Actuarial Valuation Report as of January 1, 2014 for the ERIE COUNTY EMPLOYES' RETIREMENT SYSTEM

Prepared by:

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CONTENTS OF REPORT

SECTION 1
HIGHLIGHTS

This report contains a detailed description and the results of a valuation by Northwest Retirement Services of the Erie County Employes' Retirement System as of January 1, 2014. The contents of this report include a summary of the actuarial position of the System as of January 1, 2014 and the proper contribution for the 2014 plan year, in accordance with the funding standards of Section 6 of Act 96, 1971 of the Commonwealth of Pennsylvania as amended.

Annual Required Contribution

The Annual Required Contribution for the plan year ending December 31, 2014 is $5,580,680. See Section 5 for the history of employer contributions.

Plan Changes

There have been no changes in the plan benefit provisions since the date of the last report.

Assumption Changes

There have been no changes in the actuarial assumptions since the date of the last report.

Actuarial Experience

During 2013, the Plan experienced an actuarial gain due primarily to investment returns on an actuarial value basis greater than anticipated. The investment yield on an actuarial value basis, net of expenses, was approximately 12.45%. The investment yield on a market value basis was approximately 19.85%.

Funded Status of the Plan

The funded status of the Plan is measured by the "benefit security ratio" which is the ratio of the plan assets to the present value of accumulated benefits. As of January 1, 2014, the benefit security ratio is 110%, which means the plan is adequately funded.

This percentage compares to 98% on the prior valuation date.

Cost of Living Increase

Effective January 1, 2014, the Retirement Board elected not to grant a cost-of-living increase to the Retirees of the System.

In our opinion, this report presents fairly the financial and actuarial position for the Erie County Employes' Retirement System as of January 1, 2014 in accordance with generally accepted actuarial principles, and on the basis of actuarial assumptions and methods which, in the aggregate, are reasonable (taking into account past experience under the System and reasonable expectations) and which in combination represent our best estimate of anticipated experience.

We are available to provide further information or answer any questions with respect to this report.

April, 2014

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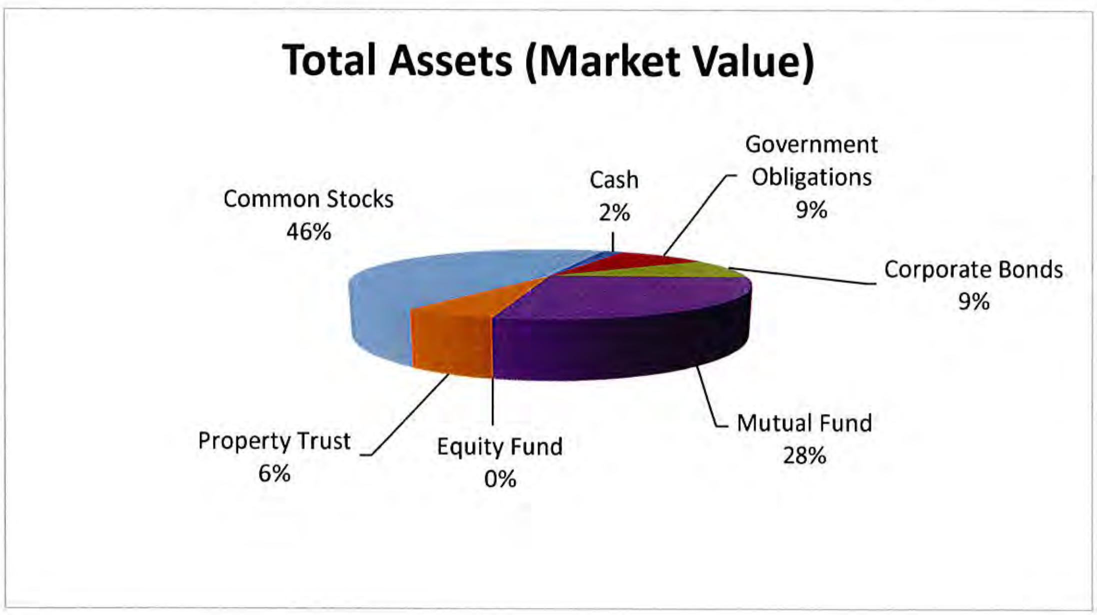
SECTION 2
SUMMARY OF VALUATION RESULTS

Section 2.1
Assets of the Plan

Below is a statement of changes in plan net assets for 2013 as well as a list of the total assets by classification, as provided by the County, for January 1, 2014.

STATEMENT OF CHANGES IN PLAN NET ASSETS FOR 2013	
Total Assets (cost value) – January 1, 2013	$ 173,867,336
Additions	
Member contributions	
(including member share of military and leave of absence buybacks)	$ 2,844,809
County contributions	6,812,406
Investment Income:	
Interest	481,629
Dividends	4,323,684
Realized Capital Gains (Losses)	17,674,495
Securities Lending	35,162
Loss Recovery	11,410
Miscellaneous	0
Total Additions	$ 32,183,595
Deductions	
Member contributions refunded	$ 218,318
Retirement allowances paid	
(includes C-O-L and accum. deduct.w/d under Opt. 4)	10,598,652
Death benefits	546,024
Administrative Expenses	182,111
Investment Expenses	857,230
Miscellaneous Expenses	0
Total Deductions	$ 12,402,335
Net Increase	$ 19,781,260
Total Assets (cost value) January 1, 2014	193,648,596
Unrealized appreciation	33,791,639
Total Assets (market value) January 1, 2014	$ 227,440,235

STATEMENT OF PLAN NET ASSETS – JANUARY 1, 2014		
Assets		
	Cost Value	**Market Value**
Cash and Short Term Investments	$ 3,558,902	$ 3,558,902
Investments:		
U.S. Government Obligations	21,913,671	21,694,678
Corporate Bonds/ Mortgage	20,131,020	19,932,632
Common Stocks	76,041,529	105,595,550
Mutual Funds	58,736,331	62,921,624
Property Trust	13,128,644	13,128,644
Equity Fund	138,499	149,737
Accrued Income	0	458,468
Total Assets January 1, 2014	$ 193,648,596	$ 227,440,235



Section 2.2
Allocation of Assets

This Section shows the allocation of the assets among the Fund's reserve accounts (see Section 2.7 for Determination of Reserve Balances) and the Fund's liabilities as of January 1, 2014. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

ASSETS	
Members' Annuity Reserve Account	$ 45,575,578
County Annuity Reserve Account	47,626,183
Retired Members' Reserve Account	100,446,835
Unrealized Appreciation in Assets	33,791,639
Total Assets, (Market Value) of the Erie County Employes' Retirement Fund	$ 227,440,235
LIABILITIES	
Actuarial Present Value of:	
Accumulated Plan Benefits	
Vested	$ 52,675,543
Nonvested	2,615,163
Future Benefit Accruals	43,776,755
Terminated Vested Benefits	4,724,889
Retired Benefits	100,446,835
Member Accumulated Deductions	45,575,578
Total Liabilities of the Erie County Employes' Retirement Fund	$ 249,814,763

Section 2.3
Annual Required Contribution

This Section determines the certified Annual Required Contribution (ARC) of $5,580,680 for 2014 for the Erie County Employes' Retirement System.

1. Actuarial Present Value of Projected Future Benefits:		
a. Active Participants		$ 99,067,461
Retirement Benefits	$ 88,736,105	
Termination Benefits	9,075,910	
Death Benefits	1,255,446	
b. Terminated Vested Participants		4,724,889
c. Retired Members and Beneficiaries		100,446,835
Retirement Benefits	$ 97,904,667	
Cost-of-Living Benefits	2,542,168	
d. Member Accumulated Deductions		45,575,578
e. Total (a) + (b) + (c) + (d)		$ 249,814,763
2. Valuation Assets Actuarial Value of Plan Assets		$ 206,490,099
3. Unfunded Cost of Early Retirement Provision		0
4. Present Value of Future County Normal Costs (1e) – (2) – (3)		43,324,664
5. Present Value of Future Compensation of Active Members		338,236,328
6. County Normal Cost Accrual Rate (4)/(5)		12.81%
7. Estimated 2014 Compensation Rate of Members		43,565,025
8. County Normal Cost for 2014 (6) x (7)		5,580,680
9. Amortized Cost of Early Retirement Provision		0
10. Annual Required Contribution (ARC) for 2014 (8) + (9)		5,580,680

Section 2.4
Notes to Sections 2.2 and 2.3

The following are notes to Sections 2.2 and 2.3:

Members' Annuity Reserve Account

The balance of $45,575,578 in this account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of January 1, 2014. Since these accumulations represent the present value as of January 1, 2014 of future benefits, the reserve balance and liability are identical.

County Annuity Reserve Account

The balance of $81,417,822 in this account as of January 1, 2014 and the amounts expected to be credited in the future, plus investment earnings thereon, represent the reserves set aside for the payment of the county's share of the retirement allowances.

When a County Annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such County Annuities actually entered upon.

Retired Members Reserve Account

This is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid.

The assets allocated to this reserve account as of January 1, 2014 amount to $100,446,835. The corresponding liability for those annuitants on the roll is identical.

Section 2.5
Actuarial Value of Assets

The asset valuation method is the "smoothed market value (with phase-in)" method, using a smoothing period of 5 years, as described in paragraph 3.16 of IRS Revenue Procedure 2000-40. When fully phased in, the actuarial value of assets will equal the market value of assets with gains subtracted or losses added at the rate described below:

a. 4/5 of the prior year's gain or loss
b. 3/5 of the second preceding year's gain or loss
c. 2/5 of the third preceding year's gain or loss
d. 1/5 of the fourth preceding year's gain or loss

The gain or loss for a year is determined by calculating the difference between the expected value of assets for the year and the market value of assets at the valuation date. The expected value of assets for the year is market value of assets at the prior-year valuation date brought forward with interest at the valuation interest rate to the current valuation date, plus contributions minus benefit disbursements (benefits and expenses), all adjusted with interest at the valuation rate to the current valuation date. If the expected value is less than the market value, the difference is a gain. If the expected value is greater than the market value, there is a loss.

In the first year, the actuarial value of assets is equal to the market value of assets. In subsequent years, the smoothed value is calculated as described above, except that the only gains or losses recognized are those occurring in the year of the change and later. In general, the actuarial value of assets must fall between 80% and 120% of the market value of assets.

ACTUARIAL VALUE OF ASSETS
CALCULATION OF ASSET (GAIN) OR LOSS FOR THE YEAR

	Expected Value
Market Value at Beginning of Year	$ 192,286,593
Interest Expected Using Valuation Assumption	14,421,494
Plus Actual Contributions	9,657,215
Minus Actual Distributions	(12,402,335)
Interest Expected on Contributions and Distributions	(111,780)
Expected Value at End of Year	$ 203,851,187
Market Value at End of Year	227,440,235
(Gain) or Loss for Year	$ (23,589,048)

COMPUTATION OF ADJUSTMENT

Year	(Gain) or Loss	Adjustment Percent	Adjustment Amount
2013	(23,589,048)	.80	(18,871,238)
2012	(7,531,587)	.60	(4,518,952)
2011	10,350,690	.40	4,140,276
2010	(8,501,110)	.20	(1,700,222)
2009	(18,266,876)	.00	0
Total Adjustment			$ (20,950,136)

Determination of Actuarial Value of Assets

Market Value of Assets	$	227,440,235
Adjustment		(20,950,136)
Actuarial Value of Assets	$	206,490,099

In general, the Actuarial Value of Assets must fall between 80% and 120% of the Market Value of Assets.

Lower Limit (80% of Fair Market Value)	$	181,952,188
Actuarial Value of Assets	$	206,490,099
Upper Limit (120% of Fair Market Value)	$	272,928,282

Section 2.6
Approximate Rate of Return

APPROXIMATE RATE OF RETURN FOR 2013 PLAN YEAR (MARKET VALUE)	
1.) Market Value as of December 31, 2012	$ 192,286,593
2.) Contributions Received During Year	9,657,215
3.) Benefits and Expenses Paid During Year	12,402,335
4.) Market Value as of December 31, 2013	227,440,235
5.) Non-Investment Increment: (2) – (3)	(2,745,120)
6.) Investment Increment: (4) – (1) – (5)	37,898,762
7.) Time Weighted Value of Assets: (1) + .5(5)	190,914,033
8.) Approximate Rate of Return for 2013: (6) / (7)	19.85%

HISTORY OF RATE OF RETURNS

Plan Year	Rate of Return
2012	11.88%
2011	1.52%
2010	13.46%
2009	22.21%
2008	-23.17%
2007	10.15%
2006	12.70%
2005	9.20%
2004	8.30%
2003	21.23%
2002	-7.65%

Section 2.7
Determination of Reserve Balances

	Members Annuity Reserve Account	County Annuity Reserve Account	Retired Members Reserve Account	TOTAL
Balance 1/1/13	$ 45,441,967	$ 38,523,681	$ 89,901,688	$ 173,867,336
Member Contributions	2,836,135	8,674	0	2,844,809
County Appropriations	0	6,812,406	0	6,812,406
Net Investment Income	0	22,526,380	0	22,526,380
Miscellaneous Income	0	0	0	0
Active Death Refunds	(205,399)	0	0	(205,399)
Member Contributions Refunded	(218,318)	0	(796,926)	(1,015,244)
Pension Payments	0	0	(9,801,726)	(9,801,726)
Death Benefits	0	(340,625)	0	(340,625)
Retiree and Death Benefit Transfers	(4,050,268)	(9,541,006)	13,591,274	0
Cost-of-Living Funding Requirement	0	0	0	0
Administrative Expenses	0	(182,111)	0	(182,111)
Investment Expenses	0	(857,230)	0	(857,230)
Balance Before Interest	43,804,117	56,950,169	92,894,310	193,648,596
Interest Allocated in 2013	1,771,461	(8,626,311)	6,854,850	0
Balance Before Actuarial Adjustments	45,575,578	48,323,858	99,749,160	193,648,596
Actuarial Adjustments	0	(697,675)	697,675	0
Ending Balance 1/1/14	45,575,578	47,626,183	100,446,835	193,648,596
Unrealized Appreciation	0	33,791,639	0	33,791,639
Assets (Market Value) 1/1/14	$ 45,575,578	$ 81,417,822	$ 100,446,835	$ 227,440,235

SECTION 3
PLAN DEMOGRAPHICS

Section 3.1
Membership History

Below is a ten-year history of the Retirement System's membership.

	ACTIVE MEMBERS AND VESTED TERMINATED MEMBERS			RETIRED MEMBERS AND BENEFICIARIES		
January 1	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
2014	521	761	1,282	224	401	625
2013	522	757	1,279	211	379	590
2012	533	763	1,296	197	363	560
2011	537	751	1,288	187	346	533
2010	531	771	1,302	171	323	494
2009	533	774	1,307	157	304	461
2008	500	777	1,277	152	291	443
2007	498	782	1,280	150	272	422
2006	473	759	1,232	148	271	419
2005	462	745	1,207	142	264	406

Section 3.2
Changes in Plan Participation from January 1, 2013 to January 1, 2014

ACTIVE PARTICIPANTS	
Number as of January 1, 2013	1,153
Changes During Plan Year:	
Retired	(35)
Terminated and Vested	(16)
Terminated	(36)
Died	(5)
New Participants	91
Number as of January 1, 2014	1,152

RETIRED PARTICIPANTS	
Number as of January 1, 2013	590
Changes During Plan Year:	
Returned to Active Service	0
Died	(12)
New Retirements from Active Service	35
New Surviving Annuitants	2
Vested Terminated Participants Whose Benefits Commenced	9
New Retiree due to Domestic Relations Order	1
Number as of January 1, 2014	625

TERMINATED VESTED PARTICIPANTS	
Number as of January 1, 2013	126
Changes During Plan Year:	
Terminated	0
Returned to Active Service	(1)
Benefits Commenced	(9)
Died	(0)
Distributions	(2)
New Terminations with Vesting	16
Number as of January 1, 2014	130

SECTION 4
BASIS OF VALUATION

Section 4.1
Summary of Plan Provisions

Effective Date	The effective date of this plan is January 1, 1942.
Administration	Retirement Board as designated in Act 96 of 1971, the County Pension Law.
Eligibility for Plan Membership	An Employee shall be eligible to become a participant immediately upon becoming an Employee. Part-time Employees may not be covered depending on hours.
Employee Contributions	Each member of the retirement system must contribute 5% of his salary. Currently, Employee contributions will be credited with 4.0% interest. The amount of Employee contributions and rate of interest may be changed from time to time at the direction of the Retirement Board. Employee contributions have been picked-up or pre-tax since January 1, 1983. Voluntary contributions, up to another 10% of pay, are allowed.
Compensation	Total pay received as a county Employee excluding refunds for expenses, contingency and accountable expense allowances and excluding severance payments or payments for unused vacation or sick leave.
Final "Average" Salary	The average of the member's annual compensation received for the three years which produce the highest such average.
Credited Service	Credit is provided for each year, month and day of your service during membership. Non-intervening military service (up to 5 years) may be purchased.

Section 4.2
Benefit Formula and Retirement Dates

Normal Retirement

Eligibility: Retirement occurs at age 60 or at age 55 if the participant has completed 20 years of service.

Pension: Effective March 1, 2007 a monthly pension equal to (a) and (b), as follows:

(a) .833% of 1/12th of Final "Average" Salary multiplied by years of credited service from 1/1/42 to 1/1/50,

1.000% of 1/12th of Final "Average" Salary multiplied by years of credited service from 1/1/50 to 1/1/72,

1.667% of 1/12th of Final "Average" Salary multiplied by years of credited service after 1/1/72,

-- PLUS --

(b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.

Early Retirement

Eligibility:

Voluntary: Upon completion of 20 years of service

Involuntary: Upon completion of 8 years of service.

Pension:

(a) a monthly pension equal to the actuarial equivalent of the benefits calculated based on the plan formula,

-- PLUS --

(b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.

Postponed Retirement

A member may work past normal retirement age and continue to accrue pension credits.

Vesting

One Hundred Percent (100%) upon completion of five years of credited service. A member who terminates employment after five years of credited service will receive a deferred annuity commencing at age 60 (or at age 55 if the member has at least 20 years of service at termination). The deferred benefit shall be calculated using the normal retirement pension formula but based on credited service, final average salary and accumulated contributions at termination.

If a member terminates employment prior to entitlement to Plan benefits, he will receive his accumulated contributions with interest.

Disability Retirement

Eligibility: Total and permanent disability prior to super-annuation (Normal Retirement) age and after completion of five years of credited service.

Pension: A total monthly pension commencing on the last day of the month following disability retirement equal to 25% of the 1/12th of Final Average Salary at time of retirement. Such total monthly pension shall include the monthly disability that is actuarially equivalent to the member's accumulated contributions at retirement.

Death Benefits

(a) Pre-Retirement. If a member dies after having attained age 60 <u>or</u> having completed ten years of credited service, his beneficiary will receive a lump sum equal to the actuarially determined present value of the benefits calculated in based on the member's Final Average Salary and credited service at time of death plus the member's accumulated contributions with interest at time of death.

(b) Post-Retirement. Upon the death of a terminated or retired member, his beneficiary will receive survivor benefits, if any, in accordance with the form under which benefits were being paid to the member. In any event, the total amount of benefits paid to the deceased member and beneficiary must, at least, equal the member's accumulated contributions with interest.

Section 4.3
Benefit Options and Miscellaneous

Normal Form of Pension

Benefits are payable in the form of a life annuity, that is for the member's lifetime only, except that benefits shall never be less than the Employee contribution account plus interest.

Optional Retirement

A member may elect to receive the actuarial benefits equivalent of his retirement benefits as a full cash refund annuity or a reduced joint and survivor pension payable for the remainder of his life, with either 100% or 50% of the member's pension continuing after death to the designated beneficiary. A member may also elect to receive, in one payment, the full amount of his accumulated deductions and continue to receive the annuity provided by the county.

Cost-of-Living

The cost-of-living increase shall be reviewed at least once in every three years by the Retirement Board. The Board has granted cost-of-living increases in the past as follows:

PERCENTAGE CHANGE IN C.P.I.	EFFECTIVE DATE OF INCREASE
50 %	1/1/98
50 %	1/1/99
50 %	1/1/00
50 %	1/1/01
50 %	1/1/02
50 %	1/1/03
50 %	1/1/04
50 %	1/1/05
50 %	1/1/06
50 %	1/1/07
50 %	1/1/08

Section 4.4
Actuarial Basis

Method for Contributions

Contributions required to fund the plan benefits are determined according to the Aggregate Actuarial Cost method. Under this method, the valuation assets of the plan are subtracted from the present value of all projected benefits. The result, when divided by the present value of future compensation, gives a percentage normal cost factor which is applied to the estimated 2014 compensation of all members to arrive at the normal cost at the beginning of the plan year.

Method for Accrued Benefits

The actuarial present value of accumulated plan benefits is a measure of plan benefits that have been earned to date. This is not only a valuation of retirement benefits, but also of deferred vested, death, and disability benefits. Earnings and service for benefit purposes expected to be earned after the valuation date are excluded from this value.

The actuarial assumptions used to determine this value are identical to those used for the funding purposes.

Method of Asset Valuation

The asset valuation method is the "smoothed market value (with phase-in)" method, using a smoothing period of 5 years, as described in paragraph 3.16 of IRS Revenue Procedure 2000-40. When fully phased in, the actuarial value of assets will equal the market value of assets with gains subtracted or losses added at the rate described below:

a. 4/5 of the prior year's gain or loss
b. 3/5 of the second preceding year's gain or loss
c. 2/5 of the third preceding year's gain or loss
d. 1/5 of the fourth preceding year's gain or loss

The gain or loss for a year is determined by calculating the difference between the expected value of assets for the year and the market value of assets at the valuation date. The expected value of assets for the year is market value of assets at the prior-year valuation date brought forward with interest at the valuation interest rate to the current valuation date, plus contributions minus benefit disbursements (benefits and expenses), all adjusted with interest at the valuation rate to the current valuation date. If the expected value is less than the market value, the difference is a gain. If the expected value is greater than the market value, there is a loss.

In the first year, the actuarial value of assets is equal to the market value of assets. In subsequent years, the smoothed value is calculated as described above, except that the only gains or losses recognized are those occurring in the year of the change and later. In general, the actuarial value of assets must fall between 80% and 120% of the market value of assets.

Data

The valuation results are based upon participant census and financial data provided by the plan sponsor. The data was tested for reasonableness and consistency with the prior valuation.

Actuarial Assumptions

The following actuarial assumptions were employed in the determination of the liabilities and annual contributions of the plan as developed in accordance with the funding methods described in this report.

1. The rates of mortality will be in accordance with the Retired Pensioners Mortality Table (RP-2000).

2. Interest will be earned at the rate of 7.5% per year.

3. Salary projection assumed to equal the following:

Year	Percent Increase
2014 & after	3.50%

4. Withdrawal prior to retirement is assumed to occur in accordance with Crocker Sarason Straight Table T-7.

5. No disability prior to retirement is assumed.

6. Retirement is assumed to occur in accordance to the following rates:

Age	Percent Retiring
55	15%
56-59	3%
60-61	10%
62	25%
63-64	15%
65	100%

7. All plan participants have been included in the funding.

SECTION 5
HISTORICAL TREND INFORMATION

REVENUES BY SOURCE					
Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Miscellaneous	Total
2004	2,111,317	480,241	10,186,763	8,633	12,786,954
2005	2,259,714	1,531,456	11,965,484	8,381	15,765,035
2006	2,435,241	1,909,487	17,762,750	109	22,107,587
2007	2,377,797	2,818,972	15,708,506	19,012	20,924,287
2008	2,807,483	3,682,478	(39,088,320)	85,409	(32,512,950)
2009	2,851,636	6,067,903	28,532,073	472	37,452,084
2010	2,842,151	4,318,312	20,937,248	0	28,097,711
2011	2,829,980	5,187,838	2,636,165	3,968	10,657,951
2012	2,790,857	5,897,793	20,537,768	3474	29,229,892
2013	2,844,809	6,812,406	37,898,762	0	47,555,977

PAYMENTS BY SOURCE				
Fiscal Year	Benefits	Refunds	Administrative/ Investment	Total
2004	4,007,259	1,718,534	727,987	6,453,780
2005	4,607,551	219,243	980,416	5,807,210
2006	5,172,719	549,165	975,107	6,696,991
2007	6,949,393	350,970	1,015,472	8,315,835
2008	6,602,403	369,818	1,076,697	8,048,918
2009	7,967,589	174,188	861,134	9,002,911
2010	8,700,743	419,399	994,820	10,114,962
2011	10,142,131	282,138	1,070,551	11,494,820
2012	9,866,539	150,971	1,044,986	11,062,496
2013	11,144,676	218,318	1,039,341	12,402,335

SECTION 6
ACCOUNTING INFORMATION

Disclosure of Pension Information in Accordance with Statement No. 25 and Statement No. 27 of the Governmental Accounting Standards Board.

ERIE COUNTY EMPLOYES' RETIREMENT PLAN

STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2013

	2013 Total	2012 Total
Additions		
Contributions		
County	$ 6,812,406	$ 5,897,793
Plan Members	2,844,809	2,790,857
Total Contributions	9,657,215	8,688,650
Investment Income		
Net Appreciation/Depreciation in Fair Value of Investments	33,046,877	16,119,107
Interest	481,629	2,370,761
Dividends	4,323,684	1,984,075
Miscellaneous	0	3,474
Loss Recovery	11,410	21,629
Securities Lending	35,162	42,196
Less Investment Expense	857,230	872,668
Net Investment Income	37,041,532	19,668,574
Total Additions	46,698,747	28,357,224
Deductions		
Benefits	11,144,676	9,866,539
Refunds of Contributions	218,318	150,971
Administrative Expense	182,111	172,318
Total Deductions	11,545,105	10,189,828
Net Increase	35,153,642	18,167,396
Net Assets Held In Trust For Pension Benefits		
Beginning of Year	192,286,593	174,119,197
End of Year	$ 227,440,235	$ 192,286,593

ERIE COUNTY EMPLOYES' RETIREMENT PLAN

STATEMENT OF PLAN ASSETS AS OF DECEMBER 31, 2013

Assets	2013 Total	2012 Total
Cash and Short Term Investments	$ 3,558,902	$ 4,766,060
Receivables	0	0
Investments, at fair value		
U.S. Government Obligations	$ 21,694,678	$ 23,247,467
Domestic Corporate Bonds	19,932,632	21,207,206
Domestic Common Stocks	105,595,550	86,773,331
High Yield Mutual Funds	0	13,740,377
Mutual Funds	62,921,624	0
Equity Fund	149,737	0
International Equities	0	19,369,493
International Bonds	0	379,812
Real Estate	13,128,644	12,125,957
Certificate of Deposit	0	1,222,995
Vanguard Short Term Fund	0	8,958,639
Accrued Income	458,468	495,137
Accrued Member Contributions	0	119
Total Investments	$ 223,881,333	$ 187,520,533
Total Assets	$ 227,440,235	$ 192,286,593
Liabilities		
Refunds Payable and Other	0	0
Net Assets Held In Trust For Pension Benefits		
	$ 227,440,235	$ 192,286,593

Section 6--Continued

Erie County Employes' Retirement System

Notes to the Financial Statements for the Fiscal year Ended December 31, 2013

Summary of Significant Accounting Policies

Basis of Accounting: The Erie County Employes' Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Descriptions and Contribution Information

Membership of the plan consisted of the following at December 31, 2013, the date of the last actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	625
Terminated Plan Members Entitled to but not yet receiving benefits	130
Active Plan members	1,152
Total	1,907
Number of Participating Employers	1

Section 6--Continued

Erie County Employes' Pension System

Plan Description: The Erie County Employes' Pension Plan is a single-employer defined benefit pension plan that covers all employees of the County. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Erie County Employes' Retirement Board. Act 96 of 1971, as amended, cited as the County Pension Law provides for the creation, maintenance and operation of this plan.

Contributions: Plan members are required to contribute 5% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES OF EMPLOYER CONTRIBUTIONS

Year	Annual Required Contribution	County Contribution
1999	$ 0	$ 0
2000	$ 0	$ 0
2001	$ 0	$ 0
2002	$ 0	$ 0
2003	$ 0	$ 0
2004	$ 377,956	$ 480,241
2005	$ 1,633,741	$ 1,531,456
2006	$ 1,909,487	$ 1,909,487
2007	$ 2,818,972	$ 2,818,972
2008	$ 3,682,478	$ 3,682,478
2009	$ 6,067,903	$ 6,067,903
2010	$ 4,318,312	$ 4,318,312
2011	$ 5,187,838	$ 5,187,838
2012	$ 5,897,793	$ 5,897,793
2013	$ 6,812,406	$ 6,812,406

Section 6--Continued

NOTES TO THE REQUIRED SCHEDULES	
The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:	
Valuation Date	12/31/13
Actuarial Cost Method	Aggregate
Asset Valuation Method	Smoothed Market Value (with phase-in), using a smoothing period of 5 years.
Actuarial Assumptions:	
Investment Rate of Return*	7.50%
Projected Salary Increases*	
2014 and after	3.50%
* Includes Inflation at	3.00%

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Excess of Assets over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess of Assets over AAL as a Percentage of Covered Payroll ((a-b) / c)
01/01/2008	$160,306	$157,995	$2,311	101.5%	$42,626	5.4%
01/01/2009	$154,229	$177,114	$(22,885)	87.1%	$44,830	(51.0%)
01/01/2010	$170,697	$186,142	$(15,445)	91.7%	$45,265	(34.1%)
01/01/2011	$177,343	$200,552	$(23,209)	88.4%	$43,890	(52.9%)
01/01/2012	$180,478	$209,254	$(28,776)	86.2%	$43,176	(66.6%)
01/01/2013	$185,418	$219,208	$(33,790)	84.6%	$42,980	(78.6%)
01/01/2014	$206,490	$230,140	$(23,650)	89.7%	$43,565	(54.3%)

ACCOUNTING PROCEDURES FOR CALCULATING NET PENSION OBLIGATION (NPO)							
(1) Year	(2) ARC	(3) Interest On NPO***	(4) ARC Adjustment**	(5) Pension Cost (2+3-4)	(6) Contribution	(7) Change in NPO (5-6)	(8) NPO Balance* (BB+7)
1998	0	0	0	0	320,000	-320,000	-320,000
1999	0	-24,000	-36,477	12,477	0	12,477	-307,523
2000	0	-23,064	-36,077	13,013	0	13,013	-294,510
2001	0	-22,088	-34,908	12,820	0	12,820	-281,690
2002	0	-21,127	-33,825	12,698	0	12,698	-268,992
2003	0	-20,174	-33,266	13,092	0	13,092	-255,900
2004	377,956	-19,193	-32,056	390,819	480,241	-89,422	-345,322
2005	1,633,741	-25,899	-42,849	1,650,691	1,531,456	119,235	-226,087
2006	1,909,487	-16,957	-28,378	1,920,908	1,909,487	11,421	-214,666
2007	2,818,972	-16,100	-27,492	2,830,364	2,818,972	11,392	-203,274
2008	3,682,478	-16,262	-25,343	3,691,559	3,682,478	9,081	-194,193
2009	6,067,903	-15,535	-25,017	6,077,385	6,067,903	9,482	-184,711
2010	4,318,312	-14,777	-23,576	4,327,111	4,318,312	8,799	-175,912
2011	5,187,838	-13,193	-23,315	5,197,960	5,187,838	10,122	-165,790
2012	5,897,793	-12,434	-21,984	5,907,343	5,897,793	9,550	-156,240
2013	6,812,406	-11,718	-20,124	6,820,812	6,812,406	8,406	-147,834

* *BB = Beginning balance for the year.*

** *ARC Adjustment – Amortization factor based upon level percentage of projected payroll.*

*** *Interest rate on the balance of the NPO at the beginning of the year using the investment return rate assumed in determining ARC. The interest is an estimate of the investment earnings lost to the plan on any contributions that were not made (7.5% when applicable).*

SECTION 7
AGE, SERVICE AND AVERAGE SALARY PROFILE OF THE ACTIVE MEMBERS ON JANUARY 1, 2014

FULL YEARS OF SERVICE TO JANUARY 1, 2014									
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**	**Average Salary**
0-24	27	0	0	0	0	0	0	27	26,155
25-29	81	11	0	0	0	0	0	92	31,256
30-34	66	56	8	0	0	0	0	130	33,932
35-39	35	46	32	3	0	0	0	116	35,575
40-44	32	44	38	33	6	1	0	154	38,338
45-49	24	41	30	21	32	10	1	159	40,619
50-54	30	27	30	24	31	25	20	187	41,435
55-59	17	26	24	18	17	13	20	135	41,481
60-64	9	18	22	16	16	6	21	108	41,138
65 +	3	13	9	12	2	1	4	44	36,445
Total	324	282	193	127	104	56	66	1,152	38,088

AVERAGE AGE: **46.2**

AVERAGE SERVICE: **12.1**

SECTION 8
DEPOSIT ADMINISTRATOR INFORMATION

Boston Advisors, Inc.

Boyd Watterson Asset Management

C.S. McKee & Co., Inc.

Dimension Fund Advisors

Emerald Advisors, Inc.

Multi-Employer Property Trust

Philadelphia Trust Company

PNC

Seix Advisors

Templeton

Vanguard Funds

WHV Investment Management

Wells Capital

Fiduciary Advisor

Morrison Fiduciary Advisors, Inc.