

COMPLIANCE AUDIT

City of Harrisburg Non-Uniformed Pension Plan Dauphin County, Pennsylvania For the Period January 1, 2021 to December 31, 2022

January 2024



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and City Council
City of Harrisburg
Dauphin County
Harrisburg, PA 17101

We have conducted a compliance audit of the City of Harrisburg Non-Uniformed Pension Plan for the period January 1, 2021 to December 31, 2022. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the 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 report; and
2. To determine if the pension plan 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. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the period under audit.
- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- We determined whether retirement benefits calculated for plan members who retired or elected to vest during the current audit period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the monthly pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.
- We determined whether the January 1, 2021 actuarial valuation report was prepared and submitted by March 31, 2022 in accordance with Act 205 and whether selected information provided on this report is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.

The City of Harrisburg contracted with an independent certified public accounting firm for an audit of its basic financial statements for the year ended December 31, 2021 which are 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.

The City of Harrisburg Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, copies of which are available from the PMRS accounting office. PMRS's 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 Harrisburg Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary 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.

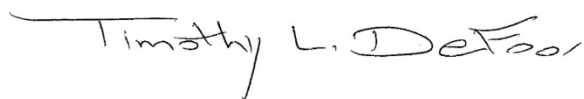
The results of our procedures indicated that, in all significant respects, the City of Harrisburg Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following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

- Finding No. 1 – Noncompliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid
- Finding No. 2 – Noncompliance With Prior Recommendation – Failure To Implement Mandatory Provisions Of Act 205
- Finding No. 3 – Restated Plan Documents Not Adopted By Ordinance

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 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 Harrisburg 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.



Timothy L. DeFoor
Auditor General
December 6, 2023

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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.

Annual state aid allocations are provided from a two 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 Harrisburg Non-Uniformed Pension Plan is also governed by implementing regulations 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 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The City of Harrisburg Non-Uniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 5 of 2017, as amended, and a separately executed plan agreement with the plan custodian, effective January 1, 2019, adopted pursuant to Act 15. (*See Finding No. 3.*) The plan is also affected by the provisions of collective bargaining agreements between the city and its non-uniformed employees. The plan was established January 1, 1947. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2022, the plan had 217 active members, 21 terminated members eligible for vested benefits in the future, and 232 retirees receiving pension benefits.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendation

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

- Inadequate Accounting/Reporting Over Activity Of The Pension Plan

During the current audit period, the city provided annual financial statements of the pension plan's activity for all years.

Noncompliance With Prior Audit Recommendations

The City of Harrisburg has not complied with the prior audit recommendations concerning the following as further discussed in the Findings and Recommendations section of this report.

- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

Although the municipality received reimbursement for the prior state aid underpayment, the city again failed to comply with the instructions that accompany Certification Form AG 385 in accurately reporting the required pension data, as further discussed in Finding No. 1.

- Failure to Implement Mandatory Provisions Of Act 205

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

Condition: As disclosed in the Status of Prior Findings section of this report, the city again failed to comply with the instructions that accompanied Certification Form AG 385. The city failed to certify an eligible non-uniformed employee (1 unit) and understated payroll by \$32,400 on the Certification Form AG 385 filed in 2022. In addition, the city failed to certify an eligible non-uniformed employee (1 unit) and understated payroll by \$58,515, and certified an ineligible police officer (2 units) and overstated payroll by \$17,904 on the Certification Form AG 385 filed in 2023. The data contained on these certification forms is based on prior calendar year information.

Criteria: Pursuant to Act 205, at Section 402(e)(2), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year.

Cause: The certification errors were attributable to oversights by plan officials. Additionally, the city lacked adequate internal control procedures to ensure the accuracy of the reported data prior to submission.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the city’s state aid allocations were based on unit value, the incorrect certification of pension data affected the city’s state aid allocations, as identified below:

<u>Year</u>	<u>Type of Plan</u>	<u>Units Overstated (Understated)</u>	<u>Unit Value</u>	<u>State Aid Overpayment (Underpayment)</u>
2022	Non-Uniformed	(1)	\$5,180	\$ (5,180)
2023	Police	2	\$5,828	11,656
	Non-Uniformed	(1)	\$5,828	(5,828)
				<u>5,828</u>
			Net Overpayment of State Aid	<u>\$ 648</u>

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We recommend that the net overpayment of state aid, in the amount of \$648, plus interest, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

We also recommend that in the future, plan officials establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

Management's Response: The city provided the following response:

The City concurs with the finding at this time; will further review and will also work to more closely analyze timing of involved hire dates and/or separation dates for future submissions of related personnel rosters.

Auditor's Conclusion: Compliance will be monitored subsequent to the release of the audit report and through our next audit of the pension plan.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Recommendation – Failure To Implement Mandatory Provisions Of Act 205

Condition: As disclosed in the prior two audit reports, a finding was issued to plan officials notifying them of the passage of Act 44 of 2009, which effectively amended Act 205 for the procurement of professional services contracts, and recommending that the municipality adopt the mandatory provisions, accordingly. However, during the current audit period, the municipality again failed to adopt such mandatory provisions.

Criteria: Section 701-A of Act 205, as amended by Act 44, defines a “Professional Services Contract”, as follows:

“Professional services contract.” A contract to which the municipal pension system is a party that is:

- (1) for the purchase or provision of professional services, including investment services, legal services, real estate services and other consulting services; and
- (2) not subject to a requirement that the lowest bid be accepted.

In addition, Section 702-A (a) of Act 205 states, in part:

Each municipal pension system ... shall develop procedures to select the most qualified person to enter into a professional services contract. The procedures shall ensure that the availability of a professional services contract is advertised to potential participants in a timely and efficient manner. Procedures shall include applications and disclosure forms to be used to submit a proposal for review and to receive the award of a professional services contract.

Additionally, Section 702-A (c), (e), (f) and (h) state, in part:

Review. Procedures to select the most qualified person shall include a review of the person’s qualifications, experience and expertise and the compensation to be charged.

Conflict of interest. The municipal pension system shall adopt policies relating to potential conflicts of interest in the review of a proposal or the negotiation of a contract.

Public information. Following the award of a professional services contract, all applications and disclosure forms shall be public except for proprietary information or other information protected by law.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Notice and summary. The relevant factors that resulted in the award of the professional services contract must be summarized in a written statement to be included in or attached to the documents awarding the contract. Within ten days of the award of the professional services contract, the original application, a summary of the basis for the award and all required disclosure forms must be transmitted to all unsuccessful applications and posted on the municipal pension system's Internet website, if an Internet website is maintained, at least seven days prior to the execution of the professional services contract.

Section 703-A (c) states, in part:

Upon advertisement for a professional services contract by the municipal pension system, the contractor may not cause or agree to allow a third party to communicate with officials or employees of the municipal pension system except for requests for technical clarification.

Cause: Plan officials again failed to ensure compliance with provisions of Act 205 as previously recommended.

Effect: The city's failure to adopt the required provisions of Act 205 regarding the procurement of professional investment and advisory services for the pension plan could result in a lack of overall transparency of the proposed actions to be taken by plan officials relative to the awarding of future investment and advisory service contracts for the plan.

Recommendation: We again recommend that municipal officials obtain a comprehensive understanding of Act 205 provisions for the procurement of professional services. Municipal officials should develop and implement formal written procedures to ensure compliance with Act 205. Procedures should include the maintaining of appropriate and sufficient supporting documentation evidencing every phase of the professional services procurement process to ensure the transparency of the actions taken by plan officials relative to the awarding of any future professional services contracts for its pension plan.

Management's Response: The city provided the following response:

The City continues to be aware of the Dept. of the Auditor General's stated position and conclusion for this audit finding, but the City also continues to reaffirm its related stated opposing position as originally detailed per management's response contained within the 2017 and 2018 pension plan compliance audit report; such response cites no current legal or factual basis for the City to adopt the suggested legislation.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

The city provided the following response in the 2017-2018 audit:

The City of Harrisburg respectfully disagrees with the proposition that the City is required to adopt the provisions of the Municipal Pension Plan Funding Standard and Recovery Act, as amended, 53 P.S. §§ 895.101, et seq., (hereinafter Act 44), as it applies to the adoption of local legislation to provide for the procurement of professional service contracts for our two (2) pensions in the PMRS system.

Chapter 7-A of the Act includes procedures for such a process, which in relevant part provide:

Each municipal pension system, including the Pennsylvania Municipal Retirement System, shall develop procedures to select the most qualified person to enter into a professional services contract. The procedures shall ensure that the availability of a professional services contract is advertised to potential participants in a timely and efficient manner. Procedures shall include applications and disclosure forms to be used to submit a proposal for review and to receive the award of a professional services contract.

See 53 P.S. § 895.702-A (a).

By Ordinance No. 35 of 1984, Harrisburg elected to join the Pennsylvania Municipal Retirement System (PMRS). Between 1984 and 1987, the non-uniformed municipal employees pension plan and the firefighters pension plan were separately placed under PMRS contracts. In both instances, the City, by Ordinance, agreed “to be bound by all the requirements and provisions of the Pennsylvania Municipal Retirement Law, the amendments thereto, regulations promulgated by the Pennsylvania Municipal Retirement Board, and the terms and conditions of the enrollment contract.” Harrisburg Code, Sections 2-705.2 and 2-709.2. The effect thereof is that the City is bound by the PMRS pension system provisions.

Understanding that the two (2) pension plans at issue are controlled by PMRS, the retention of professional services for each pension plan rests in PMRS control. That has been the case since prior to the enactment of Act 44 in 2009. For the City to now amend its related Ordinances to include Act 44 procurement procedures would be a legislative action that has no recognizable basis or application. Such would risk confusion of the City’s right to secure such services for future City officials, plan members and retirees. Moreover, for the City to adopt a Resolution to do so would be meaningless, as a Resolution places the stated obligation outside the Harrisburg Code.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

On the basis of the information available, the Office of City Solicitor cannot advise the Administration or City Council that there is an applicable obligation under Act 44 to adopt the Section 702-A (a) requirements at this time. As provided by the Code, the Law Bureau is required to review all proposed legislation for form and legality prior to submittal to the City Council. See Harrisburg Code 1-201.1.D. In my review, I cannot determine that the requested modification would be an obligation when the municipal pension is controlled by a third party system. Therefore, such legislation would not satisfy the requirement of approval of legality as it would be surplusage.

Of course, should the City ever elect to leave PMRS, the City would be required to undertake the necessary due diligence to comply with then-existing law. If Act 44 remains as is at such a hypothetical future moment, then the City would need to undertake the Act 44 obligations in order to transfer any pension plan to another system. Just as no one could predict that Act 44 would be adopted after our PMRS elections, Harrisburg cannot predict the future state of the law in the unlikely event that one or both plans elect to leave PMRS. Whatever the state of the law at the time, the City would have to satisfy the applicable obligations.

Auditor's Conclusion: As first stated in the prior audit report for the period January 1, 2017 to December 31, 2018, we respect the municipality's position regarding its plans that participate in PMRS, and acknowledge that the city is aware of the city's responsibilities under Act 44 in the event that the city would ever elect to leave its current custodial arrangement with PMRS; however, it is not a proactive approach to wait until that eventual occurrence, no matter how unlikely the city considers it to be, to determine what procurement requirements are relevant and must be followed. In addition, it is a municipality's responsibility to adhere to the laws and regulations governing its pension plans for participation in the general municipal pension state aid program. Although a municipality may contract with a plan administrator to assist in the administration of its pension plans, the sole fiduciary responsibility for the plan and compliance with laws and regulations related to its pension plans remains with the municipality. While the solicitor and current municipal officials may be well versed in the requirements regarding the procurement of professional services contracts, a turnover in municipal officials responsible for the administration of the city's pension plans could contribute to requirements not being followed, which could be prevented by the mere existence of written procedures which are statutorily required by Act 205. Therefore, we disagree with the municipality's position on this matter, and compliance with the finding recommendation will be evaluated through our next audit of the plan.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Restated Plan Documents Not Adopted By Ordinance

Condition: The pension plan was established by Ordinance No. 5 of 2017, which adopted a separately executed plan agreement with the plan custodian. During the current audit period, the city adopted Resolution No. 48-2021 which approved the execution of an updated Base Plan Document and Adoption Agreement. The resolution included the following clause:

WHEREAS, upon the approval and execution of the attached pension plan documents, a separate repealer ordinance will be presented for enactment related to Chapter 2-705, which will constitute a technical amendment to the Code repealing that section to bring it in to conformance with the documents approved by this Resolution which will supersede Chapter 2-705.

A review of the supporting documents evidences that a separate repealer ordinance was not enacted as of the date of this report.

Criteria: In Wynne v. Lower Merion Twp., 181 Pa. Super. 524, 529, 124 A.2d 487, 490 (1956), the Pennsylvania Superior Court held that an ordinance may be amended only by another ordinance and not by a resolution.

Cause: Municipal officials were aware that a resolution cannot amend an ordinance and planned to repeal the ordinance; however, plan officials indicated that the plan custodian presented a base plan and adoption agreement format and requested that it be adopted by resolution and not by ordinance.

Effect: The coexistence of separately executed plan documents without repeal could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that the city amend the plan’s governing document with a properly executed ordinance.

Management’s Response: Municipal officials provided the following response from the city solicitor:

The City of Harrisburg has two (2) agreements with the Pennsylvania Municipal Retirement System (PMRS), one for the Harrisburg City Fire Defined Benefit Plan and another for the Harrisburg City Non-Uniformed – Plan B Defined Benefit Plan.

Over the course of more than a year, the City and PMRS “agreed” to alter how to structure the written plans, which thereby altered the manner in which each pension plan was documented and adopted. This all occurred after PMRS had a shift in their operational approach under a change in management and legal counsel.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Management’s Response (Continued)

Under the new management, PMRS imposed a set of new model forms. In meetings with City management and the City Law Bureau, representatives of PMRS advised the changes required to comply with rules or rulings from the Internal Revenue Service (IRS). In other words, the new structure was required to reduce the risk of any finding by the IRS that the many municipal pension plans managed by PMRS were somehow non-compliant with federal tax law.

The PMRS model created a uniform Base Plan Document as the governing document for each municipal pension plan managed by PMRS. In practical effect, PMRS required participating municipalities to adopt their new approach. To accomplish that objective, the Base Plan Document is agreed upon and implemented through the use of a form titled “Adoption Agreement.” In conjunction with that uniform Agreement, each PMRS-managed pension plan then would be tailored to a municipality’s actual historical plan design through the adoption of a series of Plan Amendments. For the City, this was attempted to be accomplished by adopting a separate Plan Amendment for each variation from the Base Plan Document, under the guidance and direction of PMRS.

In the course of the transition to the new model, PMRS took the position that the City was not legally required to have an Ordinance in place for either pension plan. Instead, each could be adopted in the manner other agreements are publicly approved, through the use of a Resolution approved by the governing body. Accordingly, separate Resolutions were introduced by the Administration for review and approval by the Harrisburg City Council. Both were approved on July 6, 2021.

Included in each Resolution was a provision that, following approval and execution, the two (2) respective Ordinances adopting the pension plans would be repealed. This has not occurred.

Under Title I of the Codified Ordinances of the City of Harrisburg, the City Solicitor must review and approve all legislation prior to introduction, including repeals. See Chapter 1-201.1. D. The practical effect of that requirement is that the Law Bureau staff drafts almost all legislation introduced before City Council. In this instance, the Law Bureau – and specifically myself as City Solicitor – grew reluctant to undertake the repeals, for various reasons.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Management’s Response (Continued)

Notwithstanding the stated position of PMRS on modifying the plan approval process, no direct legal authority was cited for their position, other than general references to what the IRS allows. In contrast, Chapter 143 of the Third Class City Code provides for the adoption of police, fire, and non-uniform pension plans by third class cities, with language that directly references the adoption by ordinance. Chapter 143 was adopted in 2014 and codified in 2015 as part of a wholesale modernization of the Third Class City Code. That Chapter amended the long-standing similar provisions on pensions set forth in the prior Section 301 of the Third Class City Code, 53 P.S. §§39301, *et seq.* That version of the law was in place when the City elected to join PMRS.

As a rule of statutory construction, Pennsylvania law requires that when interpreting different statutes enacted into law one must read the different Acts in a manner that gives effect to all provisions of both Acts, if possible. Reading Chapter 143 in conjunction with the Pennsylvania Municipal Retirement Law, Act 15 of 1974, as amended (“PMRL”), 53 P.S. §§ 881.101, *et seq.*, one finds that the PMRL provides a similar but more lenient standard that a joining municipality is required to pass separate “ordinances or resolutions” when electing to join PMRS. Plainly, the City elected the use of ordinances long ago, at the time of each election to join PMRS.

While that is a nuanced technical concern that is subject to more than a single legal interpretation, the operational impact of the change of each pension plan has been that an occasional small but important problem will arise that impacts a small number of employees and retirees. These appear triggered by the re-design to a Base Plan Document. Certain rights and benefits the City recognizes as indisputably vested in the staff and retirees – ones that plan participants historically have been entitled to receive – initially may be denied by PMRS, with a finding that certain of those rights and benefits are not authorized. In essence, the Base Plan Document approach has had the practical effect of appearing to change benefits that were never intended to be changed. Each such instance requires the intervention by the City to remedy the situation and the passage of long periods of time to secure a resolution.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Management's Response (Continued)

Presently, with both the Resolutions and the Ordinances in place, there is no question that the full benefits agreed upon by the City with two (2) unions remain on the books, visible to union members, retirees, City officials, and the public. Until we have more confidence that the bugs are worked through from the transition to the Base Plan Document model, in my professional opinion it seems imprudent to undertake repeal. Once there is more collective confidence that the transition is complete and all rights and benefits are recognized, a determination of when a repeal shall occur can be made or, instead, if the City should recommit to the ordinance model for adoption.

Auditor's Conclusion: We encourage the city to take the necessary action to finalize and clarify the structure and form of the plan documents at its earliest opportunity to do so. Compliance will be evaluated during our next audit of the plan.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE 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, 2017, is as follows:

	(1)	(2)	(3)	(4)
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)
01-01-17	\$ 76,794,713	\$ 61,098,121	\$ (15,696,592)	125.7%
01-01-19	78,622,797	66,639,766	(11,983,031)	118.0%
01-01-21	80,685,168	78,030,960	(2,654,208)	103.4%

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
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.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ -	\$ 14,004	\$ (14,004)	\$11,789,030	0.12%
2015	-	(60)	60	7,569,451	0.00%
2016	-	144	(144)	8,413,551	0.00%
2017	-	-	-	9,141,659	0.00%
2018	-	20	(20)	9,908,848	0.00%
2019	-	920	(920)	9,931,375	0.01%
2020	-	760	(760)	10,806,795	0.01%
2021	-	1,816	(1,816)	11,053,017	0.02%
2022	-	-	-	*	

* Due to the timing of this audit, covered-employee payroll for 2022 was not provided in this schedule.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 NOTES TO SUPPLEMENTARY SCHEDULES
 (UNAUDITED)

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

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Not applicable
Remaining amortization period	None
Asset valuation method	Not available
Actuarial assumptions:	
Investment rate of return *	5.25%, compounded annually, net of investment and administration expenses.
Projected salary increases *	4.1%
* Includes inflation at	2.2%
Cost-of-living adjustments	2.2% per year, subject to plan limitations.

The information reported above was extracted from the Pennsylvania Municipal Retirement System Experience Study Results Report dated September 2020 which is the basis for the 01-01-2021 actuarial valuation. The report did not specify the actuarial or market value methodologies often contained in the Notes to Supplementary Schedules and will be added going forward when readily available.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
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