COMPLIANCE AUDIT

City of Johnstown Comprehensive Municipal Pension Trust Fund

Cambria County, Pennsylvania

For the Period
January 1, 2015 to December 31, 2016

February 2018

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 Johnstown
Cambria County
Johnstown, PA 15901

We have conducted a compliance audit of the City of Johnstown Comprehensive Municipal Pension Trust Fund for the period January 1, 2015 to December 31, 2016. 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 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 municipal pension trust 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. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit 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 municipal pension trust fund 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 municipal pension trust fund 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 all 6 of the police officers, all 3 of the firefighters, and all 8 of the non-uniformed employees 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 all 4 of the police officers and the 2 non-uniformed plan members 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, 2013 and January 1, 2015 actuarial valuation reports were prepared and submitted to the former Public Employee Retirement Commission (PERC) by March 31, 2014 and 2016, respectively, in accordance with Act 205 and whether 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 by comparing selected information to supporting source documentation.

- We determined whether all annual special ad hoc postretirement reimbursements received by the municipality were authorized and appropriately deposited in accordance with Act 147 by tracing information to supporting documentation maintained by plan officials.

- We determined whether the municipal pension trust fund is in compliance with Act 205 for distressed municipalities through inquiry of plan officials and evaluation of the recovery remedies implemented during the audit period and through the completion of our fieldwork procedures.

The City of Johnstown contracted with an independent certified public accounting firm for annual audits of its basic financial statements 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.

City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Johnstown Comprehensive Municipal Pension Trust 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 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 objectives.

The results of our procedures indicated that, in all significant respects, the City of Johnstown Comprehensive Municipal Pension Trust 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:

<u>Police, Firemen's, Non-Uniformed and Bureau of Sewage Pension Plans</u>:

Finding No. 1 – Noncompliance With Prior Audit Recommendation - Failure To Implement Act 44 Mandatory Distressed Provisions

<u>Firemen's Pension Plan</u>:

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Provision Of Benefits In Excess Of The Third Class City Code

Finding No. 3 – Inconsistent Pension Benefits

Finding No. 4 – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation

Police Pension Plan:

Finding No. 5	–	Provision Of Benefits In Excess Of The Third Class City Code
Finding No. 6	–	Inconsistent Pension Benefits
Finding No. 7	–	Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation

Non-Uniformed Pension Plan:

Finding No. 8	–	Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid
Finding No. 9	–	Inconsistent Pension Benefits

Finding Nos. 1 and 2 contained in this audit report repeat conditions that were cited in our previous audit reports that have not been corrected by city officials. Specifically, Finding No. 2 is being repeated for the sixth time. 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.

As previously noted, one of the objectives of our audit of the City of Johnstown Comprehensive Municipal Pension Trust Fund was to determine compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

Level	Indication	Funding Criteria
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

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. However, we are extremely concerned about the historical trend information contained in the respective schedules of funding progress included in this report which indicates **the police pension plan's funded ratio is 56.5%, the firemen's pension plan's funded ratio is 37.0%, the non-uniformed pension plan's funded ratio is 55.5%, and the Bureau of Sewage pension plan's funded ratio is 79.5%, as of January 1, 2015, which is the most recent data available. Based on aggregated funded levels of the city's plans, the former Public Employee Retirement Commission issued a notification that the city is currently in Level II moderate distress.** During the prior audit period, the aggregated funded level of the city's plans resulted in the former Public Employee Retirement Commission issuing a notification that the city was in Level III severe distress. We continue to encourage city officials to monitor the funding of its pension plans to ensure their long-term financial stability.

As noted in Finding No. 1 contained in this report, the City of Johnstown has again failed to comply with the mandatory distress remedies contained in Act 205, as amended by Act 44 of 2009. Regardless of the available remedies pursuant to Act 205 that the city is required to implement, given the current funded status of its municipal pension fund, the city should consider all available options in the development of a strategic plan to deal with its pension funding crisis. City officials must realize that there are no short-term fixes and that they must make fiscally responsible decisions as both fund fiduciaries and city officials that will benefit the City of Johnstown and its taxpayers to ensure the city's pension fund has adequate resources to meet current and future benefit obligations to the city's hard-working police officers, firefighters and non-uniformed employees.

The contents of this report were discussed with officials of the City of Johnstown 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.

January 18, 2018

EUGENE A. DEPASQUALE
Auditor General

CONTENTS

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 Johnstown Comprehensive Municipal Pension Trust Fund 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 67	-	The Third Class City Code, Act of June 23, 1931 (P.L. 932, No. 317), as amended, 53 P.S. § 35101 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.

The City of Johnstown Comprehensive Municipal Pension Trust Fund is the aggregation of the City's municipal pension plans pursuant to Section 607(b) of Act 205. The police pension plan, firemen's pension plan, non-uniformed pension plan, and Bureau of Sewage pension plans are locally controlled by the provisions of Ordinances Nos. 3785 for police officers hired prior to January 1, 1988 and 4442 for police officers hired on or after January 1, 1988, 4441 (firemen), 4440 (non-uniformed), and 4443 (sewage), as amended. The plans are also affected by the provisions of separately executed collective bargaining agreements between the city and its police officers, firefighters, and non-uniformed employees.

The police pension plan was established December 29, 1959. Active members are required to contribute 5 percent of pay plus $5 per month on longevity pay. As of December 31, 2016, the plan had 38 active members, 6 terminated members eligible for vested benefits in the future, and 92 retirees receiving pension benefits from the plan.

BACKGROUND

The firemen's plan was established on June 17, 1948. Active members are required to contribute 5 percent of pay plus $5 per month on longevity pay. As of December 31, 2016, the plan had 33 active members, 1 terminated member eligible for vested benefits in the future, and 73 retirees receiving pension benefits from the plan.

The non-uniformed plan was established January 1, 1971. Active members are required to contribute 2.25 percent of salary to the plan. As of December 31, 2016, the plan had 43 active members, 2 terminated members eligible for vested benefits in the future, and 77 retirees receiving pension benefits from the plan.

The Bureau of Sewage plan was established January 1, 1971. On June 19, 2013, the City adopted Resolution No. 9615 which terminated its agreement with the Johnstown Redevelopment Authority effective December 31, 2013. That agreement provided for the City to hire the employees of the Bureau of Sewage as city employees. As of December 31, 2016, the plan had no active members, 4 terminated members eligible for vested benefits in the future, and 18 retirees receiving pension benefits from the plan.

POLICE PENSION PLAN

As of December 31, 2016, selected plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement	Members hired prior to January 1, 1988, age 50 and 20 years of service. Members hired on or after January 1, 1988, age 50 plus 1 month and 20 years of service.
Early Retirement	None
Vesting	Member is 100% after 12 years of service.

Retirement Benefit:

Members hired prior to January 1, 1988: 50% of monthly salary at retirement.

Members hired on or after January 1, 1988: 50% of monthly pay at retirement or 50% of any 5 continuous years of service, preceding retirement, whichever is greater. All members receive a service increment of 1/40 of pension for each year of service completed in excess of 20 years, excluding service beyond age 65. Maximum service increment is $500.

BACKGROUND – (Continued)

POLICE PENSION PLAN – (Continued)

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions, without interest.
After Retirement Eligibility	Members hired prior to January 1, 1988, a monthly benefit equal to 100% of the pension the member was receiving or was entitled to receive until death or remarriage, at which time the benefit will be divided equally among the participant's children under age 18. Members hired on or after January 1, 1988, a monthly benefit equal to 50% of the pension the member was receiving or was entitled to receive until death or remarriage, at which time the benefit will be divided equally among the participant's children under age 18.

Service Related Disability Benefit:

Upon total and permanent disablement after 15 years of service the participant will receive his pension entitlement.

Non-Service Related Disability Benefit:

Upon total and permanent disablement after 15 years of service the participant will receive his pension entitlement.

FIREMEN'S PENSION PLAN

As of December 31, 2016, selected plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement	Age 50 and the completion of 20 years of service.
Early Retirement	None
Vesting	None

Retirement Benefit:

A monthly benefit equal to 50% of the greater of final monthly base and longevity pay or monthly base and longevity pay averaged over the highest 5 years, plus a service increment of 1/40 of pension for each year of service completed in excess of 20 years, excluding service beyond age 65. Maximum service increment is $500.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions, without interest.
After Retirement Eligibility	A monthly benefit equal to 50% of the pension the member was receiving or was entitled to receive. If surviving spouse dies or remarries, the benefit will be paid to the participant's children under age 18, if any.

Service Related Disability Benefit:

If a participant is totally and permanently disabled after 15 years of service the normal retirement benefit is payable. If a member who has less than 15 years of service the benefit would be calculated at the disability date and reduced by a ratio (not greater than one) the numerator of actual years of service and the denominator of 15.

Non-Service Related Disability Benefit:

If a participant is totally and permanently disabled after 15 years of service the normal retirement benefit is payable.

BACKGROUND – (Continued)

NON-UNIFORMED PENSION PLAN

As of December 31, 2016, selected plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement	Age 60 and 20 years of service.
Early Retirement	None
Vesting	A member is 60% vested after 12 years of service. The vesting percentage increases 5% for each year of service until 20 years at which time a member is 100% vested.

Retirement Benefit:

Monthly benefit equals 50% of the final monthly average salary, reduced by 50% of primary Social Security benefit.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions, without interest.
After Retirement Eligibility	The retirement benefits payable as a life annuity.

Service Related Disability Benefit:

Upon total and permanent disablement after the completion of 10 years of service a participant will receive the retirement benefit with no offset for Social Security benefits.

Non-Service Related Disability Benefit:

Same as service related.

BUREAU OF SEWAGE PENSION PLAN

As of December 31, 2016, selected plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement	Age 65
Early Retirement	Age 60 and 15 years of service.
Vesting	Member is 100% vested after 15 years of service.

Retirement Benefit:

A monthly benefit equal to 1 percent of average compensation multiplied by years of service to a maximum of 40 years.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions, without interest.
After Retirement Eligibility	Life annuity or participant may select at retirement an actuarial equivalent of the normal form.

Service Related Disability Benefit:

None

Non-Service Related Disability Benefit:

None.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
STATUS OF PRIOR FINDINGS

Noncompliance With Prior Audit Recommendations

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

Police, Firemen's, and Non-Uniformed Pension Plans

- Failure to Implement Act 44 Mandatory Distressed Provisions

Firemen's Pension Plan

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

Police, Firemen's, Non-Uniformed and Bureau of Sewage Pension Plans

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Failure to Implement Act 44 Mandatory Distressed Provisions

Condition: As disclosed in the prior audit report, Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

Level	Indication	Funding Criteria
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

Based on the funded ratios of the city's pension plans as of January 1, 2015, which is the most recent data available, the former Public Employee Retirement Commission (PERC) issued a notification in 2016 that the city is currently in Level II moderate distress status. In 2012 and 2014, the former PERC issued notifications that the city was in Level III severe distress status; however, the city failed to comply with the mandatory Level III distress remedies contained in Act 205 as previously recommended.

Included with the determination notices, the former PERC sent the municipality the Act 205 Recovery Program Election Form outlining the mandatory remedies that must be implemented and the voluntary remedies that the municipality could elect to implement. This form was required to be signed by the plan's Chief Administrative Officer and returned to the former PERC.

We note that the city had drafted a recovery plan pursuant to the Municipalities Financial Recovery Act. The plan provided for improvements of the administration of the pension plans; however, the recovery plan has not been implemented, nor had it been submitted to the former PERC.

Criteria: Act 205, amended by Act 44, at Section 605(a), states:

> Recovery program level II.
>
> (a) Mandatory remedies. Any municipality to which level II of the recovery program applies shall utilize the following remedies:
>
> (1) The aggregation of trust funds pursuant to section 607(b).
>
> (2) The submission of a plan for administrative improvement pursuant to section 607(i).

Police, Firemen's, Non-Uniformed, and Bureau of Sewage Pension Plans – (Continued)

Finding No. 1 – (Continued)

Cause: Municipal officials failed to establish adequate internal control procedures to ensure that the mandatory distress remedies have been implemented. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Effect: The municipality is not in compliance with the Act 44 mandatory distress remedy provisions applicable to Level II which are designed to improve the funding status and administrative efficiency of its pension plans.

Recommendation: We again recommend that municipal officials contact the Municipal Pension Reporting Program (formerly PERC) for guidance in the implementation of the mandatory distress remedies applicable to Level II pursuant to Act 44 of 2009.

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

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

Firemen's Pension Plan

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Provision Of Benefits In Excess Of The Third Class City Code

Condition: As disclosed in our five prior audit reports, 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 of the firemen's pension plan has determined that the city continues to provide benefits to its firefighters in excess of the restrictions found in the Third Class City Code. The specific inconsistencies are as follows:

Benefit	Governing Document/Collective Bargaining Agreement (CBA)	Third Class City Code
Survivor Benefit	Ordinance No. 4928 dated January 14, 2004, states if a member who is active or who is eligible to receive or is receiving pension benefits dies, the spouse of the deceased member, or, if no spouse survives or if the spouse survives and subsequently dies or remarries, then the children, under age 18 of the deceased member, shall, during the spouse's lifetime or so long as the spouse does not remarry, in the case of the spouse, or until reaching age 18, in the case of children, receive a monthly pension equal to 50% of the amount which the member was receiving or would have received prior to his or her death.	Upon the death of a member who retires on pension or is killed in the service on or after January 1, 1960, or who dies in the service on or after January 1, 1968, payments as hereinafter provided shall be made to the member's surviving spouse during the life of the spouse. [Emphasis added]

Firemen's Pension Plan – (Continued)

Finding No. 2 – (Continued)

Benefit	Governing Document/Collective Bargaining Agreement (CBA)	Third Class City Code
Vesting	The collective bargaining agreement provides after 12 years of service, but before reaching 20 years of service, a benefit upon reaching age 50 will be determined utilizing a fraction with the years of service as the numerator and 20 as the denominator. Ordinance No. 4928 and Ordinance No. 4441, which it amended, are silent with regard to vesting benefits. (See Finding No. 3)	The portion of the base retirement benefits due to the member shall be determined by applying to the base amount the percentage that his or her years of service actually rendered bears to the years of service which would have been rendered had the member continued to be employed by the department until his or her minimum retirement date. [Emphasis added]

Therefore, the Third Class City Code does not authorize survivor benefits for minors under 18 years of age and provides for a lifetime benefit to be paid to a surviving spouse, even if remarried. Furthermore, the Third Class City Code dictates that a vested benefit must be determined based on the number of years required for a superannuation retirement, which would be age 50 and 20 years of service. The vesting provision contained in the CBA could result in the payment of a vested pension benefit greater than what is authorized by the Third Class City Code.

Criteria: As previously disclosed, 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. As noted in the "Department Of The Auditor General Municipal Pension Bulletin No. 2001-01", dated July 1, 2001, the Department's application of Monroeville did not apply to home rule municipalities that had granted benefits not authorized by the Third Class City Code to existing retirees or individuals who began full-time employment before January 24, 2001 (the date Monroeville was issued). However, the Department's application of Monroeville applied to those individuals who began full-time employment on or after January 24, 2001.

Firemen's Pension Plan – (Continued)

Finding No. 2 – (Continued)

Special note should be taken that the Department's application of Monroeville only to employees hired on or after January 24, 2001, does not sanction (1) a municipality's granting excess benefits to existing or future employees when none had been granted as of January 24, 2001, or (2) a municipality's increasing excess benefits for existing or future employees beyond those which had been granted as of that date.

Cause: City officials failed to establish adequate internal controls to ensure compliance with the prior audit recommendation. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Effect: The provision of excess benefits increases the plan's pension costs and reduces the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses. Although the city did not receive any excess state aid allocations during the current audit period attributable to the excess benefits provided, the provision of excess benefits could result in the receipt of excess state aid in the future and could increase required municipal contributions to the plan.

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 city's future state aid allocations and submit this information to the Department.

Management's Response: At our exit conference held on November 8, 2017, management indicated that they would provide a written response to this finding within 10 days; however, as of January 25, 2018, no such response has been provided.

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

Firemen's Pension Plan – (Continued)

Finding No. 3 – Inconsistent Pension Benefits

Condition: The pension plan's governing document, Ordinance No. 4441, as amended, contains benefit provisions that conflict with the collective bargaining agreement between the firefighters and the city, as follows:

Benefit Provision	Governing Document	Collective Bargaining Agreement
Retirement Eligibility	Each member shall be entitled to receive a pension benefit, provided he or she has completed at least twenty years of continuous service with the employer and has attained fifty years of age.	After June 30, 1995, Firefighters will be allowed to retire on a full unreduced pension after twenty (20) years of service.
Service Related Disability	If a member who has completed at least fifteen years of continuous service with the employer incurs a disability and is unable to perform the duties of a member, he or she shall be entitled to receive a pension benefit equal to his or her pension benefit calculated as of his or her date of disability. If a member who has completed less than fifteen years of continuous service with the employer incurs a disability pension while in the line of duty, he or she shall be entitled to receive a disability pension benefit equal to his or her pension benefit calculated at his or her date of disability, reduced by a ratio (not greater than one) the numerator of which shall be his or her actual years of continuous service with the employer and the denominator of which shall be 15.	Effective January 1, 2008, any member who becomes permanently incapacitated by the performance of their duties will receive a full and unreduced pension regardless of their years of service.

Firemen's Pension Plan – (Continued)

Finding No. 3 – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement
Vesting	Not provided. (See Finding No. 2)	In the event that the bargaining unit member should terminate employment after twelve (12) years of service, but before reaching twenty (20) years of service, his pension benefit upon attaining fifty (50) years of age shall be calculated by utilizing a fraction with the years of service as the numerator and 20 as the denominator. (See Finding No. 2)

Furthermore, actuarial valuation reporting form 202C for the firemen's pension plan, with a valuation date of January 1, 2015, submitted to the former PERC, reported benefit provisions included in the collective bargaining agreement (also see Finding No. 4).

Criteria: The plan's governing documents should contain consistent, clearly defined and updated benefit provisions to ensure the sound administration of retirement benefits.

Cause: City officials failed to establish adequate internal control procedures to ensure the plan's governing document and the collective bargaining agreement contained consistent benefit provisions. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that municipal officials, in conjunction with their solicitor and pension plan consultant, take whatever action is necessary to ensure that the plan's governing documents properly reflect all benefit obligations of the pension plan and that the inconsistencies among the various plan documents are eliminated.

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

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

Firemen's Pension Plan – (Continued)

Finding No. 4 – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation

Condition: Actuarial valuation report form 202C, for the firemen's pension plan, with a valuation date of January 1, 2015, submitted to the former Public Employee Retirement Commission (PERC), contained incorrect information. The information was based on data supplied by the municipality to the plan's actuary.

The municipality supplied the following incorrect information to the plan's actuary:

- Eligibility requirement - normal retirement benefit
- Vesting benefit
- Survivor benefit
- Service related disability benefit
- Member's contribution rate

Criteria: Section 201(d) of Act 205 states:

> Responsibility for preparation and filing of reports and investigations. The actuarial valuation report or experience investigation required pursuant to subsection (a) shall be prepared under the supervision and at the discretion of the chief administrative officer of the municipality, who shall be responsible for the filing of the document. The actuarial valuation report or experience investigation shall be signed by the chief administrative officer, indicating that to the extent of the understanding and knowledge of the officer, the report or investigation represents a true and accurate portrayal of the actuarial, financial and demographic condition of the pension plan of the municipality.

Cause: The discrepancies in the data submitted to the plan's actuary occurred because plan officials did not verify that the information was consistent with the plan's governing document. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Effect: Because the municipality's state aid allocation is determined, in part, by the information contained in the actuarial valuation report, the submission of incorrect data to the actuary may have resulted in the municipality receiving an incorrect allocation of state aid.

Firemen's Pension Plan – (Continued)

Finding No. 4 – (Continued)

In addition, the information contained in the actuarial valuation report is used to determine the municipality's minimum municipal obligation (MMO); therefore, the incorrect data may have resulted in an erroneous MMO calculation.

Recommendation: We recommend that, in the future, plan officials review and verify all information submitted to and received from the plan's actuary so that future actuarial valuation reports properly reflect the status of the pension plan.

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

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

Police Pension Plan

Finding No. 5 – Provision Of Benefits In Excess Of The Third Class City Code

Condition: 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 of the police pension plan has determined that the city continues to provide a benefit to its police officers in excess of the restrictions found in the Third Class City Code. The specific inconsistency is as follows:

Benefit	Governing Document	Third Class City Code
Vesting	Ordinance No. 4460 provides that any member who shall have served for twelve (12) years, or more, but less than twenty (20) years, and shall not have attained the age of fifty (50) years, and whose tenure of office or employment shall be terminated with, or without his voluntary action before the expiration of twenty (20) years of service, shall, in such event, during the remainder of his life, after attaining the age of fifty (50) years, be entitled to receive such portion of full pension benefits as the period of his service up to date of his termination bears to the full twenty (20) year period of service.	Section 4302.1 provides that should a member of the police pension fund, before completing the minimum age and minimum period of continuous service requirements but after having completed twelve years of full-time service, the member shall be entitled to vest his or her retirement benefits. The benefits due the member shall be determined by applying to the base amount the percentage that his or her years of service actually rendered bears to the years of service which would have been rendered had the member continued to be employed by the department until his or her minimum retirement date. [Emphasis added]

Therefore, the Third Class City Code dictates that a vested benefit must be determined based on the number of years required for a superannuation retirement, which would be age 50 and 20 years of service. The vesting provision contained in the plan's governing document could result in the payment of a vested pension benefit greater than what is authorized by the Third Class City Code.

Police Pension Plan – (Continued)

Finding No. 5 – (Continued)

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: City officials failed to establish adequate internal controls procedures to ensure that the plan's governing document does not provide benefits in excess of the Third Class City Code. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Effect: The provision of excess benefits increases the plan's pension costs and reduces the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses. Although the city did not receive any excess state aid allocations during the current audit period attributable to the excess benefits provided, the provision of excess benefits could result in the receipt of excess state aid in the future and could increase required municipal contributions to the plan.

Recommendation: We 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 city's future state aid allocations and submit this information to the Department.

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

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

Police Pension Plan – (Continued)

Finding No. 6 – Inconsistent Pension Benefits

Condition: The pension plan's governing documents, Ordinance No. 3785, as amended, for officers hired prior to January 1, 1988, and Ordinance No. 4442, as amended, for officers hired on or after January 1, 1988, contain benefit provisions that conflict with the collective bargaining agreement between the police officers and the city, as follows:

Benefit Provision	Governing Document	Collective Bargaining Agreement
Retirement Eligibility	Members hired prior to January 1, 1988, shall be entitled to receive a pension benefit after twenty (20) years and reaching the age of fifty (50). Members hired on or after January 1, 1988, shall be entitled to receive a pension benefit, provided he or she has attained fifty years and one month of age and has accrued twenty years of service with the Department of Police.	All police officers hired before January 1, 1989, shall be permitted to retire should they so elect, after twenty (20) years of service without regard to age. All officers hired after January 1, 1989 shall be permitted to retire after twenty (20) years plus one (1) day of service and fifty (50) years of age. For employees hired after March 10, 2010, the normal retirement shall require twenty five (25) years of service.
Service Related Disability	If a member of the Employer incurs disability under the Plan and has completed at least fifteen (15) years of continuous service with the Employer, he shall be entitled to receive a monthly disability pension benefit which shall be equal to his pension benefit as of his disability date.	The work-related disability qualification period shall be 10 years.

Police Pension Plan – (Continued)

Finding No. 6 – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement
Service Increment	Each member who becomes entitled to a pension benefit shall also become entitled to payment of a service increment benefit equal to the number of whole years, in excess of twenty, of continuous service (including credit for any military service as provided in Section 289.04) multiplied by one-fortieth of the pension benefit which the member is entitled to receive. No service increment benefit which is in excess of five hundred dollars ($500.00) per month shall be paid to a member, nor shall such increment reflect any employment after the member has reached sixty-five years of age.	An employee is entitled to an additional pay/increment based on the years of service in excess of 20 years in the amount of $500, with employee contributions to be governed by Act 65.
Final Average Salary	Members hired prior to January 1, 1988, the rate of monthly pay as of the date of retirement. Members hired on or after January 1, 1988, the rate of monthly pay of the member as of the date of retirement or the highest average annual salary which the member received during any five (5) years of continuous service proceeding his date of retirement, whichever is the greater amount.	For employees hired prior to March 10, 2010, final average salary is base salary at the time of retirement including longevity pay, sick leave incentive and educational pay. For employees hired after March 10, 2010, final average salary is based upon a high 5 year average.

Police Pension Plan – (Continued)

Finding No. 6 – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement
Purchase of military service	No benefit provision for members hired prior to January 1, 1988. For members hired on or after January 1, 1988, shall be entitled to have full credit for each year or fraction thereof, not to exceed five (5) years of service upon his payment to the Pension Fund of an amount equal to that which he would have paid had he been a member during the period for which he desires credit and his payment to the Pension Fund of an additional amount as the equivalent of the contribution of the Employer on account of such military.	An employee who has served in the military may choose to purchase said military time for longevity/increment purposes or for continuous service time, or for a combination of both. The cost of said purchase is based upon the pension contributions, which would have been made during the years of service the employee wishes to purchase. The employee is required to pay both his share of the contribution as well as the city's share of the contribution for the years being purchased. An employee is entitled to purchase up to 5 years of military service.

Furthermore, actuarial valuation report form 201C for the police pension plan, with the valuation date of January 1, 2015, submitted to the former PERC, reported benefit provisions included in the collective bargaining agreement. (See Finding No. 7)

Criteria: The plan's governing documents should contain consistent, clearly defined and updated benefit provisions to ensure the sound administration of retirement benefits.

Cause: City officials failed to establish adequate internal control procedures to ensure the plan's governing document and the collective bargaining agreement contained consistent benefit provisions. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Police Pension Plan – (Continued)

Finding No. 6 – (Continued)

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that municipal officials, in conjunction with their solicitor and pension plan consultant, take whatever action that is necessary to ensure that the plan's governing documents properly reflect all benefit obligations of the pension plan and that the inconsistencies among the various plan documents are eliminated.

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

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

Finding No. 7 – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation

Condition: Actuarial valuation report form 201C, for the police pension plan, with a valuation date of January 1, 2015, submitted to the former Public Employee Retirement Commission (PERC), contained incorrect information. The information was based on data supplied by the municipality to the plan's actuary.

The municipality supplied the following incorrect information to the plan's actuary:

- Eligibility requirement - normal retirement
- Retirement benefit
- Survivor benefit
- Service related disability benefit;
- Vesting benefit
- Member contribution rate

Police Pension Plan – (Continued)

Finding No. 7 – (Continued)

Criteria: Section 201(d) of Act 205 states:

> Responsibility for preparation and filing of reports and investigations. The actuarial valuation report or experience investigation required pursuant to subsection (a) shall be prepared under the supervision and at the discretion of the chief administrative officer of the municipality, who shall be responsible for the filing of the document. The actuarial valuation report or experience investigation shall be signed by the chief administrative officer, indicating that to the extent of the understanding and knowledge of the officer, the report or investigation represents a true and accurate portrayal of the actuarial, financial and demographic condition of the pension plan of the municipality.

Cause: The discrepancies in the data submitted to the plan's actuary occurred because plan officials did not verify that the information was consistent with the plan's governing document. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Effect: Because the municipality's state aid allocation is determined, in part, by the information contained in the actuarial valuation report, the submission of incorrect data to the actuary may have resulted in the municipality receiving an incorrect allocation of state aid.

In addition, the information contained in the actuarial valuation report is used to determine the municipality's minimum municipal obligation (MMO); therefore, the incorrect data may have resulted in an erroneous MMO calculation.

Recommendation: We recommend that, in the future, plan officials review and verify all information submitted to and received from the plan's actuary so that future actuarial valuation reports properly reflect the status of the pension plan.

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

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

Non-Uniformed Pension Plan

Finding No. 8 – Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

Condition: The city failed to certify 1 eligible non-uniformed employee (1 unit) and understated payroll by $33,475 on the Certification Form AG 385 filed in 2016. The data contained on this certification form is based on prior calendar year information.

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

Cause: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

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 city received an underpayment of state aid of $4,375 as identified below:

Year	Units Understated	Unit Value	State Aid Underpayment
2016	1	$4,375	$ 4,375

Although the city will be reimbursed for the underpayment of state aid due to the city's certification error, the full amount of the 2016 state aid allocation was not available to be deposited timely and therefore was not available to pay operating expenses or for investment.

Recommendation: We 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: Municipal officials agreed with the finding without exception.

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

Non-Uniformed Pension Plan – (Continued)

Finding No. 9 – Inconsistent Pension Benefits

Condition: The pension plan's governing document, Ordinance No. 4440, as amended, contains benefit provisions that conflict with the collective bargaining agreements between the non-uniformed employees and the city, as follows:

Benefit Provision	Governing Document	Collective Bargaining Agreement
Retirement Eligibility	Each member shall be entitled to receive a pension benefit provided he has completed at least twenty (20) years of credited service with the Employer and has attained age sixty (60).	An employee will be eligible to retire from service with the City of Johnstown at the minimum age of 55 with a minimum of 20 years of service. For new hires as of 1/1/2017, an employee will be eligible to retire from service with the City of Johnstown at the minimum age of 60 with a minimum of 15 years of service.
Service Increment	No provision	Each individual retiring after age 55 will receive 1% of Average Compensation for each completed year of service, in excess of 20 years, up to a maximum of 20% of Average Compensation. For new hires as of 1/1/17, each individual retiring after age 60 will receive 1.5% of Average Compensation period for each completed year of service, in excess of 20 years, to a maximum of 20% of Average Compensation, with no Social Security Offset.

Non-Uniformed Pension Plan – (Continued)

Finding No. 9 – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement
Final Monthly Average Salary	The monthly equivalent of the member's average annual salary that he received during the final twenty-four (24) month period prior to his retirement or during any sixty (60) month period of his employment with the Employer, whichever is greater.	New Hires as of 1/1/2017, average compensation period shall be based on (3) three years.
Member Contribution Rate	Members shall make regular monthly contributions to the plan at a rate calculated at two and twenty-five hundredths percent (2.25%) of his monthly compensation on which Social Security taxes are payable.	Effective January 1, 2017, current/active employees shall contribute five percent (5%) to the Pension Plan.

Criteria: The plan's governing documents should contain consistent, clearly defined and updated benefit provisions to ensure the sound administration of retirement benefits.

Cause: The city failed to establish adequate internal control procedures to ensure the plan's governing document and the collective bargaining agreement contained consistent benefit provisions. Furthermore, the city is experiencing a high rate of turnover of plan officials. Currently, the city manager position is vacant.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that municipal officials consult with their solicitor and take the appropriate action to ensure that the plan's governing documents properly reflect all benefit obligations of the pension plan and that the inconsistencies among the various plan documents are eliminated.

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

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

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 27 through 35 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.

POLICE PENSION PLAN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	2014	2015	2016
Total Pension Liability			
Service cost	$ 293,019	$ 302,137	$ 317,244
Interest	1,309,064	1,318,548	1,344,378
Difference between expected and actual experience	-	(260,442)	-
Benefit payments, including refunds of member contributions	(1,173,829)	(1,276,650)	(1,306,659)
Net Change in Total Pension Liability	428,254	83,593	354,963
Total Pension Liability - Beginning	17,737,474	18,165,728	18,249,321
Total Pension Liability - Ending (a)	$ 18,165,728	$ 18,249,321	$ 18,604,284
Plan Fiduciary Net Position			
General Municipal State Aid	$ 233,600	$ 262,618	$ 306,400
Contributions – employer	649,300	929,633	577,160
Contribution – member	95,325	109,224	98,361
Net investment income	680,637	22,000	577,195
Benefit payments, including refunds of member contributions	(1,173,829)	(1,276,650)	(1,306,659)
Administrative expense	(57,093)	(123,037)	(74,543)
Net Change in Plan Fiduciary Net Position	427,940	(76,212)	177,914
Plan Fiduciary Net Position - Beginning	10,178,626	10,606,566	10,530,354
Plan Fiduciary Net Position - Ending (b)	$ 10,606,566	$ 10,530,354	$ 10,708,268
Net Pension Liability - Ending (a-b)	$ 7,559,162	$ 7,718,967	$ 7,896,016
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.39%	57.70%	57.56%
Estimated Covered Employee Payroll	$ 2,353,089	$ 2,328,437	$ 2,022,322
Net Pension Liability as a Percentage of Covered Employee Payroll	321.24%	331.51%	390.44%

POLICE PENSION PLAN – (Continued)

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, 2015 and 2016, calculated using the discount rate of 7.5%, 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability - 12/31/15	$ 9,694,571	$ 7,718,967	$ 6,051,826
Net Pension Liability - 12/31/16	$ 9,909,599	$ 7,896,016	$ 6,196,613

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
2007	$ 959,259	$ 959,377	$ (118)		
2008	973,574	973,574	-	$2,286,757	42.57%
2009	956,983	956,983	-		
2010	895,678	895,678	-	1,932,255	46.35%
2011	909,847	730,186	179,661		
2012	916,630	734,159	182,471	2,066,063	35.53%
2013	1,030,554	831,410	199,144		
2014	1,097,366	882,900	214,466	2,353,089	37.52%
2015	1,192,251	1,192,251	-	2,328,437	51.20%
2016	1,101,949	883,560	218,389	2,022,322	43.69%

* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

** For 2011, 2012, 2013, 2014, and 2016, the contribution deficiency reflects the 25 percent reduction to the plan's amortization contribution elected by the municipality under Act 44 for distressed municipalities which allows for such reduction.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

FIREMEN'S PENSION PLAN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	2014	2015	2016
Total Pension Liability			
Service cost	$ 285,219	$ 289,302	$ 303,767
Interest	1,224,728	1,236,902	1,258,344
Difference between expected and actual experience	-	(116,383)	-
Benefit payments, including refunds of member contributions	(1,239,707)	(1,230,754)	(1,279,707)
Net Change in Total Pension Liability	270,240	179,067	282,404
Total Pension Liability - Beginning	16,653,126	16,923,366	17,102,433
Total Pension Liability - Ending (a)	$ 16,923,366	$ 17,102,433	$ 17,384,837
Plan Fiduciary Net Position			
General Municipal State Aid	$ 378,593	$ 316,686	$ 369,483
Contributions – employer	1,013,123	1,127,653	1,046,997
Contribution – member	119,257	92,325	88,781
Net investment income	419,679	14,126	394,467
Benefit payments, including refunds of member contributions	(1,239,707)	(1,230,754)	(1,279,707)
Administrative expense	(37,197)	(98,819)	(61,848)
Other	847	-	-
Net Change in Plan Fiduciary Net Position	(654,595)	(221,217)	558,173
Plan Fiduciary Net Position - Beginning	5,885,432	6,540,027	6,761,244
Plan Fiduciary Net Position - Ending (b)	$ 6,540,027	$ 6,761,244	$ 7,319,417
Net Pension Liability - Ending (a-b)	$ 10,383,339	$ 10,341,189	$ 10,065,420
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	38.64%	39.53%	42.10%
Estimated Covered Employee Payroll	$ 1,919,853	$ 2,051,721	$ 1,903,380
Net Pension Liability as a Percentage of Covered Employee Payroll	540.84%	504.03%	528.82%

FIREMEN'S PENSION PLAN – (Continued)

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, 2015 and 2016, calculated using the discount rate of 7.5%, 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability - 12/31/15	$ 12,246,105	$ 10,341,189	$ 8,739,612
Net Pension Liability - 12/31/16	$ 12,010,354	$ 10,065,420	$ 8,429,525

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
2007	$ 864,637	$ 864,747	$ (110)		
2008	933,861	933,861	-	$1,969,482	47.42%
2009	981,837	981,837	-		
2010	1,154,902	1,154,902	-	1,935,422	59.67%
2011	1,182,841	938,509	244,332		
2012	1,133,790	899,390	234,400	1,977,003	45.49%
2013	1,249,794	986,205	263,589		
2014	1,391,716	1,391,716	-	1,919,853	72.49%
2015	1,444,339	1,444,339	-	2,051,721	70.40%
2016	1,416,480	1,416,480	-	1,903,380	74.42%

* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

** For 2011, 2012, 2013, 2014, and 2016, the contribution deficiency reflects the 25 percent reduction to the plan's amortization contribution elected by the municipality under Act 44 for distressed municipalities which allows for such reduction.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

NON-UNIFORMED PENSION PLAN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	2014	2015	2016
Total Pension Liability			
Service cost	$ 168,337	$ 173,152	$ 181,810
Interest	837,518	866,421	873,457
Difference between expected and actual experience	-	296,461	-
Benefit payments, including refunds of member contributions	(929,943)	(913,277)	(997,052)
Net Change in Total Pension Liability	75,912	422,757	58,215
Total Pension Liability - Beginning	11,455,133	11,531,045	11,953,802
Total Pension Liability - Ending (a)	$ 11,531,045	$ 11,953,802	$ 12,012,017
Plan Fiduciary Net Position			
General Municipal State Aid	$ 153,048	$ 162,205	$ 189,247
Contributions – employer	404,228	564,112	404,515
Contribution – member	41,516	46,558	45,733
Net investment income	441,085	13,923	356,533
Benefit payments, including refunds of member contributions	(929,943)	(913,277)	(997,052)
Administrative expense	(38,555)	(88,022)	(49,535)
Net Change in Plan Fiduciary Net Position	71,379	(214,501)	(50,559)
Plan Fiduciary Net Position - Beginning	6,806,689	6,878,068	6,663,567
Plan Fiduciary Net Position - Ending (b)	$ 6,878,068	$ 6,663,567	$ 6,613,008
Net Pension Liability - Ending (a-b)	$ 4,652,977	$ 5,290,235	$ 5,399,009
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.65%	55.74%	55.05%
Estimated Covered Employee Payroll	$ 1,877,318	$ 1,995,556	$ 1,557,097
Net Pension Liability as a Percentage of Covered Employee Payroll	247.85%	265.10%	346.74%

NON-UNIFORMED PENSION PLAN – (Continued)

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, 2015 and 2016, calculated using the discount rate of 7.5%, 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability - 12/31/15	$ 6,377,595	$ 5,290,235	$ 4,352,525
Net Pension Liability - 12/31/16	$ 6,486,916	$ 5,399,009	$ 4,461,067

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
2007	$ 464,286	$ 464,344	$ (58)		
2008	480,867	480,867	-	$1,927,105	24.95%
2009	474,230	470,225	4,005		
2010	465,121	465,121	-	1,594,905	29.16%
2011	402,979	332,403	70,576		
2012	463,524	382,308	81,216	1,775,989	21.53%
2013	626,597	516,712	109,885		
2014	685,877	557,276	128,601	1,877,318	29.68%
2015	726,317	726,317	-	1,995,556	36.40%
2016	732,560	593,762	138,798	1,557,097	38.13%

* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

** For 2011, 2012, 2013, 2014, and 2016, the contribution deficiency reflects the 25 percent reduction to the plan's amortization contribution elected by the municipality under Act 44 for distressed municipalities which allows for such reduction.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

BUREAU OF SEWAGE PENSION PLAN

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

	2014	2015	2016
Total Pension Liability			
Interest	$ 129,986	$ 129,123	$ 123,653
Difference between expected and actual experience	-	40,433	-
Benefit payments, including refunds of member contributions	(177,979)	(186,022)	(218,669)
Net Change in Total Pension Liability	(47,993)	(16,466)	(95,016)
Total Pension Liability - Beginning	1,820,530	1,772,537	1,756,071
Total Pension Liability - Ending (a)	$ 1,772,537	$ 1,756,071	$ 1,661,055
Plan Fiduciary Net Position			
General Municipal State Aid	$ 40,276	$ 30,896	$ 36,047
Contributions – employer	110,559	312,660	94,045
Contributions – member	774	-	-
Net investment income	100,460	3,473	88,667
Benefit payments, including refunds of member contributions	(177,979)	(186,022)	(218,669)
Administrative expense	(13,164)	(24,009)	(17,371)
Net Change in Plan Fiduciary Net Position	60,926	136,998	(17,281)
Plan Fiduciary Net Position - Beginning	1,464,595	1,525,521	1,662,519
Plan Fiduciary Net Position - Ending (b)	$ 1,525,521	$ 1,662,519	$ 1,645,238
Net Pension Liability - Ending (a-b)	$ 247,016	$ 93,552	$ 15,817
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.06%	94.67%	99.05%
Estimated Covered Employee Payroll	$ -	$ -	$ -
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

BUREAU OF SEWAGE PENSION PLAN – (Continued)

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, 2015 and 2016, calculated using the discount rate of 7.5%, 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability - 12/31/15	$ 245,191	$ 93,552	$ (37,718)
Net Pension Liability - 12/31/16	$ 160,809	$ 15,817	$ (110,102)

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
2007	$ 111,015	$ 111,027	$ (12)		
2008	105,244	105,244	-	$ 692,720	15.19%
2009	113,332	113,332	-		
2010	92,149	92,149	-	802,316	11.49%
2011	91,103	91,103	-		
2012	96,693	96,693	-	818,198	11.82%
2013	139,693	139,963	(270)		
2014	150,835	150,835	-	-	N/A
2015	137,585	343,556	(205,971)	-	N/A
2016	130,092	130,092	-	-	N/A

* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans,* being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

COMBINED PENSION PLANS

SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense:

2016	5.92%
2015	0.22%
2014	7.16%

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
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, 2011, is as follows:

POLICE PENSION PLAN

	(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)
01-01-11	$ 8,932,609	$ 17,128,946	$ 8,196,337	52.1%
01-01-13	8,914,258	17,344,042	8,429,784	51.4%
01-01-15	10,120,578	17,905,286	7,784,708	56.5%

Note: The market value of the plan's assets at 01-01-11, 01-01-13, and 01-01-15 have been adjusted to reflect the smoothing of gains and/or losses over a 4-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 JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
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, 2011, is as follows:

FIREMEN'S PENSION PLAN

	(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)
01-01-11	$ 5,283,656	$ 15,686,268	$ 10,402,612	33.7%
01-01-13	5,182,741	16,422,546	11,239,805	31.6%
01-01-15	6,223,767	16,806,983	10,583,216	37.0%

Note: The market value of the plan's assets at 01-01-11, 01-01-13, and 01-01-15 have been adjusted to reflect the smoothing of gains and/or losses over a 4-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 JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
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, 2011, is as follows:

NON-UNIFORMED PENSION PLAN

	(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)
01-01-11	$ 6,415,222	$ 11,266,453	$ 4,851,231	56.9%
01-01-13	6,132,396	11,333,536	5,201,140	54.1%
01-01-15	6,561,374	11,827,506	5,266,132	55.5%

Note: The market value of the plan's assets at 01-01-11, 01-01-13, and 01-01-15 have been adjusted to reflect the smoothing of gains and/or losses over a 4-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 JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
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, 2011, is as follows:

BUREAU OF SEWAGE PENSION PLAN

	(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)
01-01-11	$ 1,282,825	$ 2,227,223	$ 944,398	57.6%
01-01-13	1,285,460	2,322,851	1,037,391	55.3%
01-01-15	1,440,462	1,812,970	372,508	79.5%

Note: The market value of the plan's assets at 01-01-11, 01-01-13, and 01-01-15 have been adjusted to reflect the smoothing of gains and/or losses over a 4-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 JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST 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.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

POLICE PENSION PLAN

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, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	15 years (aggregated)
Asset valuation method	Fair value, 4 year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases *	5.0%

*Includes inflation at 3.0%

FIREMEN'S PENSION PLAN

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, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	14 years (aggregated)
Asset valuation method	Fair value, 4 year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases *	5.0%

*Includes inflation at 3.0%

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

NON-UNIFORMED PENSION PLAN

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, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	16 years (aggregated)
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	5.0%

*Includes inflation at 3.0%

BUREAU OF SEWAGE PENSION PLAN

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, 2015
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	8 years (aggregated)
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases *	5.0%

*Includes inflation at 3.0%

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
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