COMPLIANCE AUDIT

City of Johnstown Comprehensive Municipal Pension Trust Fund

Cambria County, Pennsylvania

For the Period

January 1, 2019 to December 31, 2021

March 2023

Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

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TIMOTHY L. DEFOOR
AUDITOR GENERAL

The Honorable Mayor and City Council
City of 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, 2019 to December 31, 2021. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report; and

2. To determine if the pension 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 report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension 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 plans' governing documents and applicable laws and regulations by examining the municipality's calculation of the plans' annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension trust fund as evidenced by supporting documentation.

- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension trust fund in accordance with the plans' governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plans' governing documents in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension trust fund.

- We determined whether retirement benefits calculated for both police officers, all three firefighters, and all six non-uniformed employees who retired during the current audit period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plans' governing documents, applicable laws and regulations by recalculating the amount of the monthly pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.

- We determined whether the January 1, 2019 and January 1, 2021 actuarial valuation reports were prepared and submitted by March 31, 2020 and 2022, 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 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.

- We determined whether the terms and methodologies of the issuance of pension obligation bonds by the municipality, and any restrictions, were in compliance with plan provisions and Act 205 through inquiry of plan officials and examination of supporting documentation for pension obligation bonds issued during the current audit period.

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. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the City of 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:

Firemen's Pension Plan:

Finding No. 1	–	Noncompliance With Prior Audit Recommendation – Provision Of Benefits In Excess Of The Third Class City Code
Finding No. 2	–	Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits
Finding No. 3	–	Noncompliance With Prior Audit Recommendation – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation
Finding No. 4	–	Noncompliance With Prior Audit Recommendation – Improper Survivors' Benefit

Police Pension Plan:

Finding No. 5 – Noncompliance With Prior Audit Recommendation – Provision Of Benefits In Excess Of The Third Class City Code

Finding No. 6 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Finding No. 7 – Noncompliance With Prior Audit Recommendation – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation

Finding No. 8 – Noncompliance With Prior Audit Recommendation – Improper Survivors' Benefit

Finding No. 9 – Partial Compliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements For Special 1989 Ad Hoc Reimbursement Adjustments

Non-Uniformed Pension Plan:

Finding No. 10 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Police and Non-Uniformed Pension Plans:

Finding No. 11 – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

Findings Nos. 1 through 10 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. 1 is being repeated for the eighth 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.

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 historical trend information contained in the respective schedules of funding progress included in this report indicates the police pension plan's funded ratio is 97.0%, the firemen's pension plan's funded ratio is 87.8%, the non-uniformed pension plan's funded ratio is 91.7%, and the Bureau of Sewage pension plan's funded ratio is 99.2%, as of January 1, 2021, which is the most recent data available. It should be noted that this represents a marked improvement from the city's previous status of Level II moderate distress since 2016, and Level III severe distress prior to that and the city should be commended for their funding efforts.

The city continues to operate under a recovery plan that was adopted in 1992 pursuant to the Municipalities Financial Recovery Act, Act 47 of 1987. The city's exit plan includes strategies for exiting the Act 47 program no later than April 28, 2023. As part of the plan, on September 8, 2020, the city sold the sanitary sewer collection system to the Greater Johnstown Water Authority for $24,000,000 plus the assumption of $59,698,966 in PennVest loans. The city utilized a portion of the sales proceeds as security for a 2020 General Obligation Note of $19,000,000, which was used to fund a portion of the city's unfunded actuarial accrued pension liability, contributing to the improvement in the plans' funded ratios. The City has taken tremendous strides through recent years to address its pension funding deficiencies and we recommend that the city continue to make fiscally responsible decisions to benefit its taxpayers and 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.

Timothy L. DeFoor

Timothy L. DeFoor
Auditor General
February 28, 2023

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The Act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans.

Annual state aid allocations are provided from a 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 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 147	–	Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of December 14, 1988 (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101 et seq.
Act 177	–	General Local Government Code, Act of December 19, 1996 (P.L. 1158, No. 177), as amended, 53 Pa.C.S. § 101 et seq.

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 No. 4442 (police officers), 4441 (firemen), 4440 (non-uniformed), and 4443 (sewage), as amended. The city's pension ordinances are included in Chapters 284.5 through 293 of the City's Codified Ordinance. 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.

BACKGROUND

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, 2021, the plan had 38 active members, 4 terminated members eligible for vested benefits in the future, and 76 retirees receiving pension benefits from the plan.

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, 2021, the plan had 29 active members, 1 terminated member eligible for vested benefits in the future, and 72 retirees receiving pension benefits from the plan.

The non-uniformed plan was established January 1, 1971. Active members are required to contribute 5.0 percent of salary to the plan. As of December 31, 2021, the plan had 37 active members, 2 terminated members eligible for vested benefits in the future, and 81 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, 2021, the plan had no active members, 1 terminated member eligible for vested benefits in the future, and 18 retirees receiving pension benefits from the plan.

Status Of Prior Recommendation

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

- Failure To Implement Act 44 Mandatory Distressed Provisions

  The city received a notification from the Municipal Pension Reporting Program indicating that based on the aggregate funding level of the city's pension plans as of January 1, 2021, the city is currently in Level 0 (not distressed) status; therefore, the mandatory Level 2 moderate distress remedies are no longer required.

Partial Compliance With Prior Audit Recommendation

Police and Firemen's Pension Plans

- Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements For Special 1989 Ad Hoc Postretirement Adjustments

  In a letter to this Department dated April 27, 2020, the then-interim city manager stated that a check in the amount of $525 was enclosed for repayment of the excess ad hoc reimbursement received in 2018. However, no check was received and deposited by this Department and current city officials were unable to produce evidence validating proof of payment. It was subsequently determined that in 2020, the city's ad hoc reimbursement was $600 less than that to which the city was entitled. The 2018 overpayment and 2020 underpayment were netted, and the net amount of $75 was allocated to the city.

  Subsequent to the current audit period, the city again failed to comply with the instructions that accompany Certification Form AG 490 to assist them in accurately reporting the required pension data in the year 2022, as further discussed in the Findings and Recommendations section of this report.

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

Noncompliance With Prior Recommendations

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

Firemen's Pension Plan:

- Provisions Of Benefits In Excess Of The Third Class City Code
- Inconsistent Pension Benefits
- Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation
- Improper Survivors' Benefit

Police Pension Plan:

- Provisions Of Benefits In Excess Of The Third Class City Code
- Inconsistent Pension Benefits
- Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation
- Improper Survivors' Benefit

Non-Uniformed Pension Plan:

- Inconsistent Pension Benefits

Firemen's Pension Plan

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

Condition: As disclosed in the seven 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.) and continues to provide benefits to its firefighters in excess of the restrictions found in the Third Class City Code, 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. 1 – (Continued)

Benefit	Governing Document/Collective Bargaining Agreement (CBA)	Third Class City Code
Vesting	The CBA 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. The CBA effective January 1, 2021 to December 31, 2025 provides for employees hired on or after January 24, 2001, in calculating a vested benefit, the portion of the base retirement benefits due to the member shall be determined by applying 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 and shall commence on the date the employee would have been eligible to retire. Ordinance No. 4928 and Ordinance No. 4441, which it amended, are silent with regard to vesting benefits. *(See Finding No. 2)*	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 <u>had the member continued to be employed by the department until his or her minimum retirement date</u>. (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. While the vesting provision in the new CBA effective January 1, 2021 to December 31, 2025 complies with the Third Class City Code for employees hired on or after January 24, 2001, this provision is not included in the plan's governing document.

Firemen's Pension Plan – (Continued)

Finding No. 1 – (Continued)

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.

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: As was also noted in the prior audit report, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to the impact of such turnover, the city again failed to establish adequate procedures to ensure compliance with the prior audit recommendation.

Effect: The provision of excess benefits increases the plan's pension costs and reduces funds available for investment or the payment of authorized benefits or administrative expenses. Although the city did not receive 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/or increases in required city contributions to the plan.

Firemen's Pension Plan – (Continued)

Finding No. 1 – (Continued)

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

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

> We have engaged the law firm [redacted] to write an ordinance that will bring non-compliant provisions of the Pension Plans into compliance with the Code and with resolving existing discrepancies between the collective bargaining agreements and Plan documents.
>
> This Ordinance will be completed in January 2023. We will submit this to Council for approval shortly thereafter.

Auditor's Conclusion: Based on the management response, it appears that the city intends to comply with the finding recommendation. In December of 2022, the city drafted an ordinance to revise all of the pension plans in an effort to ensure consistency between the governing plan document and the pension provisions of the Third Class City Code. However, as of the date of our audit fieldwork completion, that ordinance had yet to be formally adopted by the city. Compliance will be evaluated during our next audit of the pension trust fund.

Firemen's Pension Plan – (Continued)

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Condition: As disclosed in the two prior audit reports, the pension plan's governing document, Ordinance No. 4441, as amended, contains benefit provisions that conflict with the collective bargaining agreements (CBAs) 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. For firefighters hired on or after January 1, 2018, normal retirement is age 55 with 25 years of service.
Vesting	Not provided. *(refer to Finding No. 1)*	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. *CBA effective January 1, 2021 to December 31, 2025:* For employees hired on or after January 24, 2001, in calculating a vested benefit, the portion of the base retirement benefits due to the member shall be determined by applying 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 and shall commence on the date the employee would have been eligible to retire.

Firemen's Pension Plan – (Continued)

Finding No. 2 – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement
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, 2009, 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. 2 – (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 any credit for military service as provided) 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) 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.	Effective January 1, 2004, the pension plan of Firefighter's shall be revised to provide the service increment increased to Five Hundred ($500) Dollars. For firefighters hired on or after January 1, 2018, the service increment is reduced and capped to $100 per month.
Member Contributions	Each member shall contribute 3.75% of his or her compensation each month to the Pension Fund.	For members hired on or after January 1, 2018, members shall contribute 7%. *(The agreement is silent with regards to members hired prior to January 1, 2018.)*

Firemen's Pension Plan – (Continued)

Finding No. 2 – (Continued)

Furthermore, actuarial valuation reporting forms 202C for the firemen's pension plan, with valuation dates of January 1, 2019 and January 1, 2021, submitted to the Municipal Pension Reporting Program, reported benefit provisions included in the collective bargaining agreement (*also see Finding No. 3*).

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

Cause: As noted earlier, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to the impact of such turnover, the city again failed to establish adequate internal control procedures to ensure the plan's governing document and the collective bargaining agreement contain consistent benefit provisions and compliance with the prior recommendation.

Effect: Inconsistent plan documents have resulted in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan *(also see Finding No. 4).*

Recommendation: We again recommend that municipal officials, in conjunction with their solicitor, pension plan consultant, and Act 47 plan coordinator, 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: The city provided the following response:

> We have engaged the law firm [redacted] to write an ordinance that will bring non-compliant provisions of the Pension Plans into compliance with the Code and with resolving existing discrepancies between the collective bargaining agreements and Plan documents.
>
> This Ordinance will be completed in January 2023. We will submit this to Council for approval shortly thereafter.

Firemen's Pension Plan – (Continued)

Finding No. 2 – (Continued)

Auditor's Conclusion: Based on the management response, it appears that the city intends to comply with the finding recommendation. In December of 2022, the city drafted an ordinance to revise all of the pension plans in an effort to ensure consistency between the governing plan document, the collective bargaining agreements, and the applicable pension provisions of the Third Class City Code. However, as of the date of our audit fieldwork completion, that ordinance had yet to be formally adopted by the city. Compliance will be evaluated during our next audit of the pension trust fund.

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation

Condition: As disclosed in the prior two audit reports, actuarial valuation reports form 202C, for the firemen's pension plan, with valuation dates of January 1, 2015 and January 1, 2017, submitted to the former Public Employee Retirement Commission (PERC) and the Municipal Pension Reporting Program (MPRP), respectively, contained incorrect information based on data supplied by the city to the plan's actuary. A similar condition occurred during the current audit period. The same incorrect information was submitted to the MPRP on the actuarial valuation reports with valuation dates of January 1, 2019 and January 1, 2021. The city supplied the following incorrect information to the plan's actuary:

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

Firemen's Pension Plan – (Continued)

Finding No. 3 – (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: As noted earlier, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to the impact of such turnover, the city again failed to implement procedures to verify the data submitted to the plan's actuary and identify discrepancies with the plan's governing document and ensure compliance with the prior recommendation.

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 plan officials contact the Municipal Pension Reporting Program to determine if a revised actuarial valuation report with a valuation date of January 1, 2021 may be filed. If a revised report is prepared and accepted by the Municipal Pension Reporting Program, a copy should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

We also again 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.

Firemen's Pension Plan – (Continued)

Finding No. 3 – (Continued)

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

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

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Improper Survivors' Benefit

Condition: During the current audit period, based on examination of retirement calculations prepared by plan officials for three firefighters (two retirement and one formerly vested and now receiving benefits), it was determined that the city designated benefits to survivors of these retirees on the retirement calculations in excess of what was specified by the plan document. All three calculations specified a benefit payable to the survivor in an amount equal to 100 percent of the amount payable to the member for life upon the member's death even though, as disclosed in Finding No. 1 of this report, the plan's governing document only authorizes a survivors' benefit equal to 50 percent of the amount the member was receiving or would have received prior to his or her death. The prior audit report disclosed that the city has been specifying such benefits to surviving beneficiaries of all retiring employees hired after January 1, 1988, including eight retirees identified in the prior audit.

Criteria: Ordinance No. 4928, at Section 1, states in part:

> 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 child or children, under the age of eighteen years, 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 the age of eighteen, in the case of a child or children, receive a monthly pension which shall be equal to fifty percent of the amount which the member was receiving or would have received prior to his or her date of death.

In addition, Section 19 of the collective bargaining agreements (CBAs) covering the periods January 1, 2018 to December 31, 2020, and January 1, 2021 to December 31, 2025, also provides a 50 percent survivor benefit for employees hired on or after January 1, 2018 *(prior CBAs were silent regarding survivors' benefits)*.

Firemen's Pension Plan – (Continued)

Finding No. 4 – (Continued)

Cause: As noted in the prior audit report, city officials, along with the plan administrator, believed there was documentation available to support the 100 percent survivor's benefit provision. However, no such documentation was maintained/provided by the city other than the provisions of the governing document noted above. In addition, as aforementioned, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to the impact of such turnover, the city again failed to establish adequate internal control procedures to ensure compliance with the provisions in the governing plan document.

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

Recommendation: We again recommend that the city provide benefits in accordance with the plan's governing document. To the extent that the city is not in compliance with the governing document or is contractually obligated to pay benefits to existing survivors in excess of those authorized by the governing document, 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, the excess 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 improper survivors' benefits on the city's future state aid allocations and submit this information to this Department. If it is determined the improper survivors' benefits had an impact on the city's future state aid allocations after the submission of this information, the plan's actuary would then be required to contact this Department to verify the overpayment of state aid received. Plan officials would then be required to reimburse the overpayment to the Commonwealth.

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

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

Police Pension Plan

Finding No. 5 – Noncompliance With Prior Audit Recommendation – Provision Of Benefits In Excess Of The Third Class City Code

Condition: As disclosed in the two 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.) and continues to provide a vesting benefit to its police officers in excess of the restrictions found in the Third Class City Code 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.)

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. Therefore, 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: As noted earlier, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to such turnover, the city again failed to ensure that the plan's governing document does not provide benefits in excess of the Third Class City Code and compliance with the prior audit recommendation.

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.

Police Pension Plan – (Continued)

Finding No. 5 – (Continued)

Management's Response: The city provided the following response, which is included verbatim:

> We have engaged the law firm [redacted] to write an ordinance that will bring non-compliant provisions of the Pension Plans into compliance with the Code and with resolving existing discrepancies between the collective bargaining agreements and Plan documents.
>
> This Ordinance will be completed in January 2023. We will submit this to Council for approval shortly thereafter.

Auditor's Conclusion: Based on the management response, it appears that the city intends to comply with the finding recommendation. In December of 2022, the city drafted an ordinance to revise all of the pension plans in an effort to ensure consistency between the governing plan document, the collective bargaining agreements, and the applicable pension provisions of the Third Class City Code. However, as of the date of our audit fieldwork completion, that ordinance had yet to be formally adopted by the city. Compliance will be evaluated during our next audit of the pension trust fund.

Police Pension Plan – (Continued)

Finding No. 6 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Condition: As disclosed in the prior audit report, the pension plan's governing document, Ordinance No. 4442, contains 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 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.	For employees hired prior to January 1, 2018, the 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. For employees hired on or after January 1, 2018, the employee is entitled to an additional pay/increment based on the years of service in excess of the minimum years required for normal retirement in the amount of 1/40th of the base pension up to a maximum of one hundred dollars ($100.00).
Final Average Salary	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	Members 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 service.	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 reports form type C for the police pension plan, with valuation dates of January 1, 2019 and January 1, 2021, submitted to the MPRP, 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: As noted earlier, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to such turnover, the city again failed to establish adequate internal control procedures to ensure the plan's governing document and the collective bargaining agreement contained consistent benefit provisions and compliance with the prior audit recommendation.

Effect: Inconsistent plan documents has resulted in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan (see Finding No. 8).

Police Pension Plan – (Continued)

Finding No. 6 – (Continued)

Recommendation: We again recommend that municipal officials, in conjunction with their solicitor, pension plan consultant and Act 47 exit plan coordinator, 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: The city provided the following response, which is included verbatim:

> We have engaged the law firm [redacted] to write an ordinance that will bring non-compliant provisions of the Pension Plans into compliance with the Code and with resolving existing discrepancies between the collective bargaining agreements and Plan documents.
>
> This Ordinance will be completed in January 2023. We will submit this to Council for approval shortly thereafter.

Auditor's Conclusion: Based on the management response, it appears that the city intends to comply with the finding recommendation. In December of 2022, the city drafted an ordinance to revise all of the pension plans in an attempt to ensure consistency between the governing plan document, the collective bargaining agreements, and the applicable pension provisions of the Third Class City Code. However, as of the date of our audit fieldwork completion, that ordinance had yet to be formally adopted by the city. Compliance will be evaluated during our next audit of the pension trust fund.

Police Pension Plan – (Continued)

Finding No. 7 – Noncompliance With Prior Audit Recommendation – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation

Condition: As disclosed in the two prior audit reports, actuarial valuation report form 201C, for the police pension plan, with a valuation date of January 1, 2015 and January 1, 2017, submitted to the former PERC and the MPRP, respectively, contained incorrect information based on data supplied by the city to the plan's actuary. A similar condition occurred during the current audit period. The same incorrect information was submitted to the MPRP on the actuarial valuation reports with valuation dates of January 1, 2019 and January 1, 2021.

The city 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

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: As noted earlier, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to the impact of such turnover, the city is again failed to implement procedures to verify the data submitted to the plan's actuary and identify discrepancies with the plan's governing document and ensure compliance with the prior recommendation.

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.

Police Pension Plan – (Continued)

Finding No. 7 – (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 plan officials contact the Municipal Pension Reporting Program to determine if a revised actuarial valuation report with a valuation date of January 1, 2021 may be filed. If a revised report is prepared and accepted by the Municipal Pension Reporting Program, a copy should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

We again 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 pension trust fund.

Finding No. 8 – Noncompliance With Prior Audit Recommendation – Improper Survivors' Benefit

Condition: During the current audit period, based on examination of retirement calculations prepared by plan officials for five police officers (two retirement and three formerly vested and now receiving benefits), it was determined that the city designated benefits to survivors of these retirees on the retirement calculations in excess of what was specified by the plan document. All five calculations specified a benefit payable to the survivor in an amount equal to 100 percent of the amount payable to the member for life, upon the member's death even though the pension plan's governing document only authorizes a survivors' benefit equal to 50 percent of the amount the member was receiving or would have received prior to his or her death. The prior audit report disclosed that the city has been specifying such benefits to surviving beneficiaries of all retiring employees hired after January 1, 1988, including four retirees identified in the prior audit.

Police Pension Plan – (Continued)

Finding No. 8 – (Continued)

Criteria: Ordinance No. 4460, at Section 3, states in part:

> 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 child or children, under the age of eighteen years, 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 the age of eighteen, in the case of a child or children, receive a monthly pension which shall be equal to fifty percent of the amount which the member was receiving or would have received prior to his or her date of death.

In addition, Section 8 of Article 16 of the collective bargaining agreement for the period January 1,2018 to December 31, 2020 and Section 7 of Article 15 of the collective bargaining agreement for the period January 1, 2021 to December 31, 2024 provide a 50 percent survivor benefit for employees hired on or after January 1, 2018 *(prior CBAs were silent regarding survivors' benefits)*.

Cause: As noted in the prior audit report, city officials, along with the plan administrator, believed there was documentation available to support the 100 percent survivor's benefit provision. However, no such documentation was maintained/provided by the city other than the provisions of the governing document noted above. In addition, as aforementioned, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to the impact of such turnover, the city again failed to establish adequate internal control procedures to ensure compliance with the provisions in the governing plan document.

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

Police Pension Plan – (Continued)

Finding No. 8 – (Continued)

Recommendation: We again recommend that the city provide benefits in accordance with the plan's governing document. To the extent that the city is not in compliance with the governing document or is contractually obligated to pay benefits to existing survivors in excess of those authorized by the governing document 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, the excess 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 improper survivors' benefits on the city's future state aid allocations and submit this information to this department. If it is determined the improper survivors' benefits had an impact on the city's future state aid allocations after the submission of this information, the plan's actuary would then be required to contact this department to verify the overpayment of state aid received. Plan officials would then be required to reimburse the overpayment to the Commonwealth.

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

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

Finding No. 9 - Partial Compliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements For Special 1989 Ad Hoc Postretirement Adjustments

Condition: As disclosed in the Status of Prior Findings section of this report, partial compliance with the prior audit recommendation was effectuated when the excess ad hoc reimbursement received in 2018 was netted with an underpayment in 2020, and the net amount of $75 was allocated to the city.

Subsequent to the current audit period, the city again failed to comply with the instructions that accompany Certification Form AG 490 to assist them in accurately reporting the required pension data in the year 2022. The city overstated the amount of special ad hoc postretirement adjustments by $450 for an individual on the Certification Form AG 490 filed in 2022, which reports 2021 data. This individual died on June 23, 2021 with no survivor benefits payable after their death.

Police Pension Plan - (Continued)

Finding No. 9 – (Continued)

Criteria: Pursuant to Act 147, Certification Form AG 490 should report only the amount of special ad hoc postretirement adjustments paid in the previous year to eligible retirees and/or their surviving spouses.

Cause: As aforementioned, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city and due to the impact of such turnover, the city again failed to establish adequate internal control procedures to ensure compliance with the provisions in the governing plan document. Accordingly, plan officials failed to perform a supervisory overview of the data certified to ensure compliance with the instructions that accompany Certification Form AG 490 and the accuracy of the data certified.

Effect: Because the city's reimbursement is determined based on amounts reported on the Certification Form AG 490, the city received excess reimbursement in 2022 in the amount of $450, as illustrated below:

Reimbursement Certified	Reimbursement Due	Excess Reimbursement
$ 7,875	$ 7,425	$ 450

Furthermore, the city's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the total excess reimbursement, in the amount of $450, 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, Bureau of Municipal Pension & Liquor Control Audits, 314 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 490 to assist them in accurately reporting the required pension data.

Police Pension Plan - (Continued)

Finding No. 9 – (Continued)

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 trust fund.

Non-Uniformed Pension Plan

Finding No. 10 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefits

Condition: As disclosed in the prior audit report, 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.
Normal Retirement	A member entitled to a pension benefit shall receive monthly income payments during his lifetime the total amount payable per month which shall be equal to one-half (1/2) of his final monthly average salary reduced by fifty percent (50%) of his monthly Social Security benefit.	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.
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.

Non-Uniformed Pension Plan – (Continued)

Finding No. 10 – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement
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: As noted earlier, the city continues to experience a high rate of turnover of plan officials, especially the city manager position responsible for the chief administrative responsibilities of the city, and due to such turnover, the city again failed to establish adequate internal control procedures to ensure the plan's governing document and the collective bargaining agreement contained consistent benefit provisions and compliance with the prior audit recommendation.

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

Recommendation: We again 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: The city provided the following response, which is included verbatim:

> We have engaged the law firm [redacted] to write an ordinance that will bring non-compliant provisions of the Pension Plans into compliance with the Code and with resolving existing discrepancies between the collective bargaining agreements and Plan documents.
>
> This Ordinance will be completed in January 2023. We will submit this to Council for approval shortly thereafter.

Non-Uniformed Pension Plan – (Continued)

Finding No. 10 – (Continued)

Auditor's Conclusion: Based on the management response, it appears that the city intends to comply with the finding recommendation. In December of 2022, the city drafted an ordinance to revise all of the pension plans in an effort to ensure consistency between the governing plan document, the collective bargaining agreements, and the applicable pension provisions of the Third Class City Code. However, as of the date of our audit fieldwork completion, that ordinance had yet to be formally adopted by the city. Compliance will be evaluated during our next audit of the pension trust fund.

Police and Non-Uniformed Pension Plans

Finding No. 11 – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

Condition: The city failed to certify two eligible non-uniformed employees (2 units) and understated payroll by $79,148 on the Certification Form AG 385 filed in 2020. In addition, the city certified two ineligible police officers (4 units) and overstated payroll by $16,160 on the Certification Form AG 385 filed in 2022. The data contained on these certification forms is based on prior calendar year information.

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

Cause: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified.

Police and Non-Uniformed Pension Plans – (Continued)

Finding No. 11 – (Continued)

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

Year	Type of Plan	Units Overstated (Understated)	Unit Value	State Aid Overpayment (Underpayment)
2020	Non-Uniformed	(2)	$ 4,924	$ (9,848)
2022	Police	4	$ 5,180	$ 20,720
		Net Overpayment of State Aid		$ 10,872

In addition, the city used the overpayment of state aid to pay the minimum municipal obligations (MMOs) due to the police and non-uniformed pension plans; therefore, if the reimbursement to the Commonwealth is made from the pension plans, the plans' MMOs will not be fully paid.

Furthermore, the city's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the net overpayment of state aid, in the amount of $10,872, 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 or non-uniformed pension plan funds, we recommend that any resulting MMO deficiencies be paid to the pension plan with interest, at a rate earned by the pension plan.

Police and Non-Uniformed Pension Plans – (Continued)

Finding No. 11 – (Continued)

Management's Response: City 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 trust fund.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
POTENTIAL WITHHOLD OF STATE AID

Finding No. 9 contained in this report cites a net overpayment of the Ad Hoc Postretirement Adjustment reimbursement to the city in the amount of $450, plus interest, and Finding No. 11 cites a net overpayment of state aid to the city in the amount of $10,872, plus interest. Conditions of this nature may lead to a total withholding of state aid in the future unless those findings are corrected. A check in this amount with interest, at a rate earned by the pension trust fund, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension and Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

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, 2017, 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)
01-01-17	$ 11,219,779	$ 19,929,627	$ 8,709,848	56.3%
01-01-19	11,769,698	19,815,005	8,045,307	59.4%
01-01-21	19,540,392	20,144,537	604,145	97.0%

Note: The market values of the plan's assets at 01-01-17, 01-01-19, and 01-01-21 have been adjusted to reflect the smoothing of gains and/or losses over a four-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, 2017, 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)
01-01-17	$ 7,599,158	$ 18,636,627	$ 11,037,469	40.8%
01-01-19	8,788,760	19,534,495	10,745,735	45.0%
01-01-21	18,383,598	20,941,540	2,557,942	87.8%

Note: The market values of the plan's assets at 01-01-17, 01-01-19, and 01-01-21 have been adjusted to reflect the smoothing of gains and/or losses over a four-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, 2017, 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)
01-01-17	$ 6,943,920	$ 12,671,708	$ 5,727,788	54.8%
01-01-19	6,928,646	12,133,812	5,205,166	57.1%
01-01-21	11,321,528	12,343,278	1,021,750	91.7%

Note: The market values of the plan's assets at 01-01-17, 01-01-19, and 01-01-21 have been adjusted to reflect the smoothing of gains and/or losses over a four-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, 2017, 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)
01-01-17	$ 1,726,064	$ 1,973,825	$ 247,761	87.4%
01-01-19	1,598,700	1,852,763	254,063	86.3%
01-01-21	1,742,350	1,756,427	14,077	99.2%

Note: The market values of the plan's assets at 01-01-13, 01-01-15, and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses over a four-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.

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
(UNAUDITED)

POLICE PENSION PLAN

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
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%
2017	1,133,248	1,133,248	-	2,111,903	53.66%
2018	1,124,935	1,124,935	-	2,034,010	55.31%
2019	1,356,585	1,356,585	-	2,160,985	62.78%
2020	473,743	473,743	-	2,131,573	22.23%
2021	488,042	488,042	-	2,301,446	21.21%

* 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 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.

FIREMEN'S PENSION PLAN

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
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%
2017	1,420,722	1,420,722	-	1,876,399	75.72%
2018	1,422,311	1,422,311	-	1,804,277	78.83%
2019	1,600,345	1,600,345	-	1,867,519	85.69%
2020	507,944	507,944	-	1,801,840	28.19%
2021	517,592	517,592	-	1,930,843	26.81%

* 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 2012 and 2013, 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 CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)**	Covered-Employee Payroll*	Contributions as a Percentage of Covered-Employee Payroll
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%
2017	767,675	767,675	-	1,411,710	54.38%
2018	632,701	632,701	-	1,322,840	47.83%
2019	811,131	811,131	-	1,396,833	58.07%
2020	266,704	266,704	-	1,415,793	18.84%
2021	263,665	263,665	-	1,400,940	18.82%

* 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 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 CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll*	Contributions as a Percentage of Covered-Employee Payroll
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
2017	68,636	68,636	-	-	N/A
2018	79,027	79,027	-	-	N/A
2019	78,049	78,049	-	-	N/A
2020	27,254	27,254	-	-	N/A
2021	25,462	25,462	-	-	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. In addition, there were no active employees in this plan after 2013.

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	None
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases *	4.25%

* Includes inflation at 2.5%

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

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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	3-years (aggregated)
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases *	4.25%

* Includes inflation at 2.5%

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	3 years (aggregated)
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases *	4.5%

* Includes inflation at 2.5%

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

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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	None
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	Not applicable

*Includes inflation at 2.5%

CITY OF JOHNSTOWN COMPREHENSIVE MUNICIPAL PENSION TRUST FUND
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This report was initially distributed to the following:

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