COMPLIANCE AUDIT

City of Harrisburg
Non-Uniformed Pension Plan

Dauphin County, Pennsylvania

For the Period
January 1, 2017 to December 31, 2018

March 2020

Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
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, 2017 to December 31, 2018. We also evaluated compliance with some requirements subsequent to that period when possible. 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 the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above. 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 9 of 29 of the plan members[1] who retired during the current audit period, and through the completion of our fieldwork procedures, 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 benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients. We also determined whether retirement benefits calculated for 2 of 4 of the plan members[2] who elected to vest during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined.

- We determined whether the January 1, 2017 actuarial valuation report was prepared and submitted by March 31, 2018 in accordance with Act 205 and whether selected information provided on this reports 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.

- We determined whether the terms of the contractual agreement with the Pennsylvania Municipal Retirement System were in accordance with the plan's governing document, if separately stated, and applicable laws and regulations by comparing the terms of the contractual agreement with the plan's governing document, if separately stated, and applicable laws and regulations.

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[1] We selected plan members randomly from the population of plan members who retired during the current audit period, and through the completion of our fieldwork procedures, in order to obtain a representative selection for the purpose of our testing to achieve the audit objective. While representative selection is a required factor of audit sampling methodologies, audit-sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

[2] We selected plan members randomly from the population of plan members who elected to vest during the current audit period, and through the completion of our fieldwork procedures, in order to obtain a representative selection for the purpose of our testing to achieve the audit objective. While representative selection is a required factor of audit sampling methodologies, audit-sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

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 Comprehensive Annual 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. 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 objective, and assessed whether those significant controls were properly designed and implemented. Additionally and as previously described, 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 objective.

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 finding further discussed later in this report:

Finding No. 1 - Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

Finding No. 2 - Failure To Implement Mandatory Provisions Of Act 205

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.

Eugene A. DePasquale

February 26, 2020

EUGENE A. DEPASQUALE
Auditor General

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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 Harrisburg Non-Uniformed Pension Plan is also governed by implementing regulations adopted by the former 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 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, adopted pursuant to Act 15. 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 were required to contribute 5 percent of compensation to the plan for the years 2017 and 2018. As of December 31, 2018, the plan had 190 active members, 25 terminated members eligible for vested benefits in the future, and 220 retirees receiving benefits from the plan funded through annuities purchased with plan assets.

As of December 31, 2018, selected plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement	Available upon attainment of age 65. Effective from January 1, 2017 through December 31, 2018, a member who has attained an age, which when added to the Member's number of completed years of credited service, is equal to or greater than 80 shall be eligible for a superannuation retirement benefit.
Early Retirement	Available after 10 years of service and upon attainment of age 55.
Vesting	A member is 100% vested after 10 years of service.

Retirement Benefit:

2% times credited service times final average salary (highest 3 consecutive years), up to a maximum of 75% of final average salary.
If retiring from January 1, 2017 to December 31, 2018, 2.5% times credited service times final average salary, up to a maximum of 75% of final average salary.

Survivor Benefit:

If eligible to retire at the time of death, beneficiary receives present value of accrued benefit. At retirement, member may select a survivor benefit.

Disability Benefit:

Service Related	A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service, offset by available Workers' Compensation benefits.
Non-service Related	A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

Finding No. 1 - Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

Condition: The city failed to certify 1 eligible non-uniformed employee (1 unit) and understated payroll by $70,005, and certified 1 ineligible police officer (2 units) and overstated payroll by $13,658 on the Certification Form AG 385 filed in 2018. The data contained on this certification form 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: There was an input error by the city's Human Resources office, which incorrectly populated the reports used to verify the information certified. In addition, plan officials failed to establish adequate internal control procedures such as having appropriate supervisory overview of the data certified to ensure compliance with the instructions that accompany Certification Form AG 385 and to assist in accurately reporting the pension data.

Effect: The data submitted on this certification form 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 allocation was based on unit value, the incorrect certification of pension data affected the city's state aid allocation, as identified below:

Year	Type Of Plan	Units Overstated (Understated)	Unit Value	State Aid Overpayment (Underpayment)
2018	Police	2	$4,684	$ 9,368
	Non-Uniformed	(1)	$4,684	(4,684)
		Net Overpayment of State Aid		$ 4,684

In addition, the city used the overpayment of state aid to pay the minimum municipal obligation (MMO) due to the police pension plan; therefore, if the reimbursement to the Commonwealth is made from the pension plan, the plan's MMO will not be fully paid.

Finding No. 1 - (Continued)

Recommendation: We recommend that the net overpayment of state aid, in the amount of $4,684, 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.

In addition, if the reimbursement to the Commonwealth is made from police pension plan funds, we recommend that any resulting MMO deficiency be paid to the pension plan with interest, at a rate earned by the pension plan.

Management's Response: Municipal officials agreed with the finding without exception.

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

Finding No. 2 - Failure To Implement Mandatory Provisions Of Act 205

Condition: During the prior three audits, a verbal observation 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.

Finding No. 2 - (Continued)

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.
>
> **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 processional 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.

Finding No. 2 - (Continued)

Cause: Plan officials believed the plan would fall under the city's general procedures for obtaining outside service and failed to ensure compliance with provisions of Act 205 as previously recommended.

Effect: The city's failure to adopt the required provisions stipulated in Act 205 regarding the procurement of professional investment and advisory services for the pension plan could result in a general 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 recommend that municipal officials obtain a comprehensive understanding of Act 205 provisions for the procurement of professional services and develop and implement formal written procedures to ensure compliance with these provisions which should include the maintaining of appropriate and sufficient supporting documentation evidencing every phase of the 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's response was provided by the city's solicitor and is included in its entirety as follows:

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).

Finding No. 2 - (Continued)

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.

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.

Finding No. 2 - (Continued)

Auditor's Conclusion: We respect the municipality's position regarding its plans that participate in PMRS, and appreciate that the city solicitor 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. 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 (as amended by Act 44). Therefore, we agree to disagree on this matter and compliance with the finding recommendation will be monitored through our next audit of the plan.

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

The supplementary information contained on Pages 9 through 12 reflects the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2015

	2014	2015
Total Pension Liability		
Service cost	$ 1,126,817	$ 737,701
Interest	2,971,992	3,244,391
Differences between expected and actual experience	6,989,303	-
Changes of assumptions	-	335,514
Transfers	(3,135,289)	-
Benefit payments, including refunds of member contributions	(4,075,097)	(4,242,451)
Net Change in Total Pension Liability	3,877,726	75,155
Total Pension Liability - Beginning	56,466,339	60,344,065
Total Pension Liability - Ending (a)	$ 60,344,065	$ 60,419,220
Plan Fiduciary Net Position		
Contributions - employer	$ 14,004	$ -
Contributions - PMRS assessment	-	(60)
Contributions - member	199,463	388,840
PMRS investment income	4,004,779	4,024,966
Market value investment income	(171,294)	(4,439,643)
Transfers	(3,135,317)	-
Benefit payments, including refunds of member contributions	(4,075,097)	(4,242,451)
PMRS administrative expense	(2,120)	(8,740)
Additional administrative expense	(153,585)	(167,792)
Net Change in Plan Fiduciary Net Position	(3,319,167)	(4,444,880)
Plan Fiduciary Net Position - Beginning	77,552,134	74,232,967
Plan Fiduciary Net Position - Ending (b)	$ 74,232,967	$ 69,788,087
Net Pension Liability - Ending (a-b)	$ (13,888,902)	$ (9,368,867)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	123.02%	115.51%
Estimated Covered Employee Payroll	$ 11,789,030	$ 7,569,451
Net Pension Liability as a Percentage of Covered Employee Payroll	(117.81%)	(123.77%)

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

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31, 2016, 2017, AND 2018

	2016	2017	2018
Total Pension Liability			
Service cost	$ 724,376	$ 861,534	$ 933,836
Interest	3,252,606	3,151,434	3,149,188
Change of benefits	-	-	4,191,668
Difference between expected and actual experience	(828,876)	-	1,515,600
Change of assumptions	1,595,806	-	-
Transfers	-	101,807	-
Benefit payments, including refunds of member contributions	(4,065,011)	(4,016,561)	(4,346,861)
Net Change in Total Pension Liability	678,901	98,214	5,443,431
Total Pension Liability - Beginning	60,419,220	61,098,121	61,196,335
Total Pension Liability - Ending (a)	$ 61,098,121	$ 61,196,335	$ 66,639,766
Plan Fiduciary Net Position			
Contributions - employer	$ 144	$ -	$ -
Contributions - PMRS assessment	-	-	20
Contributions - member	332,840	502,387	488,314
PMRS investment income	4,026,569	3,861,679	3,848,115
Market value investment income	1,280,608	8,290,204	(6,608,534)
Transfers	-	101,807	-
Benefit payments, including refunds of member contributions	(4,065,011)	(4,016,561)	(4,346,861)
PMRS administrative expense	(8,220)	(8,520)	(9,100)
Additional administrative expense	(197,266)	(177,595)	(171,725)
Net Change in Plan Fiduciary Net Position	1,369,664	8,553,401	(6,799,771)
Plan Fiduciary Net Position - Beginning	69,788,087	71,157,751	79,711,152
Plan Fiduciary Net Position - Ending (b)	$ 71,157,751	$ 79,711,152	$ 72,911,381
Net Pension Liability - Ending (a-b)	$ (10,059,630)	$ (18,514,817)	$ (6,271,615)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	116.46%	130.25%	109.41%
Estimated Covered Employee Payroll	$ 8,413,551	$ 9,141,659	$ 9,908,848
Net Pension Liability as a Percentage of Covered Employee Payroll	(119.56%)	(202.53%)	(63.29%)

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

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following presents the net pension liability of the city as of December 31, 2014 and 2015, calculated using the discount rate of 5.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Pension Liability - 12/31/14	$ (7,091,176)	$ (13,888,902)	$ (19,668,063)
Net Pension Liability - 12/31/15	$ (2,396,604)	$ (9,368,867)	$ (15,275,097)

In addition, the following presents the net pension liability of the city as of December 31, 2016, 2017, and 2018, calculated using the discount rate of 5.25%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability - 12/31/16	$ (2,973,876)	$ (10,059,630)	$ (16,071,601)
Net Pension Liability - 12/31/17	$(11,417,673)	$ (18,514,817)	$ (24,536,453)
Net Pension Liability - 12/31/18	$ 1,195,856	$ (6,271,615)	$ (12,600,196)

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%

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, 2013, 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)
01-01-13	$ 82,670,233	$ 60,881,837	$ (21,788,396)	135.8%
01-01-15	76,204,290	60,344,065	(15,860,225)	126.3%
01-01-17	76,794,713	61,098,121	(15,696,592)	125.7%

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
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, 2017
Actuarial cost method	Entry age normal
Amortization method	Not applicable
Remaining amortization period	None
Asset valuation method	The Actuarial Value of Assets equals the plan's member, municipal, DROP (if applicable) reserve accounts plus the retiree actuarial liability. This asset smoothing is based on the unique legislative structure of PMRS and the administrative rules adopted by the PMRS Board in conjunction with Pennsylvania Municipal Retirement Law, all of which are subject to comply with the Actuarial Standards of Practice No. 44, Selection and Use of Asset Valuation Methods when defining the actuarial Value of Assets.
Actuarial assumptions:	
Investment rate of return	5.25%, compounded annually, net of investment and administration expenses.
Salary scale	Total rate (including inflation) (e.g. age 25 – 7.05%; age 35 – 4.55%; age 45 – 3.97%; age 55 – 3.44%; age 65 – 2.80%).
Cost-of-living adjustments	2.8% per year, subject to plan limitations.

CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Honorable Eric Papenfuse
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CITY OF HARRISBURG NON-UNIFORMED PENSION PLAN
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