ATTACHMENT F

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
A PENSION TRUST FUND OF THE CITY OF
PASADENA, CALIFORNIA

REPORT AND AUDITED FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTAL INFORMATION

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010
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BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement
Pasadena Fire and Police Retirement System
Pasadena, California

We have audited the accompanying statements of plan net assets of the Pasadena Fire and Police Retirement System (the "System") as of June 30, 2011 and 2010, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Pasadena Fire and Police Retirement System as of June 30, 2011 and 2010, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Required Supplemental Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the System's management. Such information has been subjected to the auditing procedures applied by us in the audit of the Fiscal Year 2011 basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the Fiscal Year 2011 basic financial statements taken as a whole. The Other Supplemental Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. The Other Supplemental Information as listed in the table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Bakersfield, California
November 7, 2011

The Pasadena Fire and Police Retirement System ("System" or "Plan") is a defined benefit Plan governed by a Retirement Board ("Board") under the provisions of the City of Pasadena ("City") Charter. Its operations have been reported as a Pension Trust Fund in the City's financial statements. The System is a closed, single employer, defined benefit pension plan that continues to provide retirement, disability, and survivor benefits for eligible sworn safety employees of the City. The System serves the City's sworn employees hired prior to July 1, 1977, except those who elected to transfer to the California Public Employees Retirement System ("CalPERS") either when the System was closed to new members, or in June 2004. The System is governed by a Board of five members; one member of the City Council, two Pasadena residents appointed by the City Council, and two members of the Retirement System elected under the supervision of the Retirement System. Board members are elected to terms of four years with no restriction on reappointment. Board members receive no compensation.

The discussion and analysis of the System's financial performance provides an overview of the financial activities for the fiscal year ending June 30, 2011. This discussion and analysis should be read in conjunction with, and is qualified in its entirety by, the accompanying audited financial statements and footnotes which begin following this Management Discussion and Analysis. The financial statements, footnotes, and this discussion and analysis were prepared by management and are the responsibility of management.

Financial Highlights

The Change in Plan Net Assets Held in Trust for Pension Benefits increased by $13,018,063 for fiscal year 2011, which compares to an increase of $4,707,307 in fiscal year 2010. This was driven by investment gains of $19,605,223 due to the strong market recovery in the economic and financial markets.

Due to the rebound in the financial markets, net investment gains for the Plan were $19,605,223 as compared to the net investment gains of $14,946,559 in the prior fiscal year. The current fiscal year investment gains were consistent with overall market conditions.

The asset allocation is frequently reviewed by the Board and the investment consultant. On April 1, 2011, the Board hired Wurts & Associates ("Wurts") as their new Investment Consultants, replacing Mercer Investment Consultants. Wurts conducted an asset allocation study in April-May 2011 with the Board adopting a new asset allocation mix at their May 19, 2011 meeting. The new asset mix was mostly implemented in late June 2011, with the remaining asset class of Private Real Estate to be implemented during the 2011/2012 fiscal year. Overall, the changes to the asset mix reflect adjustments to the allocation targets from the prior policy in two ways. First, an allocation to Treasury Inflation Protection Securities was added in June 2011. Second, Private Real Estate will replace the Real Estate Investment Trust Mutual Fund during fiscal year 2012. The new mix further diversifies the total risk of the Plan while adding hedges against inflation. A cash reserve within the Plan will remain to meet the required monthly cost of benefits and administration. A rebalance of the portfolio will be made quarterly to pay the benefits and administrative costs. For fiscal year 2011, no cash withdrawals were made from the Northern Trust Collective Government Short-Term Investment Fund (cash account) to transfer to the City's pooled cash account. Rebalancing serves as an ongoing process to maintain balance with the Board's asset allocation goals and to fund the Plan's benefit and administrative costs.

Contributions for fiscal year 2011 were $8,036,000, which consisted of a contribution that was received from the City under Contribution Agreement No. 16,900 ("Contribution Agreement"). That contribution was placed in the City's Pooled Cash account to fund the Plan's benefit and administrative costs.

Deductions from the Plan Net Assets primarily consisted of the payment of benefits to retired members and their beneficiaries and the costs of administering the Plan. These deductions decreased to $14,623,160 in the current fiscal year. This represented a decrease of $597,796 compared to the prior year and was primarily due to decreased benefits to participants and administrative costs.

The System engaged Bartel Associates on July 22, 2010, to serve as its independent actuary. The most recent actuarial valuation was prepared as of June 30, 2011, and determined the funded percentage, calculated in accordance with the Amended and Restated Contribution Agreement No. 20,823, to be 59.0% as compared to 66.1% in the prior year. The decrease of 7.1% was attributed to the following: the effect of recognizing a portion of the current and prior years' investment gains and losses which decreased the funded position by 3.9%; the normal operation of the Plan which increased the funded percentage by 2.1%; demographic losses which decreased the funded percentage by 0.4%; lower than expected cost of living ("COLA") increases for the year which increased the funded percentage by 1.9%; and a change in the interest rate and inflation assumptions which decreased the funded percentage by 6.8%. The Plan had an approximate market value asset rate of return of 21.8%, net of expenses, which exceeded the assumed rate of return of 8.0%. This 8% assumed rate of return was for the actuarial valuation of June 30, 2010 (FY 10/11).

Per the Amended and Restated Contribution Agreement No. 20,823, the actuarial valuation as of June 30, 2011 uses an assumed rate of return of 6% and an annual inflation rate of 3%. As provided by the Amended and Restated Contribution Agreement No. 20,823, if the funded percentage is below the minimum funding percentage of 75.5% for fiscal year 2011, the City will reimburse the System in the following fiscal year subject to certain reimbursement limits. Based on the June 30, 2011, actuarial valuation, the funding deficiency was $29,546,000, or 16.48%% below the funding requirement of 75.5% as of June 30, 2011. This compared to a minimum funding deficit of $14,832,000, or 8.93%, to meet the minimum funding requirement of 75.0% as of June 30, 2010. The Amended and Restated Contribution Agreement No. 20,823 states that if this minimum funding deficit is greater than $3,000,000 the City will pay $3,000,000 to the System and any remaining amount necessary to reach the minimum funding percentage phased in over a five-year period, with the total City contribution being no greater than the Reimbursement Cap of $9,079,000. Based on these provisions, the required supplemental contribution by the City is $9,079,000 on January 3, 2012, which is the due date for the City to make the contribution. Per the Amended and Restated Contribution Agreement No. 20,823, if the City makes the required supplemental contribution later than January 3, 2012, it will add interest from January 3, 2012, to the date of the contribution at an annual rate of 6%.

Financial Statement Overview

This discussion and analysis serves as an introduction to the System's basic financial statements. These include the following three components:

- Statement of Plan Net Assets
- Statement of Changes in the Plan Net Assets
- Notes to Financial Statements

In addition to the financial statements, this report also contains required supplemental information and supporting schedules of actuarial information.

The *Statement of Plan Net Assets* provides a snapshot of account balances at year-end. It also indicates the assets available for future benefit payments and administration of the Plan as well as current liabilities outstanding at year-end. The assets less liabilities, give the reader a clear picture of what funds are available for future payments.

The *Statement of Changes in Plan Net Assets,* in contrast, provides a summary view of the additions to and the deductions from the plan net assets that occurred over the course of the year.

Together these two statements report the System's net assets–the difference between assets and liabilities–as one way to measure the System's financial position. Over time, increases and decreases in net assets are one indicator of whether the System's financial situation is improving or deteriorating. Additional factors, such as market conditions, also need to be considered in assessing the System's overall financial situation.

The financial statements and required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board, using the accrual basis of accounting. Investments are reported at current fair value. Both realized and unrealized investment gains and losses are recognized.

The *Notes to Financial Statements* provide additional information and explanations that are essential to a full understanding of the data provided in the financial statements. The Notes to Financial Statements appear on pages 9 to 22.

The Required Supplemental Information follows the notes showing the Plan's funding progress with obligations to provide pension benefits to members, as well as historical trend information reflecting how much the City has contributed in relation to their annual required contributions.

Condensed Statement of Plan Net Assets

	June 30,			Increase (Decrease)	Increase (Decrease)
	2011	**2010**	**2009**	**2011/2010**	**2010/2009**
		(In Thousands)			
Current Assets	$ 5,435	$ 9,464	$ 16,163	$ (4,029)	$ (6,699)
Investments	102,078	85,113	75,324	16,965	9,789
Total Assets	107,513	94,577	91,487	12,936	3,090
Total Liabilities	2,579	2,660	4,278	(81)	(1,618)
Total Plan Net Assets	$ 104,934	$ 91,917	$ 87,209	$ 13,017	$ 4,708

As of June 30, 2011, the System had $104,934,397 in Plan Net Assets. The Net Assets represent funds held in trust for future benefit payments. However, public pension funds are not required to disclose the future obligations owed to retirees. Only current liabilities are reported on the Statement of Plan Net Assets.

Condensed Statement of Changes in Plan Net Assets

	June 30, 2011	June 30, 2010	June 30, 2009	Increase (Decrease) 2011/2010	Increase (Decrease) 2010/2009
		(In Thousands)			
Employer Contributions	$ 8,036	$ 4,982	$ 956	$ 3,054	$ 4,026
Plan Member Contributions	-	-	24	-	(24)
Net Investment Income (Loss)	19,605	14,947	(23,626)	4,658	38,573
Total Additions (Decreases)	27,641	19,929	(22,646)	7,712	42,575
Benefit Payments	14,382	14,975	14,898	(593)	77
Administrative Expenses	241	246	211	(5)	35
Total Deductions	14,623	15,221	15,109	(598)	112
Net Increase (Decrease)	$ 13,018	$ 4,708	$ (37,755)	$ 8,310	$ 42,463

During the year ended June 30, 2011, the Plan Net Assets increased by $13,018,063, principally as a result of the increase in the System's investment performance, which coincided with the overall recovery in the U.S. and global financial markets, as well as the payments of the regularly scheduled benefits and System costs.

Fiduciary Responsibilities

The System is a fiduciary for the pension plan of the City of Pasadena. Accordingly, the System is responsible for ensuring that the assets reported in the statements are used for the intended purpose of paying expenses and providing retirement benefits to the retirees and beneficiaries of the System.

Requests for Information

This financial report is designed to provide a general overview of the System's finances and to account for the money the System receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Pasadena Fire & Police Retirement System
100 N. Garfield Avenue, #N204
Pasadena, CA 91101

Respectfully submitted,

Mary Smith
Retirement Administrator

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2011 AND 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 5,234,332	$ 9,281,352
Receivables:		
Interest	200,421	183,072
Total receivables	200,421	183,072
Investments, at fair value:		
Government and agencies	22,206,282	14,252,981
Domestic corporate obligations	15,235,215	17,028,652
International corporate obligations	1,283,168	1,173,230
Real estate (REITS)	9,660,250	6,134,669
Domestic corporate stocks	33,204,990	36,608,441
International corporate stocks	20,488,520	9,914,568
Total investments	102,078,425	85,112,541
Total assets	107,513,178	94,576,965
Liabilities		
Accounts payable and accrued liabilities	65,514	66,975
Pending purchases	2,513,267	2,593,656
Total liabilities	2,578,781	2,660,631
Net assets held in trust for employees' pension benefits	$ 104,934,397	$ 91,916,334

The accompanying notes are an integral part of these financial statements.

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
Additions:		
Contributions:		
Employer	$ 8,036,000	$ 4,981,704
Net investment income:		
Net changes in fair value of investments	17,567,082	12,986,543
Interest	1,504,834	1,517,524
Dividends	898,571	774,255
Gross investment income	19,970,487	15,278,322
Less investment expenses	(365,264)	(331,763)
Net investment income	19,605,223	14,946,559
Total additions	27,641,223	19,928,263
Deductions:		
Benefits paid to participants	14,381,525	14,974,640
Administrative expenses	241,635	246,316
Total deductions	14,623,160	15,220,956
Net increase	13,018,063	4,707,307
Net assets held in trust for employees' pension benefits:		
Beginning of year	91,916,334	87,209,027
End of year	$ 104,934,397	$ 91,916,334

The accompanying notes are an integral part of these financial statements.

NOTE 1 – PENSION PLAN DESCRIPTION

General

The Pasadena Fire and Police Retirement System ("System") is a defined benefit plan governed by a Retirement Board ("Board") under provisions of the City of Pasadena ("City") Charter. The Retirement Board has sole and exclusive responsibility over the assets of the System and the responsibility to administer the System to assure prompt delivery of benefits and related services as provided in Article XV of the Pasadena City Charter. The Board consists of five members. The Board members as of June 30, 2011, were as follows:

Keith Jones, Chair
John Tennant, Vice Chair
Peter Boyle, Board Member
John Brinsley, Board Member
Terry Tornek, Board Member

The System covers all fire and police personnel who were employed by the City prior to July 1, 1977, except for those who elected to transfer to the California Public Employees Retirement System ("CalPERS") when the System closed to new members in June 2004. In June 2004, active members were provided a one-time opportunity to transfer from the System to CalPERS as provided by an agreement with the City. Once transferred to CalPERS, retirement benefits for all fire and police personnel employed thereafter are provided under CalPERS.

The System is a single-employer public employees' retirement system which is included as a pension trust fund in the financial statements of the City of Pasadena, California. The System provides basic lifetime retirement, disability, and death benefits to members who meet the minimum age and length-of-service requirements.

As of June 30, 2011, the System membership consisted of 269 retirees and beneficiaries who currently receive benefits. There are no longer any active employees participating in the System. As of June 30, 2010, there were 275 retirees and beneficiaries.

Benefit provisions are established and, subject to any constitutional limitations, may be amended by the City Charter.

Pension Plan Benefits

Members are entitled to annual pension benefits beginning at normal retirement age (50) equal to 1/50 of final compensation, times the member's number of years of service, times an actuarial equivalent based on the actual retirement age. The System permits service retirement at age 50, provided at least 15 years of service have been rendered, or retirement after 25 years of service, regardless of age.

Disability Benefits

Generally, active members who become totally disabled receive annual disability benefits that are equal to 50% of final compensation.

Death Benefits

In the case of a death before a member is eligible to retire, there is a refund of the employee contributions, with interest, plus six months' salary. If the member is eligible to retire, 60% of the earned benefit is payable to the eligible surviving spouse for their lifetime.

NOTE 1 – PENSION PLAN DESCRIPTION (Continued)

Survivor Benefits

Upon the death of a retiree, the qualified beneficiary is entitled to receive retirement benefits equal to 60% continuance for a service retirement and 100% continuance for a service-connected disability retirement.

Cost of Living Adjustment (“COLA”)

Monthly retiree benefits are eligible for an annual cost of living adjustment based on the increase/decrease of the annual average in the Consumer Price Index (“CPI”) for the Los Angeles-Riverside-Orange County, CA, area for the previous year, January to December, and the change is rounded to the nearest whole. The adjustments are calculated by the actuary, adopted by the Board, and become effective on July 1 of each year. The COLA for 2011 was an increase of 1% and 2010 was a decrease of 1%.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The System follows the accounting principles and reporting guidelines as set forth in Statement No. 25 of the Governmental Accounting Standards Board (“GASB”). The financial statements are prepared and presented using the accrual basis of accounting. Member and employer contributions are recognized in the period in which the contributions are due and when the City has made a formal commitment to provide the contributions. Benefits are recognized when payable, in accordance with the terms of the System.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reporting Entity

The System’s annual audited financial statements are included in the City of Pasadena’s financial reports as a pension trust fund.

Cash and Cash Equivalents

The System’s cash and short-term investments are managed by the Northern Trust Bank (master custodian for investment securities) and the City Treasurer.

City Treasury

Cash necessary for the System’s daily operations is pooled with other City funds for short-term investment by the City Treasurer. The City is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds.

The System has designated $1,350,000 in cash reserves to be invested by the City Treasurer in pooled cash. The funds equal one month of benefits and administrative expenses and are restricted for use in the event of a major emergency or disaster.

Reclassifications

Comparative data for the prior year has been presented in the selected sections of the accompanying Statements of Plan Net Assets and Changes in Plan Net Assets. Also, certain accounts presented in the prior year’s data may have been reclassified in order to be consistent with the current year’s presentation.

NOTE 3 – INVESTMENTS

Investments are reported at fair market value. Fair value for investments of publicly traded stocks and bonds and issues of the U.S. Government and its agencies is based on the last reported sale price as of the fiscal year end. Fair value of securities denominated in a foreign currency reflects exchange rates in effect at fiscal year-end. Fair value of investments in commingled funds in real estate is based on the fund share price provided by the fund manager which is based on net asset value.

Authorized Investments

The City of Pasadena Charter confers the authority and fiduciary responsibility for investing the System's funds on the Retirement Board. In addition, as set forth below, Board members are subject to carry out their duties in the manner of a prudent person familiar with such retirement and investment matters acting under similar circumstances. Investments shall be subject to the same terms, limitations, and restrictions as are imposed by the Constitution and laws of the State upon the investment of the CalPERS Funds, as now enacted or hereafter amended. This prudent expert rule permits the Board to make investment allocation decisions and diversify investment holdings to reduce overall risk and increase returns. The prudent expert rule also permits the Board to establish an investment policy based on professional advice and counsel, and allows for the delegation of investment authority to professional investment managers. The System's investment policy outlines the responsibility for the investment of the funds and the degree of risk deemed appropriate for the System's investments. Investment managers are contractually bound to carry out their responsibilities in accordance with the Board of Retirement's investment policy and to follow specific contractual guidelines.

The Board oversees and guides the System subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- Diversify the investments of the System so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

Pursuant to this authority, the Retirement Board has authorized investment in the following securities:

- Securities of the U.S. Government or its agencies
- Certificates of Deposit, or Time Deposits, placed with commercial banks and savings and loan associations
- Negotiable Certificates of Deposit
- Banker's acceptances
- Commercial paper (rated A-1/P-1 or better)
- Medium-term corporate notes
- Corporate and municipal bonds
- Preferred stock
- Common stock
- Fixed-income funds

NOTE 3 – <u>INVESTMENTS</u> (Continued)

<u>Authorized Investments</u> (Continued)

- Foreign stock and corporate bonds
- Mutual funds
- Real Estate Investment Trust (REIT)
- Private real estate
- Treasury Inflation Protected Securities

<u>Deposit and Investment Risks</u>

The System adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment to GASB Statement No. 3*, effective July 1, 2004. GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the ability to provide services and meet obligations as they become due. The disclosures required by this statement provide information to assess common risks inherent in deposit and investment transactions. Deposit and investment resources represent considerable assets of the System, and these resources are necessary to carry out fiduciary responsibilities. GASB Statement No. 40 requires the disclosure of the following specific risks that apply to the System's investments:

Credit Risk and Market Value of Investments
Custodial Credit Risk – Deposits and Investments
Concentration of Credit Risk
Interest Rate Risk
Highly Sensitive Investments
Foreign Currency Risk
Cash and Investments

GASB Statement No. 40 also requires the disclosure of deposit or investment policies (or the lack thereof) that relate to the investment and custodial risks that are required to be disclosed.

<u>Statement of Investment Policy</u>

The Board has chosen to manage the investment risks described by GASB Statement No. 40 by contractually requiring each portfolio investment manager to abide by the Statement of Investment Policy, specifically tailored to that individual manager, rather than adopting across-the-board investment policies with respect to these investment risks. The Board adopted its revised Statement of Investment Policy on June 16, 2011. The revision adjusted the strategic allocation ranges for equities and fixed income following the adoption of a new asset allocation mix on May 19, 2011. The policy added allocations to Treasury Inflation Protected Securities and Private Real Estate and deleted the allocation to the Real Estate Investment Trust. At the end of June 30, 2011, the System had seven external investment managers.

The fixed income policy stipulates the strategy and investments, investment process, quality constraints, duration constraints, diversification, cash reserves, derivatives, and rate of return expectation.

NOTE 3 – <u>INVESTMENTS</u> (Continued)

Credit Risk and Market Value of Investments

The Board has the exclusive control over the System's investment portfolio as prescribed by Article XV, Section 1502 of the City of Pasadena Charter. The Board has established the Statement of Investment Policy, effective May 21, 2009, with revisions on September 17, 2009, May 20, 2010, and June 16, 2011, in accordance with applicable local, State, and Federal laws. The Board members exercise authority and control over the management of the System's assets by setting policy which the Board executes through the use of external prudent experts. The Board oversees and guides the System subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- Diversify the investments of the System so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

The Statement of Investment Policy encompasses the following asset classes and the asset allocation goals:

- Domestic Core Fixed Income – 30%
- Large Cap Domestic Equity – 27% (13.5% Large Cap Value, 13.5% Large Cap Growth - Passive)
- Small-Mid Cap Core Equity – 5%
- International Equity – 20%
- Private Real Estate – 10%
- TIPS (Treasury Inflation Protected Securities) – 5%
- Cash – STIF – 3%

The System requires $1,350,000 monthly to cover the benefit payments and administrative costs. When an asset class exceeds the allocation goal, the Board and the Investment Consultant review the allocation and determine the appropriate asset class/classes from which to withdraw the cash. This also serves as an ongoing rebalancing of the fund to maintain the allocation goals.

NOTE 3 – <u>INVESTMENTS</u> (Continued)

Credit Risk

Credit risk is the risk that the issuer of a debt security or other counterparty to an investment will not fulfill its obligations. The individual investment guidelines for the fixed income investment manager describe applicable restrictions on credit risk. The System seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization, the Standard & Poor's ("S & P"), as of June 30, 2011, are as follows:

Credit Quality Ratings of Investments in Fixed Income Securities

Quality Ratings - S & P	Market Value	Percentage
AAA	$ 7,161,593	18.49%
AA	1,533,653	3.96%
A	4,180,652	10.80%
BBB	2,897,531	7.48%
BB	806,924	2.08%
B	800,629	2.07%
CCC	550,168	1.42%
D	95,569	0.25%
Not Rated/Quality Rating N/A*	3,282,155	8.48%
Rating Not Determined **	17,415,791	44.97%
Total	$ 38,724,665	100.00%

* Minus: Not rated: STIF of $ 1,548,168 and commercial paper of $624,905.

** Minus: Not rated: N/A.

** These ratings are implicitly or explicitly guaranteed by the U.S. Government and currently a rating is not provided by the nationally recognized statistical rating organization. The rating agencies normally do not rate government agency and treasury debt and, therefore, they have an implied AAA rating.

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution's failure, the System will not be able to recover the value of deposits nor be able to recover collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2011, the System is not exposed to such risk on the fair value of total international investments. The System does not have a formal policy for custodial credit risk.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The individual investment guidelines for each investment manager require that managed investments be held and maintained with the master custodian in the name of the System. Investment securities are exposed to custodial credit risk if the securities are uninsured, or are not registered in the System's name, and held by the counterparty. The System's investments are not exposed to custodial credit risk if they are insured or registered in the System's name. The System's investments are not exposed to custodial credit risk because all securities are held by the System's custodial bank in the System's name.

NOTE 3 – INVESTMENTS (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of potential loss attributed to the magnitude of the System's investment in a single issuer of securities. The individual investment guidelines for the fixed income manager forbid concentrations greater than 5% in the securities of any one issuer (excepting issues issued by or explicitly guaranteed by the U.S. government). The Board's investment policies and guidelines permit investments in numerous specified asset classes to take advantage of professional investment management advice and a well-diversified portfolio. As of June 30, 2011, the System held investments in two Federal agencies, Federal National Mortgage Association and Federal Home Loan Mortgage Association that exceed a 5% threshold. However, these issuers have an implicit guarantee from the Federal government.

Fixed Income Securities
As of June 30, 2011

Issuer	Market Value	% of Total MV
Federal National Mortgage Association	$ 5,892,185	5.78%
Federal Home Loan Mortgage Corporation	$ 5,731,436	5.62%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It uses the present values of cash flows, weighted for those cash flows as a percentage of the investment's full price. The longer the duration of a portfolio, the greater its price sensitivity is to changes in interest rates.

While no specific ranges are required, one of the ways the System manages its exposure to interest rate risk is by requiring the fixed income investment manager to maintain their portfolio effective duration within +/- 20% of the benchmark, the Barclays Capital U.S. Aggregate Bond Index. The effective duration is a measure, in years, of interest-rate sensitivity in debt investments. The longer the effective duration, the greater the sensitivity to interest rate changes.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is provided by the following table that shows the weighted average effective duration of the System's fixed income investments by investment type:

NOTE 3 – INVESTMENTS (Continued)

Highly Sensitive Investments

Highly sensitive investments are certain debt investments whose terms may cause their fair value to be highly sensitive to market interest rate changes. Terms include such information as embedded options, coupon multipliers, benchmark indexes, and reset dates. The System's asset-backed investments have embedded prepayment options that will typically cause prepayments by the obligees of the underlying investments when interest rates fall. Prepayments eliminate the stream of future interest payments and, therefore, diminish the fair value of the asset-backed investment. The following table shows the fair value of the System's asset-backed investments by investment type:

Investment Type	Amount
Government Mortgage Backed Securities	$ 11,773,924
Asset Backed Securities	2,612,438
Commercial Mortgage Backed Securities	2,461,812
Non-Government Backed Commercial Mortgage Obligations	4,057,628
Total	$ 20,905,802

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment or deposit. The System's authorized investment managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. Currency hedging will be permitted as part of a defensive strategy to protect the portfolio's underlying assets.

The System's investment holdings as of June 30, 2011, are as follows:

Foreign Currency Type - Corporate Bonds	Market Value in USD	% of Total MV
Guernsey, Channel Islands	$ 138,309	0.14
United Kingdom	657,987	0.65
Switzerland	312,508	0.31
New Zealand	174,365	0.17
Total Foreign Currency	$ 1,283,168	1.27
Foreign Currency Type - Equities		
International Region	$ 20,488,520	20.10
Total Foreign Currency	$ 20,488,520	20.10

NOTE 3 – INVESTMENTS (Continued)

Cash and Investments

Cash and investments as of June 30 were held as follows:

	June 30,	
	2011	2010
	(In Thousands)	
Unrestricted Pooled Cash	$ 1,711	$ 369
Restricted Pooled Cash	1,350	1,350
Cash with Fiscal Agent	2,173	7,562
Investments - Held by Trustee	102,078	85,112
	$ 107,312	$ 94,393

NOTE 4 – CONTRIBUTION INFORMATION

Contribution requirements are established by the City Charter and by contract, and, subject to any constitutional limitations, may be amended by the City Charter or further agreement between the City and the System.

General

Historically, the City has made monthly contributions to the System based on actuarially determined employer contribution rates which, together with employee contributions, were expected to provide sufficient assets to pay funded basic benefits when due. However, the City Charter did not require actuarially determined funding for unfunded basic, 1919, and COLA benefits, which are funded under Contribution Agreement No. 16,900, dated March 18, 1999, between the City and the System. Per the terms negotiated through their respective recognized Associations, employee contributions of 9% for both fire and police personnel base earnings were made by the City on behalf of the employee and credited to their individual accounts.

Member Contributions

As a condition of participation, members were required to contribute a percentage of their annual salary to the System. Currently there are no active members in the System, and hence no further member contributions are due to the System.

The funding of the System was updated on March 18, 1999, when the System entered into Contribution Agreement No. 16,900 with the City of Pasadena. As a result of this agreement, the City of Pasadena made a contribution of $100,000,000 to the System on August 5, 1999. Per the Contribution Agreement, the System is considered to meet minimum funding requirements for the year ended June 30, 2001, if the funded percentage exceeded 70%. The minimum funded percentage will increase by 1/2% each year until it reaches 80% in the year ending June 30, 2020. Thereafter it may, but need not, be changed by the System.

Based on the Contribution Agreement, the City discontinued its 9% contribution to the System on behalf of these employees, as the City considered these contributions fully funded. These contributions terminated on August 1, 1999, through April 5, 2001.

During May and June of 2000 the Pasadena Police Officers Association, Pasadena Police Sergeants Association, the Pasadena Firefighters Management Association, and the Pasadena Fire Fighters Association filed grievances to have these contributions reinstated. As a result, these contributions were reinstated and will continue for the active members regardless of the funding status of the System. In addition, the 9% contributions were retroactively credited with interest for the period of August 1, 1999, through April 4, 2001. These retroactive contributions were $207,000 and $249,000, respectively, for 2001 and 2000.

NOTE 4 – <u>CONTRIBUTION INFORMATION</u> (Continued)

<u>Member Contributions</u> (Continued)

Active members were also required to make COLA contributions, as a percent of covered salary, which amounted to 0% for 2011 and 2010, and is matched 100% by the City. These contributions by active members were to be made as long as the funding percentage was less than 100%. All active members of the System are retired.

The City Charter requires members' contributions to be credited to the individual account of the member from whose compensation the contribution was deducted. Such contributions accrue interest at a rate determined by the Retirement Board and are either to be refunded to members or their beneficiaries upon separation from City service for reasons other than retirement, or to be applied towards providing members' retirement or death allowances. Amendments to the City Charter cannot prevent the refund of such contributions plus accrued interest. Because there were no active members, accumulated contributions at June 30, 2011 and 2010, were $0 and $0, respectively, with no interest credited for 2011 and 2010.

NOTE 5 – <u>ADMINISTRATIVE COSTS</u>

The administrative costs to administer the System are paid by the System. Administrative expenses were $241,635 and $246,316, respectively, for 2011 and 2010.

NOTE 6 – <u>SUPPLEMENTAL FUNDING PLAN</u>

The System engages an independent actuary to perform an annual actuarial valuation. The results of the valuation as of June 30, 2011, are presented in the Schedule of Funding Progress. This includes historical trend information about the actuarially determined funded status of the System from a long-term ongoing System perspective; the progress made in accumulating sufficient assets to pay benefits when due; and the Schedule of Employer Contributions.

To fund the unfunded actuarial accrued liability, on November 21, 1989, the Board of Directors of the City of Pasadena approved in concept the assignment of assets to the System. On June 12, 1990, the Board of Directors adopted Resolution No. 6379, which formally assigned the recommended assets to the System in a formal "Contribution Agreement." The funding plan is evaluated annually based on economic conditions and actuarial assumptions.

The funding plan was updated on March 18, 1999, when the System entered into Contribution Agreement No. 16,900 with the City of Pasadena. As a result of this agreement, the City of Pasadena made a contribution of $100,000,000 to the System on August 5, 1999, and agreed to make supplemental contributions to the System when needed.

During the fiscal year ending June 30, 2001, no additional supplemental contribution was made as Contribution Agreement No. 16,900 ("Contribution Agreement") states that no additional supplemental contributions are due if the aggregate funding percentage exceeded the minimum funding percentage of 70% for the year ended June 30, 2000. The minimum funding percentage is increased by one-half of one percent for each of the 20 years after that.

On October 20, 2011, the Retirement Board approved an Amended and Restated Contribution Agreement No. 20,823, that was subsequently approved by the City Council on October 24, 2011. Under the Amended and Restated Contribution Agreement No. 20,823, which is applicable to the June 30, 2011, actuarial valuation, the City's Supplemental Payment is computed by carrying forward the minimum funding percentage schedule and reimbursement cap in Contribution Agreement No. 16,900, but computed using an interest assumption of 6% and an inflation assumption of 3%, rather than the arithmetic averages of certain other California public retirement systems as required under the provisions of the 1999 Contribution Agreement No. 16,900. Pursuant to the Amended and Restated Contribution Agreement No. 20,823 in future annual valuations after the June 30, 2011 valuation, the System shall adopt assumed interest rate and inflation assumptions based on analysis performed by the System's actuary and after seeking input from the City and the System's professional investment consultant.

NOTE 6 – SUPPLEMENTAL FUNDING PLAN

The Amended and Restated Contribution Agreement No. 20,823 also provides for the issuance of pension obligation bonds by the City, at the City's sole discretion, that would yield approximately $46.6 million in Net Proceeds to the System if issued. In order to allow the City time to issue such bonds and to complete the attendant bond validation proceeding, under the Amended and Restated Contribution Agreement No. 20,823 the January 3, 2012, due date for the City's Supplemental Contribution has been extended until March 31, 2012. If the Net Proceeds are paid to the System by that date, then they will be treated as if they had been assets of the System as of June 30, 2011, and therefore, as of that date there would have been no funding deficit in the minimum funding requirement and consequently no Supplemental Contribution owed to the System by the City for fiscal year 2011/2012. If the Net Proceeds are not deposited with the System by March 31, 2012, then the City will be required to make the $9.079 million Supplemental Contribution with interest at the actuarially assumed rate of 6% from January 3, 2012, and the provisions of Contribution Agreement No. 16,900 will apply to future Supplemental Contributions with the exception of the changed actuarial methodology in the Amended and Restated Contribution Agreement No. 20,823 described above, which will remain in effect even if the bonds are not issued and the Net Proceeds are not paid to the System. The Amended and Restated Contribution Agreement No. 20,823 does not affect Settlement and Release Agreement No. 18,550 described in Note 7, which remains in effect.

As of June 30, 2011 and 2010, the funded percentage of the System, calculated in accordance with Amended and Restated Contribution Agreement No. 20,823, without the addition of the discretionary bond Net Proceeds described above, was 59.0% and 66.1%, respectively. The funded percentage for 2011 and 2010 was below the required minimum funding percentages of 75.5% and 75.0%, respectively. The Amended and Restated Contribution Agreement No. 20,823 states that if the System falls below the minimum funding percentage, the City will make supplemental contributions to the System in the following fiscal year up to the amount necessary to restore the System to the minimum funding percentage as of the last day of the preceding fiscal year.

The supplemental contributions in each year are subject to certain limitations as provided by the Amended and Restated Contribution Agreement No. 20,823.

The minimum funding deficits were $29,546,000 and $14,832,000 as of June 30, 2011 and 2010, respectively. The Amended and Restated Contribution Agreement No. 20,823 states that if this minimum funding deficit is greater than $3,000,000, the City will pay $3,000,000 to the System. Any remaining amount necessary to reach the minimum funding percentage is to be phased in over a five-year period, but no annual supplemental payment may exceed a reimbursement cap measured by the prior year's payments for benefits other than the funded basic benefits. The required supplemental contributions by the City as of June 30, 2011 and 2010, were $9,079,000 and $8,036,000, respectively. As provided in the Amended and Restated Contribution Agreement No. 20,823, the January 3, 2012, due date for the $9.079 million supplemental contribution calculated in the June 30, 2011, valuation has been extended to March 31, 2012, with interest at 6%, in order to provide time for the possible payment of the $46.6 million in bond Net Proceeds.

NOTE 6 – SUPPLEMENTAL FUNDING PLAN (Continued)

The information displayed below presents the funded status as of the most recent actuarial valuation without the addition of the possible payment of the $46.6 million in bond Net Proceeds. The Schedule of Funding Progress – Pension Plan in the Required Supplementary Information section immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Funded Status as of the Most Recent Actuarial Valuation Date
(Dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2011	$ 105,811	$ 179,284	$ 73,473	59.0%	$ -	N/A

Actuarial Methods and Significant Assumptions

Valuation date	June 30, 2011	
Actuarial cost method	Entry Age Normal	
Amortization method	Level dollar	
Remaining amortization period	5 years	
Asset valuation method	5-year smoothed market	
Actuarial assumptions	Interest	6.0%
	Salary scale	No active employees
	Cost of living	3.0%

NOTE 7 – SETTLEMENT AGREEMENT

In October 2002, the Retirement Board accepted the Actuarial Valuation Report, dated June 30, 2002, including the adoption of a 20% corridor concept in the asset smoothing method. The corridor concept set a 20% corridor around the market value of the assets, which the actuarial value of assets was required to stay within, to ensure that the actuarial value of the assets did not vary significantly from the market value. This method resulted in a minimum funding deficit of $11,828,000 and a City contribution under the Contribution Agreement of $4,766,000 that would be due in the subsequent fiscal year. However, the City disputed the use of the corridor concept and in January 2003 engaged an actuary to provide an opinion as to the appropriateness of the corridor concept. Excluding the use of the corridor concept, the City calculated the minimum funding deficit to be $80,000. The City contributed this amount to the System in January 2003.

During 2003, the System filed a claim against the City for payment of the larger amount of the above contribution. This claim was deemed denied by the non-response of the City. In November 2003, the Retirement Board accepted the Actuarial Valuation Report, dated June 30, 2003, which utilized the 20% corridor concept in the asset smoothing method. This method resulted in a minimum funding deficit of $20,296,000 and a City contribution under the Contribution Agreement of $8,143,000 that would be due in January 2004.

NOTE 7 – SETTLEMENT AGREEMENT (Continued)

In June 2004 the City and the System entered into Settlement and Release Agreement No. 18,550 ("Settlement Agreement") to settle the disputed use of the corridor method and the payment of the supplemental contributions. Under the terms of the Settlement Agreement, the City made contributions of $15,000,000, $15,000,000, and $10,000,000 in August 2004, October 2004, and December 2004, respectively. In addition, a debenture was issued by the City in June 2004 for $13,736,000 and the debenture was to be funded by the contributions provided for by the Settlement Agreement. Contribution amounts in excess of the debenture were applied to the supplemental contribution that was due to the System in January 2005. In consideration, the System agreed to eliminate the use of the corridor concept methodology in all actuarial valuations on or subsequent to June 30, 2005, subject to certain exceptions if actuarial standards or practices were changed, or the City failed to make any required contribution. As of June 30, 2005, $40,000,000 was collected by the System.

In October 2005, the Retirement Board accepted the Actuarial Valuation Report dated June 30, 2005. The valuation included the $40,000,000 of contributions received by the System under the Settlement Agreement, and allocated the $13,736,000 used to repay the debenture issued in June 2004 as a contribution and asset as of June 30, 2004, based upon the provisions of the Settlement Agreement. The debenture of $13,736,000 replaced earlier debentures issued by the City for Supplemental Contributions under Contribution Agreement No. 16,900. The payments under the Settlement Agreement in excess of the amount allocated to the debenture and included in the System assets in the prior year were included in System assets as of June 30, 2005.

NOTE 8 – TRANSFER OF MEMBERS TO CALPERS

In June 2004, active members were provided a one-time opportunity to transfer from the System to CalPERS, as provided by an agreement between the City and CalPERS. Ten members elected to transfer to CalPERS, and in July 2004 assets of $4,687,000 attributable to these members was transferred to CalPERS. These were recognized as payables in fiscal year 2004.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The City of Pasadena Board of Directors adopted Resolution 6179 at its July 18, 1989, meeting assigning a 93% beneficial interest in the Concord property at 275 E. Cordova, Pasadena, to the System. The property is currently used for federally subsidized housing and it is subject to Federal restrictions on its use. Because of uncertainties surrounding the permitted future use of this property by the City, the System's interest in this asset is carried at a zero value.

NOTE 10 – REQUIRED SUPPLEMENTARY INFORMATION

The schedule of the System's funding progress against the actuarial accrued liability and the schedule of required employer Annual Required Contribution (ARC) and the percentage of the ARC recognized by the System are presented, where available, on the following pages as Required Supplementary Information.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to June 30, 2011, and through November 7, 2011, the date through which management evaluated subsequent events and on which the financial statements were issued, the System did not identify any subsequent events that require disclosure.

NOTE 11 – SUBSEQUENT EVENTS (Continued)

On October 20, 2011, the Retirement Board approved an Amended and Restated Contribution Agreement No. 20,823, that was subsequently approved by the City Council on October 24, 2011. As further described in Note 6 above, the Amended and Restated Contribution Agreement No. 20,823 permanently changes the actuarial methodology used to calculate the System's funded percentage by adopting an interest assumption of 6% and an inflation assumption of 3% for the June 30, 2011 valuation, and thereafter adopting assumed interest rate and inflation assumptions based on analysis performed by the System's actuary and after seeking input from the City and the System's professional investment consultant, rather than basing actuarial assumptions on the assumptions used by certain other California public retirement systems. The Amended and Restated Contribution Agreement No. 20,823 also provides for the issuance of pension obligation bonds by the City, at the City's sole discretion, that would yield approximately $46.6 million in Net Proceeds to the System if issued. In order to allow the City time to issue such bonds and to complete the attendant bond validation proceeding the January 3, 2012, due date for the City's Supplemental Contribution has been extended until March 31, 2012. If the Net Proceeds are paid to the System by that date, then they will be treated as if they had been assets of the System as of June 30, 2011, and no Supplemental Contribution will be owed to the System by the City for fiscal year 2011/2012. If the bond Net Proceeds are not deposited with the System by March 31, 2012, then the City will be required to make the $9.079 million Supplemental Contribution with interest at the actuarially assumed rate of 6% from January 3, 2012, and the provisions of Contribution Agreement No. 16,900 will apply to future Supplemental Contributions with the exception of the changed actuarial methodology in the Amended and Restated Contribution Agreement No. 20,823 described above.

REQUIRED SUPPLEMENTAL INFORMATION

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
(AMOUNTS IN THOUSANDS)
JUNE 30, 2011

Actuarial Valuation Date	(a) Actuarial Value of Plan Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAAL as a % of Covered Payroll
June 30, 2011	$ 105,811	$ 179,284	$ 73,473	59%	$ -	N/A
June 30, 2010	109,740	166,096	56,356	66%	-	N/A
June 30, 2009	119,551	177,803	58,252	67%	-	N/A
June 30, 2008	131,321	178,748	47,427	73%	179	26,506 %
June 30, 2007	131,137	183,046	51,909	72%	146	35,607 %
June 30, 2006	127,841	184,852	57,011	69%	141	40,416 %
June 30, 2005	132,730	185,181	52,451	72%	277	18,902 %

* The actuarial value of Plan assets does not include the contribution receivable due under the Settlement Agreement, but does include a receivable for the debenture issued in June 2004 (see Note 7).

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(AMOUNTS IN THOUSANDS)
JUNE 30, 2011

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Recognized as Contribution
June 30, 2011	$ 8,036	$ 8,036	100%
June 30, 2010	4,981	4,981	100%
June 30, 2009	11,447	956	8%
June 30, 2008	12,525	3,194	25%
June 30, 2007	13,755	3,839	28%
June 30, 2006	12,674	1,427	11%
June 30, 2005	16,665	26,293	158%
June 30, 2004	24,425	13,863	57%
June 30, 2003	16,972	212	1%
June 30, 2002	8,688	148	2%
June 30, 2001	5,326	148	3%

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
JUNE 30, 2011

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

Valuation date	June 30, 2011	
Actuarial cost method	Entry Age Normal	
Amortization method	Level dollar	
Remaining amortization period	5 years	
Asset valuation method	5-year smoothed market	
Actuarial assumptions	Interest	6.0%
	Salary scale	No active employees
	Cost of living	3.0%

PASADENA FIRE AND POLICE RETIREMENT SYSTEM
OTHER SUPPLEMENTAL INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE
(AMOUNTS IN THOUSANDS)

REVENUES BY SOURCE

Fiscal Year	Employee Contributions	Employer Contributions	Gross Investment Income (Loss)	Total
2011	$ -	$ 8,036	$ 19,970	$ 28,006
2010	-	4,982	15,278	20,260
2009	24	956	(23,160)	(22,180)
2008	24	3,194	(9,992)	(6,774)
2007	20	3,839	22,343	26,202
2006	57	1,427	14,398	15,882
2005	82	26,293	13,635	40,010
2004	355	13,863	15,519	29,737
2003	371	212	2,772	3,355
2002	412	148	(8,945)	(8,385)
2001	664	148	(1,664)	(852)

Note: Employer contributions listed under actuarial valuation data for 2004 differ from employer contributions listed under financial statement data due to exclusion for actuarial valuation purposes of contributions receivable due under the Settlement Agreement and inclusion of a receivable from the June 2004 debenture (see Note 7).

EXPENSES BY TYPE

Fiscal Year	Benefits	Administrative Expenses	Investment Expenses	Total
2011	$ 14,382	$ 242	$ 365	$ 14,989
2010	14,975	246	332	15,553
2009	14,898	211	466	15,575
2008	14,864	301	407	15,572
2007	14,572	257	492	15,321
2006	14,190	234	561	14,985
2005	13,969	229	457	14,655
2004	12,879	302	524	13,705
2003	12,751	225	542	13,518
2002	12,343	225	591	13,159
2001	12,019	254	532	12,805