

COMPLIANCE AUDIT

City of Monessen Firemen's Pension Plan Westmoreland County, Pennsylvania For the Period January 1, 2015 to December 31, 2016

July 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Mayor and City Council
City of Monessen
Westmoreland County
Monessen, PA 15062

We have conducted a compliance audit of the City of Monessen Firemen's Pension Plan 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 the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

The objective of the audit was to determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objective identified above. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined whether state aid was properly designated 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 that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.
- We determined that there were no benefit calculations prepared for the years covered by our audit period.
- We determined whether the January 1, 2013, January 1, 2015, and January 1, 2017, actuarial valuation reports were prepared and submitted by March 31, 2014, 2016, and 2018, 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 transfers were properly authorized, timely, and appropriately recorded by plan officials by examining supporting documentation for all of the transfers made during the audit period and through the completion of our fieldwork procedures.

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


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

- Finding No. 1 – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursement For Special 1989 Ad Hoc Postretirement Adjustments
- Finding No. 2 – Awarding Of Professional Services Contract Inconsistent With Act 44 Provisions

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

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

July 9, 2018


EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Background.....	1
Finding and Recommendation:	
Finding No. 1 – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursement For Special 1989 Ad Hoc Postretirement Adjustments.....	3
Finding No. 2 – Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 44.....	4
Potential Withhold of State Aid.....	12
Supplementary Information	13
Report Distribution List	19

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 Monessen Firemen's Pension Plan is also governed by implementing regulations adopted by the former Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 67 - The Third Class City Code, Act of November 24, 2015 (P.L. 242, No. 67), as amended, 11 Pa. C.S. § 10101 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.

The City of Monessen Firemen's Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance 5 of 2000, adopted pursuant to Act 67. The plan was established January 1, 1939. Active members are required to contribute 4 percent of their base salary plus \$12 a year for service increments to the plan. As of December 31, 2016, the plan had no active members, no terminated members eligible for vested benefits in the future, and 2 retirees receiving pension benefits from the plan.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement	Age 50 and 20 years of service if hired before January 1, 1984. Age 55 and 20 years of service if hired after January 1, 1984
Early Retirement	None
Vesting	Member is 100% vested after 12 years of service

Retirement Benefit:

Benefit equals 50% of final monthly compensation (or average compensation over the highest continuous 5 years, if greater) plus a monthly service increment of 1/40 of pension benefit for each year of service in excess of 20 years, but excluding service after age 65. Maximum increment is \$100 per month.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions plus interest.
After Retirement Eligibility or Killed-In-Service	The spouse will receive the amount the participant was receiving or entitled to receive for life. In the event of the spouse's death, the participant's children under age 18 will share the benefit.

Service Related Disability Benefit:

For total and permanent disablement, a monthly benefit equal to 50% of final monthly compensation (or Average Compensation as above, if greater) will be payable, reduced by any disability benefits received.

CITY OF MONESSEN FIREMEN’S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursement For Special 1989 Ad Hoc Postretirement Adjustments

Condition: The city improperly certified \$600 of special ad hoc postretirement adjustments for one individual in 2016. This individual died on December 7, 2013, with no survivor benefits payable after her death.

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

Effect: Because the city’s reimbursement is determined based on amounts reported on Form AG 490, the city received excess reimbursement in 2016 totaling \$600, as illustrated below:

<u>Year</u>	<u>Reimbursement Certified</u>	<u>Reimbursement Due</u>	<u>Excess Reimbursement</u>
2016	\$ 1,800	\$ 1,200	\$ 600

Recommendation: We recommend that the total excess reimbursement, in the amount of \$600, 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 490 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 with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the pension plan.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Awarding of Professional Services Contract Inconsistent With Provisions Of Act 44

Condition: In June 2017, the City of Monessen requested information through issuance of a Request for Proposal (RFP) regarding asset management services as well as custodial work for the City of Monessen's Pension Plans. Two firms responded, hereafter referred to as Firm A (the successful bidding firm) and Firm B (the unsuccessful bidding firm) and submitted their bids to the city solicitor's office by the July 11, 2017, deadline as outlined in the RFP. However, the following inconsistencies were noted in the city's application of its procedures relative to the procurement of professional investment and advisory services for the city's pension plans and the awarding of the professional services contract as follows:

- Both firms met separately with city council prior to its July 25, 2017, finalist presentation interview and award date but not for technical clarification as outlined in the RFP.
- The contract for professional services was not awarded on July 25, 2017, as specified in the RFP. Moreover, the contract was not awarded until December 19, 2017, well after its published award date.
- The city and/or pension plan board did not provide evidence of the review and evaluation of the competing firms' qualifications, experience and expertise and fees to be charged.
- The city failed to adequately make all applications and disclosure forms available to the public except for proprietary information or other information protected by law.
- The city did not summarize in a written statement the relevant factors that resulted in the award of the professional services contract to Firm A, and as such, this written summary was not included in or attached to the document awarding the contract to Firm A as required.
- The original application, the summary of the basis for the award (as noted above) and all of the required disclosure forms were not transmitted to Firm B within 10 days of the award of the professional services contract and/or posted on the city's pension system's internet website.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

- The pension plan board did not maintain minutes of meetings held (see also Finding No. 3 above) to review and consider the firms' proposals to provide services and/or their recommendations submitted to city council for consideration based on their review of the proposals. Although we inquired of pension plan board officials, who indicated that the board did meet and voted on proposals during two separate meetings, there was no formal documentation available to support their response.

Additionally, it was noted that one of the partners functioning as managing director for bidding Firm A is a brother to one of the partners in the law firm that serves as the solicitor for the City of Monessen. This firm was responsible for receiving and reviewing the competing bids.

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

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

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

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

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

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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

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

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

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

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

Section 703-A (c) states in part:

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

Furthermore, Resolution No. 7 of 2011, enacted by the city May 18, 2011, established procedures for the procurement of professional services for the municipal pension system and included the following:

- Collect and review proposals to select the most qualified person, taking into account the person's qualifications, experience, expertise and the fees to be charged.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

- Make all applications and disclosure forms public (except for proprietary information and information protected by law) and subject to the Right To Know Act after award of the contract.
- Summarize the relevant factors that resulted in the award of the contract in a written statement to be included in or attached to the documents awarding the contract.
- Within 10 working days of awarding the contract, transmit the original application form, a summary of the basis for the award, and required disclosure form to all unsuccessful applicants and post on the municipal pension system's website at least 7 days prior to the execution of the contract.

Cause: Plan officials failed to properly follow and document adherence with each requirement prescribed under Act 44 and the city's own procedures in the awarding of the professional services contract for the investment and advisory services for the city's pension plans including, but not limited to, the city's issuance of a termination of services letter to the former service provider, who is also the unsuccessful bidding firm in this case, with the information required by Act 44 and the city's procedures.

Effect: We were unable to determine whether the city complied in all respects with the provisions stipulated in Act 44 and its own governing policies and procedures regarding the procurement of professional investment and advisory services for the city's pension plans. Also, by failing to maintain appropriate supporting documentation evidencing the review of the submitted proposals taking into account: the bidding firms' qualifications, experience, expertise, and the fees to be charged; the corresponding documentation summarizing the relevant factors that resulted in the award of the contract, proper notification, and inclusion of the required disclosure forms to the unsuccessful applicant; and the making of these applications and disclosure forms public (except for proprietary information and information protected by law) after awarding the contract, it denotes a general lack of overall transparency of the actions taken by municipal officials and/or the pension plan board relative to the awarding of the contract for investment and advisory services for the city's pension plans.

Recommendation: We recommend the city follow procedures developed and implemented by the city in Resolution No. 7 of 2011 for the procurement of professional services for the city's pension plans and ensure compliance with Act 44 provisions while maintaining appropriate and sufficient supporting documentation. This documentation should evidence every phase of the process in accordance with the city's policies and procedures in the awarding of future professional services contracts for the city's pension plans.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

In addition, since we were unable to fully determine whether the city complied in all respects with the provisions stipulated in Act 44 and its own governing policies and procedures relative to the procurement of the professional investment and advisory services contract awarded in 2017 for the city's pension plans, we recommend that the members of the pension plan board, along with current city officials, collectively review the Act 44 process and familiarize themselves with the procedures enacted by the city. Members should closely examine the inconsistencies disclosed in the condition above, relative to the awarding of this particular contract, and identify ways to improve the process as a whole. This will ensure transparency for plan members as well as the citizens of the City of Monessen and avoid future accusations and innuendos of non-transparency and/or allegations of wrong-doing by representatives responsible for safeguarding the city's pension plans.

Management's Response: The city's response was provided by the city's solicitor based on preliminary disclosures provided to officials during the exit conference and is included in its entirety as follows:

The City disagrees with the finding, recommendation and the conclusion in Finding Number 4 that there was a lack of transparency and any allusion that facts contained in the finding warrant a State Ethics Commission investigation. While the findings denoted several procedural deficiencies, there is no tangible evidence that suggests any City official violated their ethical responsibilities. Further, based on information conveyed by your office during the exit interviews, the City believes that this audit was not conducted on an impartial basis and political bias has confounded the conclusions in Finding Number 4. *(Auditor Note: Submission of this report to agencies such as the State Ethics Commission was initially discussed in the preliminary draft version of the report presented to officials; however, this reference was removed from the body of this finding in the final released version of the report after receipt of this response. In addition, Finding Number 4 refers to the location of this finding in the police pension plan report.)*

When City officials questioned what evidence potential ethical violations occurred, members of your office stated "we don't know because Harrisburg wrote this finding." Because the report itself remains silent on any ethical concerns, the City cannot formulate a response to address that finding, nor can they provide your office with any recommended administrative accommodations.

All that your office conveyed was that they received a letter and numerous phone calls from the current Mayor. Upon information and belief, the Mayor sent a letter to your office dated, January 3, 2018, containing information regarding the transfer of the police pension. The timing of this was concerning being that the Mayor had only been in office for a period of less than twenty-four (24) hours. To this date, the remainder of City Council has no knowledge as to what information was contained in this letter, because the Mayor never consulted any members of Council or City officials.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

With regard to the finding of the condition concerning the award of the contract after July 25, 2017, the City withheld awarding the project because they were unable to provide both Firm A, and Firm B with interviews that were equal in length of time. Unfortunately, the vote was delayed due to extenuating circumstances, including a personnel matter involving maternity leave, and questions concerning existence of the pension board and governing ordinance. It was at this time that the City in coordination with their Solicitor's office reconvened the City's Pension Board in order for them to provide input into the proposed pension switch. The City took this action to be as transparent as possible.

The City further disagrees with the finding that states there was a lack of evidence concerning a review and evaluation of the finalists. In fact, City Councilman provided the proposals and relating information to members of the Pension Board and Council. Every member of Council had the opportunity to review these items prior to making the switch. Even though the pension documents denote that Council has the ultimate authority, this information was provided to the pension board so that the board was able to provide their input. The City took this action in order to promote transparency and to make an informed decision.

The City also disagrees with the condition that the City did not make bidding information to the public. The entirety of the bidding process was conducted publicly. The request for proposal ("RFP") was advertised in accordance with the applicable laws. The City provided a copy of the advertisement to your office. Additionally, the City made copies of the RPF (*sic*) available and easily accessible by keeping copies in the same area where copies of Council meeting minutes are kept for public access.

With regard to the condition that the City failed to notify Firm B of the switch, the City denies these findings. On December 29, 2017, the City notified Firm B in writing, of Council's decision to switch pension providers.

With regard to the remainder of the conditions relating procedural errors stemming from the City's departure of their Resolution No. 7 of 2011, the City did not have knowledge that such resolution existed. The reason for this is that the resolution was passed by a former administration. Once the former administration left office, the City Administrator resigned and the City's documents were left in a state of disarray. When the pension was switched, the acting administration followed City Code and the Pension Plan Agreement. To remedy another instance of this confusion, the City intends on amending the pension ordinance to reference Resolution 7 of 2011.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Further, and as stated above, the City strongly believes that conclusions drawn in Finding Number 4 brings into question the independent nature of the entire audit. As stated, the current Mayor first reached out to your office regarding the transfer of the City's police pension by letter dated January 3, 2018. It is impractical that the Mayor had accurate information given that he was in office for less than twenty-four hours prior to sending the letter, nor did he have any conversations with any Councilmen or City officials. Additionally, at the exit interviews, it was noted that the Mayor had direct contact with your office on more than one occasion about Finding Number 4. At the exit interview, the Mayor did not deny that these conversations have taken place.

Auditor's Conclusion: As previously stated in this report, our 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. Our routinely scheduled audit was already underway when our Department began receiving written and telephone correspondence from various municipal officials and members of the city's police pension plan, regarding the matters addressed in this report and other concerns involving the city's pension plans. Interviewing municipal, as well as pension plan, officials is a routine procedure during an audit of any municipal pension plan.

As noted in the finding above, we were unable to adequately conclude whether or not the awarding of the city's procurement of professional investment and advisory services for the city's pension plans was performed in accordance with the provisions of Act 44 and the plans' governing documents because there was a general lack of sufficient documentation maintained evidencing adherence to all applicable provisions. In particular, the city and/or pension plan board did not provide our department with written evidence of the review and evaluation process performed by those tasked with such responsibilities of reviewing and evaluating the competing firms' qualifications, experience, expertise, and fees. Nor did they provide a written statement summarizing the relevant factors that resulted in the awarding of the professional services contract to the winning firm or verify that this formal written summary was included in or attached to and transmitted appropriately to the non-winning firm, along with all of the other required disclosure forms required under Section 702-A. As such, we were unable to conclude from the evidence provided whether or not the process resulting in the awarding of the professional services contract for the city's pension plans was carried out in accordance with the applicable act and/or local ordinances and policies. It was this lack of sufficient evidential documentation that denotes a general lack of overall transparency of the actions taken by the city and/or the pension plan board relative to the awarding of the contract for professional services for the city's pension plans.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Therefore, since we were unable to conclude whether the city complied in all respects with the provisions stipulated in Act 44 and its own governing policies and procedures relative to the procurement of the professional investment and advisory services contract awarded in 2017 for the city's pension plans, we again recommend that city/plan officials provide evidence that the relevant factors that resulted in the awarding of the professional services contract were properly summarized in a written statement and included in or attached to the documents awarding the contract and noting that within ten days of the award of the professional services contract, the original application, a summary of the basis for the award and all required disclosure forms were transmitted to the unsuccessful applicant and posted on the municipal pension system's Internet website at least seven days prior to the execution of the professional services contract. Absent the existence of such evidence, we recommend the city rebid the Request for Proposal (RFP) regarding asset management services as well as custodial work for the city's pension plans. Furthermore, the city's future state aid allocations may be withheld until the finding recommendation is complied with. The city's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the plan.

In addition, based on the response provided above and in the response to Finding No. 1 contained in the audit report for the city's police pension plan, we will provide the results of this audit to the Westmoreland County Pennsylvania District Attorney's Office to determine whether any criminal laws of this Commonwealth have been violated and/or for whatever action it may deem appropriate and necessary, and to the State Ethics Commission to determine whether any ethical standards and/or financial disclosure requirements have been violated and/or for whatever action it may deem appropriate and necessary.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding No. 2 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is corrected. However, such action will not be considered if sufficient written documentation is provided to verify compliance with this department's recommendation. Such documentation should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 13 through 15 reflects the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Interest	\$ 28,562	\$ 24,279	\$ 23,007
Benefit payments, including refunds of member contributions	<u>(37,795)</u>	<u>(41,230)</u>	<u>(41,230)</u>
Net Change in Total Pension Liability	(9,233)	(16,951)	(18,223)
Total Pension Liability - Beginning	<u>353,193</u>	<u>343,960</u>	<u>327,009</u>
Total Pension Liability - Ending (a)	<u>\$ 343,960</u>	<u>\$ 327,009</u>	<u>\$ 308,786</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 23,928	\$ 23,928	\$ 13,200
Net investment income	10,889	(5,956)	19,160
Benefit payments, including refunds of member contributions	<u>(37,795)</u>	<u>(41,230)</u>	<u>(41,230)</u>
Administrative expense	<u>(6,007)</u>	<u>(8,438)</u>	<u>(4,799)</u>
Net Change in Plan Fiduciary Net Position	(8,985)	(31,696)	(13,669)
Plan Fiduciary Net Position - Beginning	<u>313,863</u>	<u>304,878</u>	<u>273,182</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 304,878</u>	<u>\$ 273,182</u>	<u>\$ 259,513</u>
Net Pension Liability - Ending (a-b)	<u>\$ 39,082</u>	<u>\$ 53,827</u>	<u>\$ 49,273</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.6%	83.5%	84.0%

CITY OF MONESSEN FIREMEN'S PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the city as of December 31, 2015, and 2016, calculated using the discount rate of 7.50%, 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:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Net Pension Liability - 12/31/15	\$ 77,710	\$ 53,827	\$ 32,869
Net Pension Liability - 12/31/16	\$ 71,638	\$ 49,273	\$ 29,606

The discount rate of 7.50% was used in the preparation of the city's December 31, 2016, GASB 67 report. This rate differs from the 7.25% reported in the January 1, 2017, Act 205 report, as disclosed in the Notes to Supplementary Schedules on page 9 of this report.

CITY OF MONESSEN FIREMEN'S PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a Percentage of Covered- Employee Payroll
2007	\$ -	\$ -	\$ -	\$ -	N/A
2008	-	-	-	-	N/A
2009	-	-	-	-	N/A
2010	-	-	-	-	N/A
2011	14,258	14,258	-	-	N/A
2012	16,425	16,425	-	-	N/A
2013	16,425	16,425	-	-	N/A
2014	23,928	23,928	-	-	N/A
2015	23,928	23,928	-	-	N/A
2016	13,200	13,200	-	-	N/A

* There have not been any active plan members since December 2002.

SCHEDULE OF INVESTMENT RETURNS

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

2016	7.99%
2015	(2.21%)
2014	3.71%

CITY OF MONESSEN FIREMEN'S PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

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

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2011, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-13	\$ 317,465	\$ 423,075	\$ 105,610	75.0%
01-01-15	304,878	343,960	39,082	88.6%
01-01-17	259,513	332,271	72,758	78.1%

CITY OF MONESSEN FIREMEN'S PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

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

CITY OF MONESSEN FIREMEN'S PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

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

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	2 years (aggregate)
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	N/A

* No active members

CITY OF MONESSEN FIREMEN'S PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Honorable Matthew Shorraw
Mayor

Mr. Ronald Chiaravalle
Councilman

Mr. Gilbert Coles
Councilman

Mr. Anthony Orzechowski
Councilman

Mr. David Feehan
Councilman

Ms. Judith Taylor
City Administrator

Mr. Wayne Vlasic
City Controller

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.