



March 26, 2014

TO: ALL POTENTIAL OFFERORS

RE: ADDENDUM NO. 1 for Solicitation P-004355, "Pension Plan Audit Services"

Dear Sir/Madam:

Attached is Addendum No. 1 dated March 26, 2014 in regard to the above referenced solicitation. This addendum shall be attached to the noted solicitation and take precedence over the same.

All offerors must acknowledge receipt of this addendum on page H-3 of their solicitation packages.

If you should have any questions, please contact William Cook at (215) 684-4170.

Sincerely,
Philadelphia Housing Authority

William Cook
Senior Sourcing Manager - Procurement

Attachment: Addendum No. 1

cc: File P-004355



THE PHILADELPHIA HOUSING AUTHORITY
3100 Penrose Ferry Road, Philadelphia, PA 19145
ADDENDUM NO. 1
Dated March 26, 2014 for
Solicitation No. P-004355
“Pension Plan Audit Services”

This addendum shall be attached to the noted solicitation and shall take precedence over the same and previous addenda. Any items not mentioned herein nor affected hereby shall be performed strictly in accordance with the original specifications, drawings, and previous addenda thereto.

ITEM 1: Several potential offerors have requested a copy of the previous years audited statements. Please find the prior years audited statements attached to this addendum.

End of Addendum

**PHILADELPHIA HOUSING AUTHORITY
DEFINED CONTRIBUTION PENSION PLAN
Statements of Net Position
As of December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Investments, at fair value:		
Equity Funds	\$ 12,098,642	\$ 7,779,133
Fixed Income Funds	520,987	708,405
Money Market Fund	199,742	337,719
International Equity Fund	<u>110,743</u>	<u>96,535</u>
Net position-restricted for pension benefits	<u>\$ 12,930,114</u>	<u>\$ 8,921,792</u>

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

PHILADELPHIA HOUSING AUTHORITY
DEFINED CONTRIBUTION PENSION PLAN
Statements of Changes in Net Position
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Net position-restricted for pension benefits, beginning of year	\$ 8,921,792	\$ 6,568,494
Additions to net assets attributed to:		
Contributions:		
Employees'	2,373,698	1,684,748
Employer's	2,124,505	1,498,391
Rollover	13,208	-
	<u>4,511,411</u>	<u>3,183,139</u>
Investment income/(loss):		
Dividends	189,679	115,823
Net appreciation/(depreciation) on investments	1,293,942	(288,440)
Total investment income/(loss)	<u>1,483,621</u>	<u>(172,617)</u>
Investment management fees	(52,920)	(36,923)
Net investment income/(loss)	<u>1,430,701</u>	<u>(209,540)</u>
Total additions	<u>5,942,112</u>	<u>2,973,599</u>
Deductions from net assets attributed to:		
Benefits paid to participants	1,924,948	608,624
Administration expenses	8,842	11,677
Total deductions	<u>1,933,790</u>	<u>620,301</u>
Net increase in plan net position	<u>4,008,322</u>	<u>2,353,298</u>
Net position-restricted for pension benefits, end of year	<u>\$ 12,930,114</u>	<u>\$ 8,921,792</u>

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

Philadelphia Housing Authority Defined Contribution Pension Plan
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

1. DESCRIPTION OF PLAN

The following description of the Philadelphia Housing Authority Defined Contribution Pension Plan (the "Plan") provides only general information. Participants should refer to the "Summary Plan Description" for a more complete description of the Plan's provisions.

General

The Philadelphia Housing Authority ("Plan Sponsor") established a defined contribution plan for the purpose of providing retirement benefits for its Executive and Non-Executive Management. The Plan was originally established as a contributory Participant-Directed "Money Purchase" Plan. However, the Plan was subsequently amended to be a tax-qualified "Profit Sharing" Plan. Employees of the Philadelphia Housing Authority ("PHA") are eligible for participation in the Plan immediately. The Plan satisfies the applicable requirements of section 401(a) of the Internal Revenue Code and reporting requirements pursuant to Pennsylvania Act 205. However, the Plan is a government plan and therefore is not subject to the provisions of the Employee Retirement Income Security Act ("ERISA") of 1974.

In April 2011, most union employees who had their benefits frozen in the PHA Retirement Income Pension Plan began participating in the Plan. Beginning in April 2012, the employees that are members of the Fraternal Order of Housing Police began participating in the Plan.

The Plan contains additional employer contributions and employee saving features. Participants may "roll over" distributions received from the Philadelphia Housing Authority Retirement Income Pension Plan or from an eligible retirement plan as defined in the Plan Document.

The total number of participants in the Plan for the years ended December 31, 2012 and December 31, 2011 was 1,105 and 880, respectively.

Administrative Expenses

Either the Plan or Plan Sponsor may pay the reasonable expenses of administering the Plan and Trust. PHA absorbs a majority of the administrative expenses. Administrative expenses, and Investment and Trustee Fees paid out of Plan assets, are reported in the Statement of Changes in Net Position.

Continued

Philadelphia Housing Authority Defined Contribution Pension Plan
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

1. DESCRIPTION OF PLAN, Continued:

Contributions

Each year participants are required to contribute 5.5 percent of their annual compensation into an individual account. Philadelphia Housing Authority contributes an additional 5.5 percent of each participant's annual compensation as prescribed by the Plan document. The Plan allows contributions of the value of unused accrued vacation time pursuant to PHA's vacation policy. Additional amounts may be contributed at the option of the Board of Trustees of the Philadelphia Housing Authority.

Participant Accounts

The Plan allows each participant to direct the investment of funds in their individual accounts.

Each participant's account is credited with the participant's contribution and an allocation of (a) PHA's contribution, and (b) Plan earnings (losses), net of an allocation of administrative expenses. Allocations are based on participants' earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are 100% vested in their contributions and the contributions made by the Philadelphia Housing Authority on their behalf at all times.

Investment Options

Participants may elect to have their Plan accounts invested in one or more of the investment options listed below. Any non-participant directed funds are invested in a T. Rowe Price Retirement Fund.

- **Artio International Equity** – seeks long-term growth of capital by investing in a wide variety of equity securities issued throughout the world, normally excluding the U.S. The fund invests in mid-to-large companies.
- **Dodge & Cox Stock Fund** – seeks long-term growth of principal and income. A secondary objective is to achieve a reasonable current income. The Fund invests primarily in a broadly diversified portfolio of common stocks. In selecting investments, the Fund invests in companies that, in Dodge & Cox's opinion, appear to be temporarily undervalued by the stock market but have a favorable outlook for long-term growth.

Continued

Philadelphia Housing Authority Defined Contribution Pension Plan
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

1. DESCRIPTION OF PLAN, Continued:

Investment Options, Continued

- **Money Market Fund** – seeks to achieve as high a level of current income as is consistent with preserving capital and providing liquidity, by investing primarily in money market securities.
- **Fidelity Advisor Strategic Income Fund** – seeks a high level of current income and may seek capital appreciation. The fund primarily invests in debt securities, including lower-quality debt securities allocated among these general securities categories: high yield, U.S. government and investment grade, emerging market, and foreign developed market.
- **Lord Abbett Small Cap Blend Fund** – seeks long-term growth of capital by investing primarily in stocks of small companies.
- **T. Rowe Price Retirement Funds** – seeks to achieve the objective of the highest total return over time consistent with an emphasis on both capital and growth income. This is pursued by investing in a diversified portfolio of T. Rowe Price stocks and bonds.
- **Vanguard 500 Index Fund** – seeks investment results that correspond to the price and yield performance of the S&P 500, by owning substantially all stocks in the S&P 500.
- **Vanguard Total Bond Market Index Fund** – seeks to hold bonds that track the Barclay’s Capital U.S. Aggregate Float Adjusted Index. The index represents a wide spectrum of public, investment-grade, fixed income securities in the U.S. including government, corporate, mortgage-backed, asset-backed, and international dollar-denominated securities, with maturities of over 1 year.
- **Wells Fargo Advantage Strategic Large Cap Growth Fund** – seeks long-term capital appreciation. The fund primarily invests in domestic growth stocks with smaller amounts in foreign stocks. During 2010, this investment option replaced the discontinued Evergreen Select Strategic Growth Fund.
- **Westwood Holdings Group, Inc (WHG) Large Cap Value Fund** – seeks long-term capital appreciation by investing in equity securities of large U.S. companies that have a market capitalization within the range of companies comprising the Russell 1000 Value Index.

Continued

Philadelphia Housing Authority Defined Contribution Pension Plan
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

1. DESCRIPTION OF PLAN, Continued:

Payment of Benefits

Vested benefits are paid upon death, disability, or retirement. All participants automatically receive a lump sum payment based on the most recent valuation date. Upon the death of a participant, the participant's account balance will be paid to a designated beneficiary or his/her estate. The normal retirement age for the Plan is 62 years.

Plan Amendments

Philadelphia Housing Authority reserves the right by action of the Board of Trustees to amend this Plan at any time; however, such an amendment shall not cause or permit any portion of the corpus or income of the Plan assets to revert or become property to be used for the benefit of Philadelphia Housing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

Use of Estimates

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

Valuation of Investments and Income Recognition

The Plan's investments are held with registered investment companies (mutual funds). The mutual funds are stated at fair value based on quoted market prices, except for the Fidelity Advisor Strategic Income and Vanguard Total Bond Market Index Funds. The Fidelity Advisor Strategic Income and Vanguard Total Bond Market Index Funds are stated at fair value based on quoted market prices plus accrued investment income, unitized net asset value ("Unit NAV"). The Unit NAV is an accounting convention used to eliminate the need for allocating monthly interest by including monthly accrued interest into each fund's net asset value. This also eliminates the need to allocate residual interest after a participant has chosen to transfer out of the fund or receive a distribution of fund units during the month.

Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. Investment income is recorded on the accrual basis of accounting.

Continued

Philadelphia Housing Authority Defined Contribution Pension Plan
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Payment of Benefits

Benefit payments are recognized when due to participants.

New Accounting Standard

The Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*; this Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets that are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers and the pension plan administrator.

This Statement also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria.

GASB Statement No. 67 is effective for audits of financial statements beginning after June 15, 2013. PHA is evaluating the effects of this standard on the Plan.

3. INVESTMENTS

The total fair value of investments held, listed by investment option, as of December 31, 2012 and net appreciation (depreciation) of these assets during the year then ended are summarized as follows:

Continued

Philadelphia Housing Authority Defined Contribution Pension Plan
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

3. INVESTMENTS, Continued

	Net Appreciation (Depreciation) in Fair Value	Fair Value at End of Year 2012
Money Market Fund	\$ -	\$ 199,742
Fixed Income Funds:		
Fidelity Advance Strategic Income	5,303	250,028
Vanguard Total Bond Market Index	(35)	270,959
Equity Funds:		
Dodge & Cox Stock Fund	7,116	47,731
Lord Abbett Small Cap Blend Fund	22,217	162,547
T. Rowe Price Retirement Funds	1,194,255	11,419,539 *
Vanguard 500 Index Fund	40,511	315,105
Wells Fargo Advantage Strategic Large Cap Growth	10,310	127,381
WHG Large Cap Value Fund	1,982	26,339
International Equity Fund:		
Artio International Equity	12,283	110,743
	<u>\$ 1,293,942</u>	<u>\$ 12,930,114</u>

The total fair value of investments held, listed by investment option, as of December 31, 2011 and net appreciation (depreciation) of these assets during the year then ended are summarized as follows:

	Net Appreciation (Depreciation) in Fair Value	Fair Value at End of Year 2011
Money Market Fund	\$ 29	\$ 337,719
Fixed Income Funds:		
Fidelity Advance Strategic Income	18,094	345,490
Vanguard Total Bond Market Index	22,021	362,915
Equity Funds:		
Dodge & Cox Stock Fund	(1,359)	30,500
Lord Abbett Small Cap Blend Fund	(3,172)	237,972
T. Rowe Price Retirement Funds	(290,477)	6,942,952 *
Vanguard 500 Index Fund	(5,046)	396,026
Wells Fargo Advantage Strategic Large Cap Growth	(2,425)	162,775
WHG Large Cap Value Fund	(313)	8,908
International Equity Fund:		
Artio International Equity	(25,792)	96,535
	<u>\$ (288,440)</u>	<u>\$ 8,921,792</u>

*These investments represent 5% or more of the Plan net position.

Continued

Philadelphia Housing Authority Defined Contribution Pension Plan
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

4. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of changes in net position.

5. PLAN TERMINATION

Although it has not expressed any intent to do so, PHA has the right under the Plan to discontinue its contributions and to terminate the Plan. In the event the Plan terminates, the net position of the Plan will be allocated, as prescribed by its related regulations, generally to provide the benefits attributable to employee contributions after adjustment of account balances for expenses, profits, losses and other adjustments.

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
 STATEMENTS OF PLAN NET ASSETS
 OCTOBER 31, 2012 AND 2011

	2012	2011
ASSETS:		
Cash and cash equivalents	\$ 3,082,117	\$ 4,534,039
Investments, at fair value:		
Pooled separate accounts	33,489,224	33,107,130
Bonds domestic and global	19,605,887	35,455,328
Common stocks	58,738,609	61,250,122
Mutual funds	79,734,238	54,295,997
Total Investments	191,567,958	184,108,577
Receivables:		
Contributions:		
Employer	6,741,188	6,808,236
Employee	-	14,538
Total Contributions	6,741,188	6,822,774
Securities sold	-	938,241
Interest	187,949	354,544
Dividends	22,855	28,627
Forward foreign exchange contracts	3,940	15,493
Total Receivables	6,955,932	8,159,679
TOTAL ASSETS	201,606,007	196,802,295
LIABILITIES:		
Securities purchased	-	1,085,137
Miscellaneous payable	4,704	4,451
TOTAL LIABILITIES	4,704	1,089,588
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (See supplementary schedule of funding progress)	\$ 201,601,303	\$ 195,712,707

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

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
 STATEMENTS OF CHANGES IN PLAN NET ASSETS
 FOR THE YEARS ENDED OCTOBER 31, 2012 AND 2011

	2012	2011
<u>ADDITIONS</u>		
⋮		
Contributions:		
Employer	\$ 13,120,539	\$ 9,263,947
Employee	649,052	1,339,305
	13,769,591	10,603,252
Investment income:		
Interest	1,783,827	2,324,350
Dividends	2,318,547	1,822,493
Net appreciation in fair value of investments	10,586,107	5,574,547
	14,688,481	9,721,390
Investment management and custodial fees	(1,297,574)	(1,366,597)
Net investment income	13,390,907	8,354,793
Other income	17,861	4,687
TOTAL ADDITIONS	27,178,359	18,962,732
<u>DEDUCTIONS:</u>		
Benefit payments	20,837,313	19,942,297
Administrative costs	452,450	437,918
TOTAL DEDUCTIONS	21,289,763	20,380,215
NET INCREASE (DECREASE)	5,888,596	(1,417,483)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (See supplementary schedule of funding progress):		
BEGINNING OF YEAR	195,712,707	197,130,190
END OF YEAR	\$ 201,601,303	\$ 195,712,707

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

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

Note 1 DESCRIPTION OF PLAN

General

The Philadelphia Housing Authority (“PHA”) Retirement Income Plan (the “Plan”) is a single-employer defined benefit plan which is intended to be a tax qualified plan under Internal Revenue Code Section 401(a) and which voluntarily complies with the funding reporting requirements of the Municipal Pension Plan Funding Standard and Recovery Act (“Act 205”). The Plan is sponsored by the PHA. Pursuant to the terms of the Philadelphia Housing Authority Retirement Income Trust (the “Trust”) and the Plan Document, the PHA is responsible for the administration of the Plan and has appointed individual Trustees to serve as members of the Philadelphia Housing Authority Pension Board (the “Pension Board”). The Pension Board is responsible for the management and maintenance of the Trust. The Plan became effective November 1, 1952. The Pension Board has delegated the authority to manage certain Plan assets to Prudential Retirement Insurance and Annuity Company. The PHA reserves the right to amend the Plan in whole or in part at anytime. The financial statements present only the Philadelphia Housing Authority Retirement Income Plan.

In April 2011 and 2012, certain union represented employees’ benefits were frozen. Subsequently, these employees began participating in the PHA Defined Contribution Pension Plan.

Plan Membership

An actuarial valuation report dated as of November 1, 2012, disclosed that Plan membership consisted of:

	2012	2011
Active plan members:		
Frozen	436	474
Non-frozen	142	202
	578	676
Retirees and beneficiaries currently receiving benefits	1,442	1,384
Terminated vested members	250	249
TOTAL	2,270	2,309

Eligibility

Each employee, other than employees included in the PHA Defined Contribution Pension Plan, will be included as a participant in the Plan upon the first day of the month coincident with or following his/her date of hire provided the employee is a permanent employee and he/she has completed a payroll deduction order. Certain non-union represented employees are excluded from participation in the Plan.

Continued

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

Note 1 DESCRIPTION OF PLAN (Continued)

Contributions

All participants are required to pay into the pension fund an amount equal to 5.5% of compensation. At a minimum, the employer contributes 5.5% of the participant's annual compensation. Additional employer contributions are discretionary and based upon actuarial computations. During the years ended October 31, 2012 and 2011, the employer contributed \$13,120,539 and \$9,263,947, respectively, of which \$6,741,188 and \$6,808,236 as of 2012 and 2011, respectively, are included in contributions receivable on the Statement of Plan Net Assets.

Benefit Provisions

The actuarial valuation report dated as of November 1, 2012 disclosed that the Plan benefit provisions are as follows:

- All full-time employees will be vested 100 percent in the Plan after completion of one year of credited service.
- Employees who retire at age 65 or at age 55 with 10 years of service or, if earlier, 30 years of credited service, are entitled to a normal retirement benefit as follows:

	Years of credited service:	
	Equal to or less than 25 years	Greater than 25 years
Credited service completed prior to November 1, 2002	2.5 percent of the participant's Average Earnings multiplied by years of Credited Service	1.25 percent of the participant's Average Earnings multiplied by years of Credited Service
Credited service completed on or after November 1, 2002	2.5 percent of the participant's annual Rate of Earnings multiplied by each year of Credited Service	1.25 percent of the participant's annual Rate of Earnings multiplied by each year of Credited Service

- Employees can also choose to retire early at age 50 or 45 with 20 years of credited service or with 25 years of credited service with benefits reduced as follows:

Monthly accrued benefit as of early retirement date reduced by 1/12 percent for each month early. Maximum reduction is 10 percent. The maximum reduction for 25-year participants is 5 percent.

Continued

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

Note 1 DESCRIPTION OF PLAN (Continued)

Benefit Provisions (Continued)

- Employees who terminate employment prior to their retirement date will be entitled to either their vested accrued retirement benefit to begin at their normal retirement date or their employee contributions with interest in lieu of this benefit.
- The spouse of an employee who dies after meeting the conditions for retirement or after having completed 15 years of credited service will be entitled to receive 100 percent of the benefits the participant would have been eligible to receive at the date of death under the 100 percent contingent pensioner option. If the surviving spouse is not eligible for this benefit, he/she will receive the participant's accumulated contributions upon death of the participant.
- Employees who are determined by Social Security to be totally and permanently disabled and who have five years of credited service will be eligible to receive their accrued benefit as of the date of the disability until recovery or death, whichever occurs first.
- The accrued benefit assumes payment in the form of a modified cash refund annuity. The benefit is payable to the participant for life. Upon the death of the participant, the participant's beneficiary will be paid the excess, if any, of the accumulated participant contributions over the sum of all payments made to the participant. Optional forms of payment subject to actuarial adjustments are available.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's policy is to prepare its financial statements on the accrual basis whereby revenue (contributions and investment income) is recognized when earned and expenditures (benefit payments and Plan administrative costs) are recognized when incurred.

Reclassification

Certain 2011 balances have been reclassified to conform to the October 31, 2012 presentation. These changes had no impact on previously reported net assets.

Continued

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Plan considers all highly liquid investments with an original maturity of six months or less to be cash equivalents.

Method Used to Value Investments

In accordance with GASB Statement No. 25, investments are reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximate fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. All Plan assets are managed by outside fund managers.

The fair value of the Plan's investments by fund manager, including short-term investments of \$2,980,291 and \$3,832,591 for 2012 and 2011, respectively, included in cash and cash equivalents on the Statement of Plan Net Assets are as follows:

	2012	2011
Equity Fund Managers:		
Morgan Stanley	\$ 29,154,976	\$ 26,532,214
Westwood	15,334,985	15,865,566
Turner	13,890,133	15,778,816
Swarthmore	13,740,991	14,117,515
Cook & Bieler	13,279,403	11,917,334
Grantham Mayo Van Otterloo & Co., LLC (GMO)	12,796,604	11,948,251
Westfield Capitol	9,625,384	10,103,974
Chartwell	9,586,579	10,836,681
Total equities	\$ 117,409,055	\$ 117,100,351

Continued

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Method Used to Value Investments (Continued)

Fixed Income Fund Managers:	2012	2011
Prudential	\$ 33,489,224	\$ 33,107,130
Hughes Capital	20,474,661	19,381,396
Loomis Sayles	13,000,000	-
City of London	9,500,000	-
Aberdeen	675,309	18,352,291
Total fixed income	<u>77,139,194</u>	<u>70,840,817</u>
Total investments by fund manager	<u>\$ 194,548,249</u>	<u>\$ 187,941,168</u>

Deposits and Investments

GASB Statement No. 40, *Deposits and Investment Risk Disclosures - an amendment of GASB No. 3* requires that deposits and investment risks that have a potential for loss be disclosed. These investments and deposits represent investment securities and cash deposits that are uninsured, and not registered in the name of the Plan, and are held by either (a) the counterparty or (b) the counterparty's Trust Department agent, but not in the Plan's name. No such investments or deposits were noted under the Plan.

Pursuant to the Plan's investment policy, the Plan may invest in the following types of investments: domestic and international equities, domestic debt, global fixed income, private equity, and real estate.

Investments that represent 5 percent or more of fair value of the Plan's assets available for benefits at October 31 are as follows:

	2012	2011
Morgan Stanley International Equity Fund	\$ 29,154,976	\$ 26,532,214
Prudential Core Bond Enhancement Index	26,375,260	29,779,000
Westwood Trust Large Cap Fund	15,334,985	15,815,532
Loomis Sayles Multi Sector Full Discretion Fund	13,000,000	-

Continued

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Continued)

The Plan's exposure to foreign currency risk for fixed income investments in Aberdeen is as follows:

	2012	2011
Currency:		
Japanese Yen	\$ -	\$ 6,728,408
European Euro	-	5,175,095
British Pound	-	891,142
Canadian Dollar	-	356,360
Denmark Kroner	-	173,668
Australian Dollar	-	150,216
Mexican Peso	-	108,813
Sweden Sek	-	94,399
Poland Zloty	-	78,331
	\$ -	\$ 13,756,432

Administrative Costs

Administrative costs including legal fees, actuarial services and audit fees are paid by the Plan.

New Accounting Standards

The Governmental Accounting Standards Board (GASB) issued No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

The scope of this Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts that have the following characteristics:

PHILADELPHIA HOUSING AUTHORITY RETIREMENT INCOME PLAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED OCTOBER 31, 2012 and 2011

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Standards (Continued)

- Contributions from employers to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets that are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers and the pension plan administrator.

This Statement also details the note disclosure requirements for defined benefit pension plans administered through trusts that meet the identified criteria.

GASB Statement No. 67 is effective for audits of financial statements beginning after June 15, 2013. PHA is evaluating the effects of this standard.

Note 3 DERIVATIVE FINANCIAL INSTRUMENTS

The Plan engages in limited derivative transactions for trading purposes, including trading activities measured at fair value as of the reporting date, with gains and losses recognized in their respective earnings.

Forward Currency Contracts

The Plan enters into forward currency contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. denominated investment securities. When entering into a forward currency contract, the Plan agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. These contracts are valued daily and recorded in the Statement of Plan Net Assets with changes in value reflected in the Statement of Changes in Plan Net Assets net appreciation (depreciation). At the time the contracts are closed or offset, the realized gains and losses are also included in the Statement of Changes in Plan Net Assets. Risks arise from movement in currency and securities values and interest rates and from the possible inability of counterparties to meet the terms of their contracts. The risks of forward currency contracts, however, when viewed in conjunction with the non-U.S. denominated investment securities to which these contracts relate, do not represent a disproportionate risk to the Plan. While forward currency contracts are also subject to credit risk (the inability of counterparties to meet the terms of their contracts), such risks are minimized by the performance of comprehensive credit analysis and due diligence on the counterparties to the contracts.

Continued

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Note 3 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Forward Currency Contracts (Continued)

Derivatives, including forward currency contracts, are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable. For example, fluctuations in market prices, interest rates or exchange rates change the market value of these instruments. As these securities are recognized at market value, these changes directly affect income.

Credit risk exposures relate to losses that would be recognized if counterparties failed completely to perform their obligations. The Plan's credit exposure at the reporting date from financial instruments held for trading purposes is represented by receivables on foreign currency transactions of \$3,940 and \$15,493 as of October 31, 2012 and 2011, respectively. This constitutes 0.002% and 0.008% of the net assets held in trust for pension benefits as of October 31, 2012 and 2011, respectively.

Note 4 FUNDED STATUS AND FUNDING PROGRESS

The funded status of the Plan (as reported in the latest actuarial valuation) as of November 1, 2012 is as follows:

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-- Entry Age (b)	Unfunded AAL (UAAL) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((a-b)/c)
\$201,154,443	\$275,285,243	\$(74,130,800)	73%	\$10,040,634	(738%)

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of the Plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation is as follows:

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Note 4 FUNDED STATUS AND FUNDING PROGRESS (Continued)

Valuation Date	Actuarial Cost Method	Amortization Method	Remaining Amortization Period
11/1/2012	Entry Age Normal	Level Percent Closed	Weighted Average Over 12 Years
Asset valuation method:			
<p>The actuarial value of assets is equal to the prior year's actuarial value increased to reflect contributions less benefit payments and non-investment-related expenses, and then increased to reflect interest at the assumed rate of 7.5%. The resulting value is then adjusted, up or down, by one-third of the difference between it and the actual market value. The actuarial value will not be greater than 120% of market value or less than 80% of market value.</p> <p>Contributions received after the valuation date but which were intended for Plan years ending prior to the valuation date are included in this asset value.</p>			
Actuarial Assumptions:			
Investment Rate of Return	7.5%		
Projected Salary Increase	3.5%		

Note 5 PLAN TERMINATION

The Employer intends for the Plan to be permanent, but reserves the right to terminate it at any time. The Plan shall terminate automatically upon complete discontinuance of contributions.

In the event the Plan terminates, after payment of final expenses, net assets of the Plan will be allocated, generally to provide benefits to all participants from the active participants to those participants with less than ten years of credited service as set forth in the Plan Agreement.