



**CITY OF CARBONDALE AGGREGATE
PENSION FUND**

LACKAWANNA COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2011 TO DECEMBER 31, 2012

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Mayor and City Council
City of Carbondale
Lackawanna County
Carbondale, PA 18407

We have conducted a compliance audit of the City of Carbondale Aggregate Pension Fund for the period January 1, 2011 to December 31, 2012. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report; and
2. To determine if the pension fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. Our methodology addressed determinations about the following:

- Whether state aid was properly determined and deposited in accordance with Act 205 requirements.
- Whether employer contributions are determined and deposited in accordance with the plans' governing documents and applicable laws and regulations.
- Whether employee contributions are required and, if so, are determined, deducted and deposited into the pension plans and are in accordance with the plan provisions and applicable laws and regulations.

- Whether benefit payments, if any, represent payments to all (and only) those entitled to receive them and are properly determined in accordance with applicable laws and regulations.
- Whether obligations for plan benefits are accurately determined in accordance with plan provisions and based on complete and accurate participant data; and whether actuarial valuation reports are prepared and submitted to the Public Employee Retirement Commission (PERC) in accordance with state law and selected information provided on these reports is accurate, complete and in accordance with plan provisions to ensure compliance for participation in the state aid program.
- Whether the special ad hoc postretirement adjustment granted to eligible pensioners is in accordance with applicable laws and regulations and whether the ad hoc reimbursement received by the municipality was treated in accordance with applicable laws and regulations.
- Whether benefit payments have only been made to living recipients, based on the Social Security numbers found in the pension records for retirees and beneficiaries.
- Whether the terms and methodologies of the issuance of bonds by the municipality, and any restrictions are in compliance with plan provisions and state regulations.

The City of Carbondale contracted with an independent certified public accounting firm for an audit of its basic financial statements for the year ended December 31, 2011, which is available at the city's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Carbondale Aggregate Pension Fund is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the city's internal controls as they relate to the city's compliance with those requirements and that we considered to be significant within the context of our audit objectives, and assessed whether those significant controls were properly designed and implemented. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our tests indicated that, in all significant respects, the City of Carbondale Aggregate Pension Fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Provision Of Benefits In Excess Of The Third Class City Code

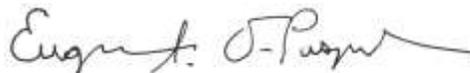
Finding No. 2 – Partial Compliance With Prior Audit Recommendation – Failure To Pay The Minimum Municipal Obligations Of The Plans

Finding No. 3 – Pension Benefits In Excess Of The Third Class City Code

Finding Nos. 1 and 2 contained in this audit report repeat conditions that were cited in our previous audit report that have not been corrected by city officials. We are concerned by the city's failure to correct those previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this audit report.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of the City of Carbondale and, where appropriate, their responses have been included in the report. We would like to thank city officials for the cooperation extended to us during the conduct of the audit.



EUGENE A. DEPASQUALE
Auditor General

March 13, 2014

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the City of Carbondale Aggregate Pension Fund is also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

- Act 147 - Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of December 14, 1988 (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101 et seq.
- Act 177 - General Local Government Code, Act of December 19, 1996 (P.L. 1158, No. 177), as amended, 53 Pa.C.S. § 101 et seq.
- Act 317 - The Third Class City Code, Act of June 23, 1931 (P.L. 932, No. 317), as amended, 53 P.S. § 35101 et seq.

The City of Carbondale Aggregate Pension Fund retains the assets and acts as a common investment and administrative agent for the city's police and firemen's pension plans. The police and firemen's pension plans are single-employer defined benefit pension plans locally controlled by the provisions of Chapter 27 of the city's code of ordinances, adopted pursuant to Act 317. The plans are also affected by the provisions of collective bargaining agreements between the city and its police officers and firefighters. The police pension plan was established August 7, 1950 and the firemen's pension plan was established December 19, 1949. Active members of both plans are required to contribute 5 percent of salary to their respective plan.

BACKGROUND – (Continued)

As of December 31, 2012, the police pension plan had 12 active members, no terminated members eligible for vested benefits in the future and 17 retirees receiving pension benefits from the plan.

As of December 31, 2012, the firemen's pension plan had 7 active members, no terminated members eligible for vested benefits in the future and 3 retirees receiving pension benefits from the plan.

As of December 31, 2012, selected plan benefit provisions are as follows:

POLICE PENSION PLAN

Eligibility Requirements:

Normal Retirement Age 50 and 20 years of service.

Early Retirement None

Vesting 100% after 12 years of service.

Retirement Benefit:

50% of final pay, plus 1.25% of pay per year of service in excess of 25 years (maximum \$100).

Survivor Benefit:

If retired or eligible to retire - 50% of benefit. If killed in service after 10 years - 40% of pay. Before 10 years - 20% of pay.

Service Related Disability Benefit:

40% of pay after 10 years, 20% of pay before 10 years.

BACKGROUND – (Continued)

FIREMEN’S PENSION PLAN

Eligibility Requirements:

Normal Retirement	Hired before 1/1/87: 20 years of service. Hired after 1/1/87: Age 55 and 20 years of service.
Early Retirement	Hired before 1/1/87: None. Hired after 1/1/87: Age 50 and 20 years of service.
Vesting	None

Retirement Benefit:

Hired before 1/1/87: 50% of final pay, plus 1.25% of pay per year of service in excess of 20 years (maximum \$100).

Hired after 1/1/87: 50% of final pay, plus 1.25% of pay per year of service in excess of 25 years (maximum \$100).

Survivor Benefit:

Hired before 1/1/87: If retired or eligible to retire - 100% of benefit.

Hired after 1/1/87: If retired or eligible to retire - 50% of benefit.

If killed in service after 10 years - 40% of pay. Before 10 years - 20% of pay.

Service Related Disability Benefit:

Hired before 1/1/87: 50% of pay.

Hired after 1/1/87: 40% of pay after 10 years, 20% of pay before 10 years.

CITY OF CARBONDALE AGGREGATE PENSION FUND
STATUS OF PRIOR FINDINGS

Partial Compliance With Prior Audit Recommendation

The City of Carbondale has partially complied with the prior audit recommendation concerning the following:

- Failure To Pay The Minimum Municipal Obligation Of The Plans

During the current audit period, the city paid the 2011 minimum municipal obligations (MMOs) due to the pension plans. However, city officials failed to calculate and pay the required interest due to the plans for the late payment of the 2011 MMOs and failed to pay the required MMOs for the years 2012 and 2013 as further discussed in the Findings and Recommendations section of this report.

Noncompliance With Prior Audit Recommendation

The City of Carbondale has not complied with the prior audit recommendation concerning the following as further discussed in the Findings and Recommendations section of this report:

- Provision Of Benefits In Excess Of The Third Class City Code

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Firemen’s Pension Plan

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Provision Of Benefits In Excess Of The Third Class City Code

Condition: As disclosed in the prior audit report, the city adopted a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2901 et seq. (previously 53 P.S. § 1-101 et seq.). Our audit determined that the city has provided a cost of living allowance to its firefighters in excess of the restrictions found in the Third Class City Code, as follows:

<u>Benefit</u>	<u>Governing Document/Collective Bargaining Agreement</u>	<u>Third Class City Code</u>
Cost-of-living allowances	Firemen who retire on or after January 1, 1993, shall receive an increase of 2.5% on the third anniversary of retirement and each year thereafter.	Increases shall be in conformity with a uniform scale with the total benefit limited to 50% of the current salary of the firemen of the highest pay grade.

Criteria: On January 24, 2001, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*. Therein, the court held that Section 2962(c)(5) of the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2962(c)(5), “clearly precludes home rule municipalities from providing pension benefits different from those prescribed in general law including Act 600.” The court’s holding was in accord with the position taken by this Department since at least January 1995.

Cause: Plan officials were unable to amend the cost of living provision through the collective bargaining process.

Effect: Providing unauthorized pension benefits increases the plan’s pension costs and reduces the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses. Since the city received state aid based on unit value during the current audit period, it did not receive allocations attributable to the excess pension benefits provided. However, the increased costs to the pension plan as a result of the excess pension benefits could result in the receipt of excess state aid in the future and increase the municipal contributions necessary to fund the plan in accordance with Act 205 funding standards.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Firemen's Pension Plan – (Continued)

Finding No. 1 – (Continued)

Recommendation: We again recommend that the city restrict pension benefits to those authorized by the Third Class City Code for all employees who began full-time employment on or after January 24, 2001 (the date *Monroeville* was issued) upon the renewal, extension, or renegotiation of the collective bargaining agreement. To the extent that the city is not in compliance with the Third Class City Code and/or is contractually obligated to provide benefits in excess of those authorized by the Third Class City Code to employees who began employment on or after January 24, 2001, the excess benefits must be reflected in the Act 205 actuarial valuation reports for the plan and funded in accordance with Act 205 funding standards. Furthermore, such benefits will be deemed ineligible for funding with state pension aid. In such case, the plan's actuary may be required to determine the impact, if any, of the unauthorized benefits on the plan's future state aid allocations and submit this information to the Department.

Management's Response: Please be advised that the City of Carbondale has been made aware of the previous audit finding relating to the cost of living adjustments to the paid firemen's pension plan. Please be further advised that the City of Carbondale has no means to remedy this finding due to the fact that we are contractually obligated under the International Association of Fire Fighters Collective Bargaining Agreement.

Auditor's Conclusion: The Department is aware that the provision of cost-of-living adjustments is subject to the collective bargaining process. The city's commitment to provide excess cost-of-living increases to its firefighters who were hired on or after January 24, 2001, will continue to be monitored during future audits.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Police and Firemen's Pension Plans

**Finding No. 2 – Partial Compliance With Prior Audit Recommendation – Failure To Pay
The Minimum Municipal Obligations Of The Plans**

Condition: As disclosed in the prior audit report, the city did not pay the minimum municipal obligations (MMOs) that were due to the police and firemen's pension plans for the year 2011 as required by Act 205. During the current audit period, the city paid the 2011 minimum municipal obligations (MMOs) due to the pension plans; however, city officials failed to calculate and pay the required interest due to the plans for the late deposit of the 2011 MMOs.

In addition, city officials did not pay the minimum municipal obligations (MMOs) that were due to the police and firemen's pension plans for the years 2012 and 2013 as required by Act 205. The city had unpaid MMOs of \$209,113 and \$75,770 for the police and firemen's pension plans, respectively, for the year 2012 and had unpaid MMOs of \$237,600 and \$59,970 for the police and firemen's pension plans, respectively, for the year 2013.

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Section 302(d) of Act 205 states, in part:

The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Furthermore, Section 302(e) of Act 205 states:

Interest penalty on omitted municipal contributions. Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid at a rate equal to the interest assumption used for the actuarial valuation report or the discount rate applicable to treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation was due, whichever is greater, expressed as a monthly rate and compounded monthly.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Police and Firemen's Pension Plans – (Continued)

Finding No. 2 – (Continued)

Cause: City officials have failed to adopt adequate internal control procedures to ensure full compliance with the prior audit recommendation.

Effect: The failure to pay the MMOs and interest due to the plans could result in the plans not having adequate resources to meet current and future benefit obligations to their members.

Due to the municipality's failure to pay the 2012 and 2013 MMOs by the respective December 31, deadlines, the municipality must add the 2012 and 2013 MMOs to the current year's MMO and include interest, as required by Act 205.

Recommendation: We again recommend that the municipality pay the interest due to the pension plans for the late payment of the 2011 MMO in accordance with Section 302(e) of Act 205.

We also recommend that the municipality pay the MMOs due to the police and firemen's pension plans for the years 2012 and 2013, with interest, in accordance with Section 302(e) of Act 205. A copy of the interest calculation must be submitted to this Department along with evidence of payment.

Furthermore, we recommend that in the future, plan officials timely pay the full MMOs due the plans in accordance with Act 205 requirements.

Management's Response: Municipal officials agreed with the finding without exception. In March 2014, the city deposited \$313,275 to the pension plans for the 2012 MMOs with interest and in June 2014, the city deposited \$307,515 for the 2013 MMOs with interest; however, the interest for both years was not calculated in accordance with the provisions of Section 302(e) of Act 205 since it did not reflect the total interest due going back to January 1 of the year the respective MMOs were originally due. Subsequently, in June 2014, the city provided a calculation reflecting additional interest of \$21,560 for the 2012 MMOs and \$24,035 for the 2013 MMOs which the city intends to deposit.

Auditor's Conclusion: The city's full compliance with the finding recommendation, including the payment of interest on the 2011, 2012 and 2013 MMOs, will be monitored subsequent to the release of the audit report and through our next audit of the pension plan.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Police Pension Plan

Finding No. 3 – Pension Benefits In Excess Of The Third Class City Code

Condition: The pension plan’s governing document grants benefits that are not authorized by the Third Class City Code. In February 2013, the city created a one-time Retirement Incentive Program for full-time police officers with at least 20 years of service as of February 19, 2013. The city amended the incentive program in March 2013 to include an incentive for any full-time police officer eligible for a disability pension as of March 18, 2013.

Section 27-19 A (3) of File of the Council No. 3 of 2013 states:

The City of Carbondale shall fund an additional fifteen percent (15%) incentive above and beyond the defined benefit statutory limit of fifty percent (50%) – to be calculated by adding fifteen percent (15%) of the base monthly pension compensation to the base monthly pension compensation. This incentive will be funded from the City of Carbondale General Fund for the officer’s lifetime, and shall terminate promptly upon the officer’s death.

Also, Section 27-19 A (4) of File of the Council No. 3 of 2013 states:

The City of Carbondale shall fund a one and one half percent (1.5%) Cost-of-Living-Increase (COLA) on a yearly basis for any officer that completed more than twenty (20) years of service – to be calculated by adding one and one half percent (1.5%) of the base monthly pension compensation to the base monthly pension compensation – to become effective and payable: January 1, 2015. This COLA shall compound each year based on the base monthly pension compensation, but it shall not affect the base monthly pension compensation or the fifteen percent (15%) incentive being paid from the City’s General Fund – as outlined in sub-section (3) above. This incentive will be funded from the City of Carbondale General Fund for the officer’s lifetime, and shall terminate promptly upon the officer’s death.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

Finding No. 3 – (Continued)

Furthermore, Section 27-19 B (3) of File of the Council No. 4 of 2013 states:

The City of Carbondale shall fund an additional ten percent (10%) incentive above and beyond the disability pension (40%), but within the defined benefit statutory limit of fifty percent (50%) – to be calculated by adding ten percent (10%) of the base monthly pension compensation to the base monthly pension compensation. This incentive will be funded from the City of Carbondale General Fund for the officer’s lifetime, and shall terminate promptly upon the officer’s death.

In addition, Section 27-19 B (4) of File of the Council No. 4 of 2013 states:

The City of Carbondale shall fund a one and one half percent (1.5%) Cost-of-Living-Increase (COLA) on a yearly basis for any officer eligible for a Disability Pension under Chapter 27 – to be calculated by adding one and one half percent (1.5%) of the base monthly pension compensation to the base monthly pension compensation – to become effective and payable: January 1, 2016. This COLA shall compound each year based on the base monthly pension compensation, but it shall not affect the base monthly pension compensation or the ten percent (10%) incentive being paid from the City’s General Fund – as outlined in sub-section (3) above. This incentive will be funded from the City of Carbondale General Fund for the officer’s lifetime, and shall terminate promptly upon the officer’s death.

The monetary incentives and cost of living increases provided pursuant to the Retirement Incentive Program are being funded by the city’s general fund, which is not in accordance with the Third Class City Code and Act 205 standards. In addition, the monetary incentives being provided to the retirees under File of the Council No. 3 of 2013, and the cost of living increases provided under File of the Council Nos. 3 and 4, are in excess of benefits authorized by the Third Class City Code. In addition, a cost estimate was not prepared to determine the effect of the pension benefit increases as required by Act 205.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

Finding No. 3 – (Continued)

Criteria: Section 4303(a) of the Third Class City Code states:

Payments for allowances shall not be a charge on any other fund in the treasury of the city or under its control save the police pension fund herein provided for. The basis of the apportionment of the pension shall be determined by the rate of the monthly pay of the member at the date of injury, death, honorable discharge, vesting under section 4302.1 or retirement, or the highest average annual salary which the member received during any five years of service preceding injury, death, honorable discharge, vesting under section 4302.1 or retirement, whichever is the higher, and except as to service increments provided for in subsection (b) of this section, shall not in any case exceed in any year one-half the annual pay of such member computed at such monthly or average annual rate, whichever is the higher. (Emphasis added)

In addition, Section 4303.1 of the Third Class City Code states:

Any city may, at any time, at its discretion, upon the recommendation of the persons having custody and management of the police pension fund, increase the allowances of persons receiving allowances of any kind from the police pension fund by reason of and after the termination of the services of any member of said fund. Such increases shall be in conformity with a uniform scale, which may be based on the cost of living, but the total of any such allowances shall not at any time exceed one-half of the current salary being paid patrolmen of the highest pay grade.

Section 305(a) of Act 205 states:

Prior to the adoption of any benefit plan modification by the governing body of the municipality, the chief administrative officer of each pension plan shall provide to the governing body of the municipality a cost estimate of the effect of the proposed benefit plan modification.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

Finding No. 3 – (Continued)

Further, Section 305(b) of Act 205 states, in part:

If the pension plan is a defined benefit plan which is self-insured in whole or in part, the cost estimate shall be prepared by an approved actuary. . . .

Under Act 205 all pension benefits, whether statutorily authorized or not, must be paid from the appropriate pension fund, reflected in the plan’s actuarial valuation reports, and funded in accordance with the act’s standards.

Cause: Municipal officials believed that the unauthorized benefits granted would be allowable because the city’s general fund is paying these benefits.

Effect: The city is paying pension benefits from its general fund to 3 retirees in excess of those authorized by the Third Class City Code. As of the date of this report, the retirees are receiving excess benefits totaling \$2,016 per month, which totaled approximately \$25,571 from the respective dates of retirement through March 1, 2014. The city is also paying a portion of a disability pension benefit to a retiree from its general fund in the amount of \$310 per month, which totaled approximately \$3,717 from the date of retirement through March 1, 2014.

Recommendation: We recommend that the city consult with its municipal solicitor to determine their benefit obligations to the affected retirees. In addition, the city should contact the Public Employee Retirement Commission (PERC) to determine the proper reporting of these benefits on future actuarial valuation reports. To the extent that the city is not in compliance with the Third Class City Code and/or is contractually obligated to pay benefits to existing retirees in excess of those authorized by the Third Class City Code, the excess benefits must be reflected in the Act 205 actuarial valuation reports for the plan and funded in accordance with Act 205 funding standards. Furthermore, such benefits will be deemed ineligible for funding with state pension aid. In such case, the plan’s actuary may be required to determine the impact, if any, of the excess benefits on the city’s future state aid allocations and submit this information to the department. If it is determined the excess benefits had an impact on the city’s future state aid allocations after the submission of this information, the plan’s actuary would then be required to contact the department to verify the overpayment of state aid received. Plan officials would then be required to reimburse the overpayment to the Commonwealth.

Furthermore, we recommend that all future pension benefit modifications should be preceded by a cost estimate which has been prepared by a qualified person to determine the monetary effect of the proposed modifications to the plan.

CITY OF CARBONDALE AGGREGATE PENSION FUND
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

Finding No. 3 – (Continued)

Management's Response: At our exit conference held on February 4, 2014, management indicated that they would provide a written response to this finding within 10 days; however, no response has been provided.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

CITY OF CARBONDALE AGGREGATE PENSION FUND
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULES OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2007, is as follows:

POLICE PENSION PLAN

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
01-01-07	\$ 4,528,414	\$ 4,514,707	\$ (13,707)	100.3%	\$ 718,859	(1.9%)
01-01-09	4,205,322	4,757,201	551,879	88.4%	788,442	70.0%
01-01-11	4,414,627	5,244,892	830,265	84.2%	795,585	104.4%

Note: The market values of the plan's assets at 01-01-09 and 01-01-11 have been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF CARBONDALE AGGREGATE PENSION FUND
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULES OF FUNDING PROGRESS – (Continued)

FIREMEN’S PENSION PLAN

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
01-01-07	\$ 2,385,509	\$ 2,378,288	\$ (7,221)	100.3%	\$ 385,191	(1.9%)
01-01-09	2,440,459	2,694,105	253,646	90.6%	472,764	53.7%
01-01-11	2,729,772	2,897,075	167,303	94.2%	456,191	36.7%

Note: The market values of the plan’s assets at 01-01-09 and 01-01-11 have been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF CARBONDALE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (Column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. When assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

CITY OF CARBONDALE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

POLICE PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2007	\$ 99,304	100.0%
2008	99,542	100.0%
2009	100,099	100.0%
2010	102,623	100.0%
2011	201,598	100.0%
2012	209,113	100.0%

CITY OF CARBONDALE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES – (Continued)

FIREMEN’S PENSION PLAN

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2007	\$ 55,885	100.0%
2008	57,506	100.0%
2009	61,152	100.0%
2010	63,466	100.0%
2011	73,128	100.0%
2012	75,770	100.0%

CITY OF CARBONDALE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

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

POLICE PENSION PLAN

Actuarial valuation date	January 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	7 years
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Cost-of-living adjustments	1.0% per year postretirement

CITY OF CARBONDALE AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

FIREMEN'S PENSION PLAN

Actuarial valuation date	January 1, 2011
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Cost-of-living adjustments	2.5% per year postretirement

CITY OF CARBONDALE AGGREGATE PENSION FUND
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania

City of Carbondale Aggregate Pension Plan
Lackawanna County
1 North Main Street
Carbondale, PA 18407

The Honorable Justin M. Taylor	Mayor
Dr. Joseph Marzzacco	Council President
Mr. Thomas P. Rainey, CPA	Finance Director
Ms. Michele Bannon	City Clerk

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