY CAPITAL COMMITMENTS

Comprehensive Trust has entered into agreements to commit capital into various private equity funds. The callable capital can be requested at any time by the fund. The remaining capital commitments as of December 31, 2016 are estimated as follows:

	Amount Committed	Amount Drawn	Amount Distributed	Remaining Capital Commitment
Birchmere Ventures III	\$ 1,000,000	\$ 1,000,000	\$ 893,272	\$ -
Draper Triangle Ventures II	1,000,000	1,000,000	1,059,426	-
Draper Triangle Ventures III	2,000,000	1,075,961	-	924,039
Novitas Capital Partners III	1,000,000	989,904	423,452	- *
Hirtle Callaghan PEP III	8,000,000	7,600,835	11,249,979	- *
Hirtle Callaghan PEP IV	8,000,000	7,418,650	9,832,776	- *
Hirtle Callaghan PEP V	3,000,000	2,481,360	1,765,944	- *
Crescent Mezz Partners VI	10,000,000	9,691,013	1,402,171	1,711,158 **
Crescent Mezz Partners VII	10,000,000	1,112,526	310,640	9,198,114 **
	\$ 44,000,000	\$ 32,370,249	\$ 26,937,660	\$ 11,833,311

\* The investment period of this fund has ended. As such, no further capital can be called.

\*\* A portion of this fund's distributions can be recalled.

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The accompanying combined financial statements include all of the accounts of the plans which contain assets whose purpose is to satisfy retirement and related obligations of the City. The funds inclusive are as follows:

Comprehensive Municipal Pension Trust Fund (Comprehensive Trust)  
The Municipal Pension Fund of the City of Pittsburgh  
The Policemen's Relief and Pension Fund of the City of Pittsburgh  
The Firemen's Relief and Pension Fund of the City of Pittsburgh

The Pension Trust Funds (Funds) are considered blended component units for the purpose of the City of Pittsburgh's financial statements and are reported as fiduciary funds. The accompanying financial statements present only the Funds' financial position and activity.

#### Basis of Accounting

The accompanying financial statements of the Funds have been prepared on the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the Funds. Employer contributions to the Plans are recognized when due as required by applicable law.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

#### Investments

Comprehensive Trust investments are reported at fair value. Short-term investments are reported at cost, which approximate fair value. Securities traded on public exchanges are valued at closing public exchange rates at December 31<sup>st</sup> of each year. Hedge funds and real estate funds are valued using the net asset value per share (NAV). Value for limited partnerships is determined in good faith from information provided by the General Partner of the limited partnerships.

The Comprehensive Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation

---

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

### Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

### Adopted Pronouncement

GASB has issued Statement No. 72, "*Fair Value Measurement and Application*," effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The disclosure requirements of this statement have been incorporated into these financial statements.

## **5. DEPOSITS AND INVESTMENTS HELD BY FINANCIAL INSTITUTIONS**

Deposits are maintained by all entities within the Funds. The Comprehensive Trust holds all investment vehicles on behalf of the Funds. The Comprehensive Trust was established on January 1, 1988 by combining the assets and liabilities of the three prior investment plans representing the City Police and Fire Departments and Non-uniformed Municipal workers in order to provide a consolidated investment strategy to support the City's pension obligation.

The Comprehensive Trust is governed by a formal investment policy established by its Board of Directors (Board). The policy dictates that investments must be managed in a manner consistent with the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act (Act 205) and the Pennsylvania Fiduciaries Code. The policy covers the two components of the Comprehensive Trust: 1) the Operating Fund and 2) the Long-Term Assets. The Operating Fund is a liquidity pool to accept employee, employer, and supplemental state contributions and to make benefit disbursements. As such, the Operating Fund investments are restricted to high quality, very short duration fixed income instruments whose average maturity must not exceed six months and whose quality is restricted to investment grade and above securities. The Long-Term Asset component includes restrictions on both fixed income and equity investments as discussed below.

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

The following is a description of the City's deposit and investment risks:

### **Deposits**

*Custodial Credit Risk* – For a deposit, custodial credit risk is the risk that in the event of a bank failure, the combined deposits of the City's pension funds may not be returned to it. There are no formal deposit policies specifically addressing custodial credit risk.

As of December 31, 2016, \$1,147,598 of the City's pension cash account deposits of the \$8,848,325 combined bank balance was insured by the Federal Deposit Insurance Corporation. The remaining bank balance was exposed to custodial credit risk, which is collateralized in accordance with Act 72 of the Pennsylvania state legislature, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name. \$3,443,510 of cash and cash equivalents were held at December 31, 2016 in the separate pension funds; the remaining book balance of \$5,000,000 was held in the Comprehensive Trust.

### **Investments**

Long-term investments are all held by the Comprehensive Trust. These investments are assigned to professional asset managers that specialize in certain types of investments with oversight by an outside investment consultant and the Board in order to achieve an appropriate, diversified and balanced asset class mix to minimize portfolio risk.

The Investment Policy of the Comprehensive Trust dictates an allocation of 60% equity, 40% fixed income, with a variation of 10% above or below these targets for each classification. At December 31, 2016, the Comprehensive Trust had been in compliance with this policy. Within each investment category, there are specific policies to further address various types of risk compared to return. The investment advisors monitor compliance with the City's investment policy on a granular level that is different from the table below.

The Comprehensive Trust categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Comprehensive Trust funds have the following recurring fair value measurements at December 31, 2016:

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

Investments by Fair Value Level	Total	Fair Value Measurements		
		Level 1	Level 2	Level 3
Money market funds	\$ 19,175,793	\$ 19,175,793	\$ -	\$ -
Debt securities:				
Corporate and other obligations:				
Corporate	23,677,173	-	23,677,173	-
Other	4,074,813	-	4,074,813	-
Total corporate and other obligations	<u>27,751,986</u>	<u>-</u>	<u>27,751,986</u>	<u>-</u>
U.S. government and agency obligations:				
U.S. Treasury Notes	9,014,228	9,014,228	-	-
Agency (GNMA, FNMA, FHLM)	9,528,591	-	9,528,591	-
Total U.S. government and agency obligations	<u>18,542,819</u>	<u>9,014,228</u>	<u>9,528,591</u>	<u>-</u>
Total debt securities	<u>46,294,805</u>	<u>9,014,228</u>	<u>37,280,577</u>	<u>-</u>
Mutual funds:				
U.S. equities - large-cap core	93,391,660	93,391,660	-	-
Non-U.S. equities:				
Large-cap core	54,111,991	54,111,991	-	-
Emerging markets	6,953,621	6,953,621	-	-
Total Non-U.S. equities	<u>61,065,612</u>	<u>61,065,612</u>	<u>-</u>	<u>-</u>
Core fixed income	24,780,745	24,780,745	-	-
Total mutual funds	<u>179,238,017</u>	<u>179,238,017</u>	<u>-</u>	<u>-</u>
Common stocks:				
Industrials	13,113,628	13,113,628	-	-
Consumer Discretionary	5,549,216	5,549,216	-	-
Consumer Staples	424,996	424,996	-	-
Energy	634,378	634,378	-	-
Financials	3,694,279	3,694,279	-	-
Materials	11,153,936	11,153,936	-	-
Information Technology	12,134,977	12,134,977	-	-
Real Estate	3,824,462	3,824,462	-	-
Utilities	104,825	104,825	-	-
Health Care	5,033,698	5,033,698	-	-
Telecommunications	259,149	259,149	-	-
Unclassified	2,414,820	2,414,820	-	-
Total common stocks	<u>58,342,365</u>	<u>58,342,365</u>	<u>-</u>	<u>-</u>
Private equity - partnerships	12,568,913	-	-	12,568,913
Total investments by fair value level	315,619,893	<u>\$ 265,770,403</u>	<u>\$ 37,280,577</u>	<u>\$ 12,568,913</u>
Investments measured at NAV:				
Hedge funds	42,474,642			
Real estate funds	37,025,814			
	<u>79,500,456</u>			
Total investments measured at fair value	<u>\$ 395,120,349</u>			

Money market funds, mutual funds, U.S. treasury notes, and common stocks are valued using prices quoted in active markets for those securities and are included in the Level 1 fair value hierarchy. Corporate debt is valued using a matrix pricing model and are included in the Level 2 fair value hierarchy. The fair values of FNMA, GNMA, and FHLM securities are priced by third

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

party pricing services using observable market data and are included in the Level 2 fair value hierarchy. As the yields for the risk-free yield curve and the spreads for these securities are observable market inputs, the fair values are included in the Level 2 fair value hierarchy.

For Level 3 items, the trust's valuation is determined in good faith from information provided by the General Partner of the limited partnerships. For the limited partnerships, fair value for the limited partnerships is based on the best information available and is determined by reference to information including, but not limited to, the following: projected sales, net earnings, earnings before interest, taxes, depreciation and amortization, balance sheets, public or private transactions, valuations for publicly-traded comparable companies, and/or other measures, and consideration of any other pertinent information including the types of securities held and restrictions on disposition. Quantitative unobservable inputs of Level 3 items are not developed by the Comprehensive Trust for measuring fair value.

### Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient:

Instrument	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
ABS Emerging Markets	\$ 8,099,626	None	Quarterly	45 days
ABS Offshore SPC Global	12,324,720	None	Quarterly	45 days
EnTrust Diversified Select Equity	16,170,056	None	Quarterly	90 days
Parametric Defensive Equity Fund	5,880,240	None	Monthly	5 days
RREEF America REIT II	19,288,667	None	Quarterly	45 days
Cornerstone Patriot Fund	17,737,147	None	Quarterly	30 days
Total	<u>\$ 79,500,456</u>			

These investments have the following strategies:

The ABS emerging markets fund is an exclusive emerging markets fund of hedge funds.

The ABS Offshore SPC Global Fund is a portfolio of several direct hedge fund investments, all in long/short equity strategies.

EnTrust Diversified Select Equity Fund is an equity-oriented multi-manager fund, which is an alternative to traditional long-only equity investments and invests with a diversified group of

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

global managers, employing multiple equity strategies including long/short hedged, special situation, event-driven and shareholder activism.

The Parametric Defensive Equity Fund seeks to outperform S&P 500 index, reduce volatility versus the S&P 500 Index, and reduce magnitude of drawdowns and recover faster from stress events.

RREEF America REIT II is a real estate investment trust launched and managed RREEF America L.L.C. The fund invests in the real estate markets of the United States.

Cornerstone Patriot Fund is a real estate fund that specializes in property investments in United States.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, although the trust fund believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

*Concentration of Credit Risk* – The Comprehensive Trust investment guidelines address this risk by requiring diversity and investment percentage limits. With the exception of Federal Government and Agency obligations, no one issue will comprise more than 10% of the aggregate fixed-income portfolio without the Board’s prior approval. In addition, equity investment concentration in any single industry and in any company shall not exceed 25% and 5%, respectively, of the market value of the plan assets. To further reduce risk, diversification will also be achieved by using multiple managers whose styles and strategies are sufficiently distinctive. International managers may be allocated up to 30% of the plan’s equity assets, and up to 50% of this allocation may be allocated to emerging markets investments. As of December 31, 2016, these limits have been met.

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

*Interest Rate Risk* - The Comprehensive Trust has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The schedule below details maturity by investment type.

Cash or Investment Type	Fair Value	Investment Maturities from December 31, 2016			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
U.S. government and agency obligations	\$ 18,542,819	\$ 270,366	\$ 6,518,650	\$ 1,364,630	\$ 10,389,173
Corporate debt	23,677,173	3,456,694	7,573,498	6,792,310	5,854,671
Other	4,074,813	1,060,203	-	90,491	2,924,119
Total debt securities	<u>\$ 46,294,805</u>	<u>\$ 4,787,263</u>	<u>\$ 14,092,148</u>	<u>\$ 8,247,431</u>	<u>\$ 19,167,963</u>

*Credit Risk* - The risk that an issuer or other counterparty to an investment will not fulfill its obligations is called credit risk. The policy guidelines of the Comprehensive Trust limit investments to Federal Government and Agency issues and corporate issues having a Moody's rating of Aaa to Baa, with the exception that up to 20% of the fixed income assets may be allocated to high yield fixed-income securities. The Pension Trust Fund's December 31, 2016 investments in corporate bonds have received the following ratings from Moody's; the City's remaining investments were unrated:

	Moody's Credit Rating	% of Corporate Debt Portfolio
Corporate debt	Aaa	18.79%
Corporate debt	Aa1	1.07%
Corporate debt	Aa2	1.28%
Corporate debt	Aa3	1.74%
Corporate debt	Baa1 - Baa3	29.07%
Corporate debt	Ba1 - Ba3	0.98%
Corporate debt	Unrated	47.07%
		<u>100.0%</u>

The City's investment in mutual funds and U.S. Government agencies implicitly guaranteed by the U.S. Government were unrated.

## 6. BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits disclosed in Note 1, resolutions of City Council, State statutes, and labor agreements have provided for certain benefits other than pension benefits, to be

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

---

provided to retirees or their beneficiaries. Such benefits are primarily funded through annual appropriations from the City's General Fund and Trust designated for those purposes. Payment of such benefits is included in the monthly pension disbursement to the retiree. Additional benefit amounts for hospitalization insurance, Medicare benefits, and life insurance are paid through the Controller's Office. A brief summary of the benefits paid through the pension offices follows:

### **Policemen's Pension Fund:**

Police officers retiring in 1979 are eligible at age 65 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. Police officers retiring in 1980 and 1981 are eligible at age 60 to receive a maximum of \$50 per month for hospitalization insurance premiums if such retirees actually pay such premiums. Police officers retiring in 1982 and 1983 have health insurance premiums paid by the City for the retiree only. Police officers retiring in 1984-2003 have premiums paid by the City, with the retiree paying premium increases after the year of retirement. Surviving spouses of deceased retirees who do not otherwise receive survivor's benefits under the plan received \$350 per month.

### **Firemen's Pension Fund:**

Retirees who retired between January 1, 1979 and December 31, 1986 receive up to \$70 per month as an allowance for health insurance.

Surviving spouses of deceased retirees who do not otherwise receive survivor benefits under the plan receive \$350 per month.

A comprehensive explanation of other post-employment benefits can be found in Note 8 of the City's Comprehensive Annual Financial Report.

## **7. CONTINGENCIES**

The Plans are defendants in a number of lawsuits involving the determination of eligibility for benefits, and/or the date from which benefits should be paid. None of the legal actions are expected to have a materially adverse effect on the Trust, should an unfavorable outcome occur. Management intends to aggressively defend its position in each case. The ultimate outcome of the lawsuits is not determinable at this time.

**Required Supplementary  
Information**

**CITY OF PITTSBURGH, PENNSYLVANIA**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET  
PENSION LIABILITY AND RELATED RATIOS

PENSION PLAN

YEARS ENDED DECEMBER 31  
LAST TEN YEARS\*

	2016	2015	2014
<b>Total Pension Liability:</b>			
Service cost	\$ 22,585,569	\$ 21,696,487	\$ 22,015,630
Interest	90,581,077	88,838,894	87,049,771
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	2,283,418	-
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	<u>(89,489,804)</u>	<u>(86,946,857)</u>	<u>(87,394,443)</u>
<b>Net Changes in Total Pension Liability</b>	23,676,842	25,871,942	21,670,958
<b>Total Pension Liability - Beginning</b>	<u>1,229,098,130</u>	<u>1,203,226,188</u>	<u>1,181,555,230</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 1,252,774,972</u>	<u>\$ 1,229,098,130</u>	<u>\$ 1,203,226,188</u>
<b>Plan Fiduciary Net Position:</b>			
Contributions - employer	\$ 73,149,762	\$ 63,758,477	\$ 51,914,297
Contributions - member	10,907,326	10,900,701	10,909,251
Net investment income (loss)	30,739,535	(680,514)	24,302,368
Benefit payments, including refunds of member contributions	(89,489,804)	(86,946,857)	(87,394,443)
Administrative expense	(1,287,145)	(1,294,544)	(1,271,604)
Other	-	-	3,263,901
<b>Net Change in Plan Fiduciary Net Position</b>	24,019,674	(14,262,737)	1,723,770
<b>Plan Fiduciary Net Position - Beginning</b>	<u>377,802,726</u>	<u>392,065,463</u>	<u>390,341,693</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 401,822,400</u>	<u>\$ 377,802,726</u>	<u>\$ 392,065,463</u>
<b>Net Pension Liability - Ending (a-b)</b>	<u>\$ 850,952,572</u>	<u>\$ 851,295,404</u>	<u>\$ 811,160,725</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<u>32.07%</u>	<u>30.74%</u>	<u>32.58%</u>
<b>Covered Employee Payroll</b>	<u>\$ 215,018,989</u>	<u>\$ 211,962,778</u>	<u>\$ 202,853,143</u>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	395.76%	401.62%	399.88%

\* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

**CITY OF PITTSBURGH, PENNSYLVANIA**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S CONTRIBUTIONS  
AND INVESTMENT RETURNS

YEARS ENDED DECEMBER 31  
LAST TEN YEARS\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Schedule of City's Contributions</b>			
Actuarially determined contribution	\$ 43,073,288	\$ 42,860,296	\$ 31,438,297
Contributions in relation to the actuarially determined contribution	<u>73,149,762</u>	<u>63,758,477</u>	<u>51,914,297</u>
Contribution deficiency (excess)	<u>\$ (30,076,474)</u>	<u>\$ (20,898,181)</u>	<u>\$ (20,476,000)</u>
Covered employee payroll	<u>\$ 215,018,989</u>	<u>\$ 211,962,778</u>	<u>\$ 202,853,143</u>
Contributions as a percentage of covered employee payroll	34.02%	30.08%	25.59%
<b>Investment Returns</b>			
Annual money-weighted rate of return, net of investment expense	8.43%	0.04%	6.48%

\* Until a full 10-year trend is compiled, the required information for the plan is presented for as many years as are available.

See accompanying notes to required supplementary schedules.

# CITY OF PITTSBURGH, PENNSYLVANIA

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2016

---

In accordance with Act 205 and the Acts under which the Municipal Pension Plan of the City of Pittsburgh, the Policemen's Relief and Pension Plan of the City of Pittsburgh, and the Firemen's Relief and Pension Plan of the City of Pittsburgh were established; a separate accounting for the activities of these three plans is maintained including the employees' contributions, allocation of state aid and the City's annual contribution and a calculation of each Plan's undivided interest in the investments held by the Comprehensive Trust. Additionally, separate actuarial valuations are performed annually for each plan. However, the individual plans do not record the undivided interest in the investments in their individual plans since the assets of the Comprehensive Trust are available for the payment of benefits and expenses of any of the three pension plans without limitations. Therefore, in accordance with Governmental Accounting Standards, the City is considered to be administering a single plan for financial reporting purposes. The three pension plans plus the Comprehensive Trust constitute the City's Pension Plan.

### Actuarial Methods and Assumptions Used in Calculation of Actuarially Determined Contribution

The latest valuations available are dated January 1, 2015; however, the 2016 contribution and contribution rate information presented in the required supplementary schedules was determined as part of the January 1, 2013 actuarial valuations. Additional information as of the January 1, 2013 valuation follows:

## **Supplementary Information**

# CITY OF PITTSBURGH, PENNSYLVANIA

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2016

	<u>Municipal</u>	<u>Policemen</u>	<u>Firemen</u>
Actuarial valuation date	1/1/2013	1/1/2013	1/1/2013
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	23 years (aggregate)	24 years (aggregate)	23 years (aggregate)
Asset valuation method	Tabular Smoothing	Tabular Smoothing	Tabular Smoothing
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.50%
Projected salary increases	4.00%	4.50%	5.75%
Underlying inflation rate	3.00%	3.00%	3.00%
Merit and longevity	1.00%	1.50%	2.75%
Mortality table	RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience	RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience	RP-2000 Healthy Annuitant, With Adjustments to Reflect Plan Mortality Experience

There were no benefit changes or changes in actuarial assumptions made in connection with the 1/1/2013 actuarial valuation.

# CITY OF PITTSBURGH, PENNSYLVANIA

## NOTES TO SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2016

---

The actuarially determined contributions are based on the City's actuarially prepared Minimum Municipal Obligation under PA Act 205, as amended. The contribution excess for each year includes payments originating from:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Dedicated parking tax revenue	\$13.4 million	\$13.4 million	\$13.4 million
Gaming revenue	\$11.2 million	\$2.9 million	\$7.1 million

# CITY OF PITTSBURGH COMBINED PENSION TRUST FUNDS

## COMBINING STATEMENT OF PLAN NET POSITION

DECEMBER 31, 2016

<u>Assets</u>	<u>Comprehensive Trust</u>	<u>Municipal Fund</u>	<u>Policemen's Fund</u>	<u>Firemen's Fund</u>	<u>Total</u>
Cash and short-term investments, at cost, which approximates fair value	\$ 24,175,793	\$ 216,546	\$ 3,202,122	\$ 24,842	\$ 27,619,303
Investments, at fair value:					
Preferred and common stock	58,342,365	-	-	-	58,342,365
U.S. government and agency obligations	18,542,819	-	-	-	18,542,819
Corporate and other obligations	27,751,986	-	-	-	27,751,986
Mutual funds:					
U.S. equities	93,391,660	-	-	-	93,391,660
Non-U.S. equities	61,065,612	-	-	-	61,065,612
Fixed income	24,780,745	-	-	-	24,780,745
Hedge funds	42,474,642	-	-	-	42,474,642
Real estate funds	37,025,814	-	-	-	37,025,814
Private equity	12,568,913	-	-	-	12,568,913
Due from (to) City of Pittsburgh	-	-	-	-	-
Due from (to) other fund	(435,783)	-	435,783	-	-
Accrued interest and dividends receivable	406,916	-	-	-	406,916
<b>Total Assets</b>	<b>400,091,482</b>	<b>216,546</b>	<b>3,637,905</b>	<b>24,842</b>	<b>403,970,775</b>
<b>Liabilities</b>					
Benefits and related withholdings payable	-	-	2,108,843	-	2,108,843
Accrued liabilities and accounts payable	-	28,472	-	-	28,472
Due to City of Pittsburgh Trust and Agency Fund	-	-	6,640	4,420	11,060
<b>Total Liabilities</b>	<b>-</b>	<b>28,472</b>	<b>2,115,483</b>	<b>4,420</b>	<b>2,148,375</b>
<b>Net Position - Restricted for Pension Benefits</b>	<b>\$ 400,091,482</b>	<b>\$ 188,074</b>	<b>\$ 1,522,422</b>	<b>\$ 20,422</b>	<b>\$ 401,822,400</b>

**CITY OF PITTSBURGH**  
**COMBINED PENSION TRUST FUNDS**

COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION

YEAR ENDED DECEMBER 31, 2016

	Comprehensive Trust	Municipal Fund	Policemen's Fund	Firemen's Fund	Total
<b>Additions:</b>					
Contributions:					
Employer - pension benefits	\$ 52,659,159	\$ -	\$ -	\$ -	\$ 52,659,159
Employer - other benefits	2,157,755	-	1,009,828	-	3,167,583
Commonwealth of Pennsylvania	20,490,603	-	-	-	20,490,603
Plan members	10,907,326	-	-	-	10,907,326
Total contributions	<u>86,214,843</u>	<u>-</u>	<u>1,009,828</u>	<u>-</u>	<u>87,224,671</u>
Investment income:					
Net increase in fair value of investments	27,104,613	-	-	-	27,104,613
Interest and dividends	4,180,825	-	-	1,524	4,182,349
Total investment income	<u>31,285,438</u>	<u>-</u>	<u>-</u>	<u>1,524</u>	<u>31,286,962</u>
Investment expense	(742,008)	-	-	-	(742,008)
Net investment income (loss)	<u>30,543,430</u>	<u>-</u>	<u>-</u>	<u>1,524</u>	<u>30,544,954</u>
Miscellaneous:					
Transfer in	-	26,377,208	34,352,321	32,657,000	93,386,529
Other	157,602	27,380	-	9,599	194,581
Total additions	<u>116,915,875</u>	<u>26,404,588</u>	<u>35,362,149</u>	<u>32,668,123</u>	<u>211,350,735</u>
<b>Deductions:</b>					
Benefit payments	-	23,691,851	32,562,835	32,200,948	88,455,634
Benefit payments - other benefits	-	1,801,421	1,157,926	208,236	3,167,583
Refund of employee contributions	-	627,726	405,503	941	1,034,170
Transfer out	93,386,529	-	-	-	93,386,529
Administrative expenses	328,466	244,668	458,688	255,323	1,287,145
Total deductions	<u>93,714,995</u>	<u>26,365,666</u>	<u>34,584,952</u>	<u>32,665,448</u>	<u>187,331,061</u>
<b>Net Increase (Decrease) in Plan Net Position</b>	<u>23,200,880</u>	<u>38,922</u>	<u>777,197</u>	<u>2,675</u>	<u>24,019,674</u>
<b>Net Position:</b>					
Beginning of year	<u>376,890,602</u>	<u>149,152</u>	<u>745,225</u>	<u>17,747</u>	<u>377,802,726</u>
End of year	<u>\$ 400,091,482</u>	<u>\$ 188,074</u>	<u>\$ 1,522,422</u>	<u>\$ 20,422</u>	<u>\$ 401,822,400</u>