Housing Authority of the City of Pittsburgh Pension Plan

Financial Statements
and Required Supplementary Information

For the Years Ended December 31, 2016 and 2015
with Independent Auditor's Report

MaherDuessel
Certified Public Accountants

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HOUSING AUTHORITY OF THE CITY OF PITTSBURGH PENSION PLAN

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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Independent Auditor's Report

Pension Committee Members
Defined Contribution Pension Plan
for Employees of the Housing Authority
of the City of Pittsburgh

We have audited the accompanying financial statements of the Housing Authority of the City of Pittsburgh Pension Plan (Plan) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Plan's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan, as of December 31, 2016 and 2015, and the changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page i 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.

Maher Duessel

Pittsburgh, Pennsylvania
August 3, 2017

Housing Authority of the City of Pittsburgh
Pension Plan

Management's Discussion and Analysis

Year Ended December 31, 2016

This section of the Housing Authority of the City of Pittsburgh Pension Plan's (Plan) annual financial report presents Management's Discussion and Analysis of the Plan's financial performance during the year ended December 31, 2016.

Please read it in conjunction with the Plan's financial statements, which immediately follow the section.

Financial Highlights

Total additions for 2016 were $4,393,465 compared to $2,148,325 in 2015, an increase of $2,245,140. The 2016 contributions - $1,832,357 – were a decrease of approximately 6% from the 2015 contributions – which were $1,943,931. Total investment income for 2016 was $2,503,246, an increase of $2,367,709 from 2015 investment income – which was $135,537. The increase was due to overall higher market values in securities markets at December 31, 2016.

Total deductions for 2016 were $2,925,458 compared to $2,546,347 in 2015, an increase of $379,111. The increase was primarily due to an increase in benefit distributions.

Total assets as of December 31, 2016 were $41,090,268 compared to $39,622,261 in 2015. The 4% increase was primarily due to overall higher market values in securities markets at December 31, 2016.

Net position increased approximately 4% from $39,622,261 at December 31, 2015 to $41,090,268 at December 31, 2016.

Overview of the Financial Statements

The financial section of this annual report consists of two parts; management's discussion and analysis (this section) and the basic financial statements and related notes to financial statements.

The financial statements provide information about the Plan's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Contacting the Authority

If you have any questions about this report or need additional financial information, contact the Housing Authority of the City of Pittsburgh at 200 Ross Street, 1st Floor, Pittsburgh, PA 15219.

HOUSING AUTHORITY OF THE CITY OF PITTSBURGH PENSION PLAN

STATEMENTS OF PLAN NET POSITION

DECEMBER 31, 2016 AND 2015

	2016	2015
Assets		
Investments, at fair value	$ 40,176,551	$ 38,848,982
Notes receivable from participants	913,717	773,279
Total Assets	41,090,268	39,622,261
Liabilities	-	-
Net Position Restricted for Pension Benefits	$ 41,090,268	$ 39,622,261

See accompanying notes to financial statements.

HOUSING AUTHORITY OF THE
CITY OF PITTSBURGH
PENSION PLAN

STATEMENTS OF CHANGES IN PLAN NET POSITION

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Additions:		
Contributions:		
Employer contributions	$ 1,045,764	$ 1,080,613
Employee contributions	784,774	820,075
Rollovers and other contributions	1,819	43,243
Total contributions	1,832,357	1,943,931
Net investment gain (loss)	1,143,075	(1,813,082)
Interest and dividends	1,360,171	1,948,619
Interest on notes receivable from participants	38,668	42,351
Miscellaneous	19,194	26,506
Total additions	4,393,465	2,148,325
Deductions:		
Benefits	2,822,409	2,493,915
Administrative fees	103,049	52,432
Total deductions	2,925,458	2,546,347
Net Increase (Decrease) in Plan Net Position	1,468,007	(398,022)
Net Position:		
Beginning of year	39,622,261	40,020,283
End of year	$ 41,090,268	$ 39,622,261

See accompanying notes to financial statements.

1. Plan Description

The Housing Authority of the City of Pittsburgh Pension Plan (Plan) is a defined contribution plan which was established on January 1, 1975 by the Housing Authority of the City of Pittsburgh (Authority) to provide retirement benefits. The Plan was amended and restated in its entirety as of September 1, 2004. The Authority has the right, under the Plan, to terminate, modify, alter, or amend the Plan in any respect, retroactively or otherwise, at any time. The Plan is a governmental plan that is not subject to the Employment Retirement Income Security Act (ERISA) and follows governmental accounting standards.

The following accounting policies and footnotes of the Plan are provided for general information purposes only. Participants should refer to the Plan document for more complete information.

Eligibility

The Plan covers all regular or temporary full-time employees of the Authority with at least 90 consecutive days of continuous service. At December 31, 2016 and 2015, the total number of Plan participants was approximately 350 and 340, respectively.

Contributions

All employees must make pre-tax contributions equal to four percent of the first $4,800 of annual compensation and six percent on compensation in excess of $4,800, as defined in the Plan, not to exceed the annual limit established by the Internal Revenue Code. Employees are also permitted to make after-tax contributions not to exceed 100% of net compensation as defined in the Plan, not to exceed the annual limit established by the Internal Revenue Code. The Authority's contribution is six percent of pre-tax annual compensation up to $4,800 and eight percent of pre-tax compensation in excess of $4,800, as defined in the Plan. Employee contributions for the years ended December 31, 2016 and 2015 were $784,774 and $820,075, respectively. Employer contributions for the years ended December 31, 2016 and 2015 were $1,045,764 and $1,080,613, respectively.

Investment Options

Upon enrollment in the Plan, a participant may direct all employee and employer contributions into the various investment options of the Plan. Fidelity Investments currently serves as trustee of the Plan's assets. All employee and employer contributions are allocated to the respective participant's individual investment account.

Participants also have the option to invest a portion of their vested account in individual securities and mutual funds available through a self-directed brokerage account offered and maintained by the trustee.

Participant Accounts

Each participant's account is credited with the participant's contribution and allocation of (a) the Authority's contribution and (b) Plan earnings, and charged with an allocation of (a) Plan losses and (b) administrative expenses. Allocations are based on participant 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 immediately vested in their own contributions, including rollovers and transfers, and actual earnings thereon. Participants are also completely vested in their accounts upon attainment of normal retirement age or complete termination of the Plan by the Authority. Effective January 1, 2008, the vesting schedule was accelerated so that active employees and future participants would become fully vested after five years of service. Participants who had already attained five years of service and who were active employees on January 1, 2008 immediately became fully vested in their accounts.

Vesting in the Authority's contribution is based on the following schedule:

Years of Service	Percentage
<1	0%
1	20%
2	40%
3	60%
4	80%
5	100%

Forfeited Accounts

Any forfeiture of non-vested participant accounts may be used to cover plan expenses or offset future employer contributions to the Plan. The forfeiture account balance was $2,214,812 and $2,315,791, respectively, at December 31, 2016 and 2015.

Notes Receivable from Participants

Participants may borrow from their accounts. Loans are limited to one outstanding loan per participant and the lesser of (a) 50% of the balance of the participant's account attributable to participant contributions or (b) $18,000 for loans borrowed before November 15, 2013 and $25,000 for loans borrowed after November 15, 2013. A participant may not request a loan for less than $1,000. A participant may only request a loan once every two years. Loans are secured by the balance in the participants' accounts and bear a reasonable fixed rate of interest. Interest rates on loans outstanding at December 31, 2016 and 2015 ranged from 5.00% to 5.25%. Repayments of principal and interest are payable to the participants' segregated accounts in terms not to exceed five years. Principal and interest is paid ratably through bi-weekly payroll deductions. The amounts of outstanding loans at December 31, 2016 and 2015 were $913,717 and $773,279, respectively.

Benefit Distributions

When employment terminates for any reason, as defined by the Plan, a participant may receive their benefit amount in the form of either a lump sum payment, or the vested balance of their account may be used to purchase an annuity, as defined in the Plan document. Payments to participants or their beneficiaries will be made as soon as the distribution is administratively feasible, following the date on which a distribution was requested or otherwise payable.

Any participants who have not separated from service, regardless of the attainment of the normal retirement age, will not be permitted to receive a distribution on their vested account balance. Effective January 1, 2009, the Plan was amended to permit active participants who have attained normal retirement age and are 100% vested in their account to make a one-time, irrevocable election to receive in-service distributions from their account.

Participants with accumulated balances of less than $1,000 at the date of termination of employment shall receive a distribution of their vested balance and shall forfeit any non-vested funds.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Plan have been prepared on the accrual basis of accounting. The net appreciation (depreciation) in the fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the statements of plan net position.

Fair Value Measurements

The Plan categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investment Valuation and Income Recognition

The Plan’s investments in registered investment companies and cash equivalents are stated at fair value as of December 31, 2016 and 2015. Fair value for the investments in registered investment companies is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Plan Expenses

The majority of the Plan expenses are paid by the forfeiture account. Investment-related expenses are included in net appreciation of fair value of investments.

Payment of Benefits

Benefits are recorded when paid.

Adopted Pronouncement

The Plan adopted the Governmental Accounting Standards Board Statement No. 72, *"Fair Value Measurement and Application."* This statement addresses accounting and financial reporting issues related to fair value measurement. The disclosure requirements of this statement have been incorporated into these financial statements.

Subsequent Events

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

3. INVESTMENTS

The Plan has the following recurring fair value measurements as of December 31, 2016 and 2015:

		Fair Value Measurements at Reporting Date Using		
	December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$ 3,651,014	$ 3,651,014	$ -	$ -
Registered investment companies	36,525,537	36,525,537	-	-
Total	$ 40,176,551	$ 40,176,551	$ -	$ -

		Fair Value Measurements at Reporting Date Using		
	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	$ 2,902,740	$ 2,902,740	$ -	$ -
Registered investment companies	35,946,242	35,946,242	-	-
Total	$ 38,848,982	$ 38,848,982	$ -	$ -

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Money market and Registered Investment Companies – Valued at the closing price on the active market on which the individual securities are traded.

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

The following table presents the individual investment funds that represent 5% or more of the Plan's investments at December 31, 2016 and 2015:

	2016	2015
Fidelity Retirement Money Market	$ 3,651,014	$ 2,902,740
FID Freedom K 2015	2,330,648	*
FID Freedom K 2020	11,464,861	9,593,260
FID Freedom K 2030	5,726,084	5,287,854
Less than 5%	17,003,944	21,065,128
	$ 40,176,551	$ 38,848,982

* Investment does not represent 5% or more of Plan net assets.

4. Termination of the Plan

While it has no present intention to do so, the Authority has the right under the Plan to amend or terminate the Plan at any time. In the event of a Plan termination, all amounts credited to participant accounts will be fully vested and paid to the participant as soon as administratively feasible.

5. Related-Party Transactions

Certain Plan investments are managed by Fidelity. Fidelity is the trustee as defined by the Plan and, therefore, these transactions qualify as related party transactions. Administrative expenses paid by the Plan amounted to $103,049 and $52,432 for the years ended December 31, 2016 and 2015, respectively.

6. INCOME TAX STATUS

The Plan obtained its latest determination letter on January 9, 2015, in which the Internal Revenue Service stated that the Plan, as designed, was in compliance with the applicable requirements of the Internal Revenue Code.

7. 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 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 statements of plan net position.