COMPLIANCE AUDIT

City of Monessen
Police Pension Plan
Westmoreland County, Pennsylvania
For the Period
January 1, 2017 to December 31, 2018

September 2019

Commonwealth of Pennsylvania
Department of the Auditor General
Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

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

We have conducted a compliance audit of the City of Monessen Police Pension Plan for the period January 1, 2017 to December 31, 2018. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

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

2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the period under audit.

- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.

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

- We determined that there were no new benefit calculations prepared for the years covered by our audit period that were not previously examined by the Department during the prior engagement.

- We determined whether the January 1, 2017 actuarial valuation report was prepared and submitted by March 31, 2018, in accordance with Act 205 and whether selected information provided on this report is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.

- 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 Police 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 objectives, and assessed whether those significant controls were properly designed and implemented. Additionally and as previously described, we tested transactions, assessed official actions, performed analytical procedures, and interviewed selected officials to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the City of Monessen Police 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 – Failure To Timely Pay The Minimum Municipal Obligation Of The Plan

Finding No. 2 – Incorrect Survivor Benefit

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it. However, we are extremely concerned about the funding status of the plan contained in the schedule of funding progress, included in this report, which indicates a decline of assets available to satisfy the long-term liabilities of the plan. **The plan's funded ratio went from 73.3% as of January 1, 2015, to a ratio of 68.4% as of January 1, 2017**, which is the most recent data available. We encourage city officials to monitor the funding of the police pension plan to ensure its long-term financial stability.

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.

September 4, 2019

EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The Act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the City of Monessen Police 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 Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 6 of 2000, as amended, adopted pursuant to Act 67. The plan is also affected by the provisions of collective bargaining agreements between the city and its police officers. The plan was established February 28, 1945. Active members are required to contribute 4.5 percent of their base salary plus $12 a year for service increments to the plan. As of December 31, 2018, the plan had 9 active members, 1 terminated member eligible for vested benefits in the future, and 19 retirees receiving pension benefits from the plan.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement	Age 50 and 20 years of service.
Early Retirement	None
Vesting	100% vesting available after 12 years of service.

Retirement Benefit:

Benefit equals 50% of average compensation at retirement, plus a monthly service increment of 1/40 of normal retirement benefit for each year of service in excess of 20 years, up to a maximum increment of $100 per month.

Survivor Benefit:

Killed in Service	A monthly benefit equal to 50% of average compensation is payable to spouse until death. Upon death of spouse (or no spouse is alive when participant dies), each of the participant's dependent children will receive an equal share of the benefit until age 18.
Non-Service Related Death Before 10 Years of Service	A monthly benefit equal to 25% of average compensation, payable to spouse until the youngest child attains age 18, then the benefit drops to ½ of that amount, and is payable until the spouse's death. If the spouse dies prior to the youngest child attaining 18, the children will share the 25% of average compensation benefit until the youngest attains age 18, at which time no further benefit will be payable.
Non-Service Related Death After 10 Years of Service but Before Retirement Eligibility	Same as before 10 years of service, but monthly benefit is 50% of average compensation.

BACKGROUND – (Continued)

Survivor Benefit - (Continued):

Non-Service Related Death After Retirement Eligibility	A monthly benefit equal to 50% of the pension the participant was receiving or entitled to receive on the day of death is payable of the spouse for life. Upon death of spouse, each of the participant's dependent children will receive an equal share of the benefit until age 18.

Service Related Disability Benefit:

For total and permanent disablement, a monthly benefit equal to 50% of average compensation is payable.

Non-Service Related Disability Benefit:

After completion of 10 years of service, a monthly benefit equal to 50% of compensation is payable. Prior to the completion of 10 years of service, 25% of compensation is payable.

CITY OF MONESSEN POLICE PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

The City of Monessen has complied with the prior audit recommendations concerning the following:

- Incorrect Pension Benefit Calculation

  In July 2017, the city suspended the incorrect pension benefit payments to the retiree. Subsequently, on June 7, 2019, the city reimbursed $63,088 to the pension plan representing the total benefit overpayments of $54,390 plus interest. In addition, this retiree's incorrect normal monthly pension benefit was recalculated in accordance with the provisions contained in the plan's governing document and reduced to a terminated-vested monthly benefit of $2,145 that is payable beginning March 31, 2023. Finally, the city implemented procedures relative to the adequate determination and approval of pension benefits as previously recommended. The pension benefit of a member who retired effective January 31, 2018, was determined in accordance with the plan's governing document and final approval by the pension committee was documented and maintained by the city.

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

  On November 28, 2018, the city reimbursed $10,022 to the Commonwealth consisting of the $8,750 overpayment of state aid received in 2016 along with applicable interest.

- Failure To Maintain Adequate Minutes Of Pension Board Meetings

  During the current audit period, plan officials held numerous pension plan meetings, as prescribed by the plan's governing document, and maintained a permanent record of all pension board meetings.

Compliance With Prior Audit Recommendations – (Continued)

- Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 44

  The city implemented procedures for the procurement of professional and investment services for the city's pension plans as developed and enacted by the city via Resolution No. 7 of 2011, in accordance with Act 205 (as amended by Act 44). In August 2018, the city rebid its Request For Proposal (RFP) for the procurement of asset management and custodial work for its defined benefit pension plans, advertised the RFP accordingly in accordance with the city's established procedures, and after initiating its own interview, assessment, review, and notification procedures, the pension board selected a new asset manager and custodian for its pension plans effective February 28, 2019. On May 8, 2019, the assets of the police pension plan were transferred to the new custodian and asset manager. The procedures established, implemented, and executed by the City of Monessen provided a high degree of transparency during the entire process for the procurement and awarding of the professional investment and advisory services contracts for its defined benefit pension plans and we commend the city for its timely efforts in complying with the prior recommendation.

Finding No. 1 – Failure To Timely Pay The Minimum Municipal Obligation Of The Plan

Condition: Plan officials failed to fully pay the 2018 minimum municipal obligation (MMO) by December 31, 2018, as required by Act 205. The city had an unpaid MMO of $182,149 at December 31, 2018. Although the city paid the outstanding amount due on February 21, 2019, the city failed to pay the interest due on the late deposit of the 2018 MMO in accordance with Act 205 requirements.

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

> Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Section 302(d) of Act 205 states, in part:

> The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality. Payment of the minimum obligation of the municipality shall be made by the municipality prior to December 31.

Furthermore, Section 302(e) of Act 205 states:

> Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid at a rate equal to the interest assumption used for the actuarial valuation report or the discount rate applicable to treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation was due, whichever is greater, expressed as a monthly rate and compounded monthly.

Cause: Plan officials indicated that the city is enduring a period of administrative uncertainty and turmoil that has affected its ability to conduct city business. Due in part to this uncertainty, the city has experienced difficulties in obtaining the financing and sufficient financial resources necessary to timely fund the MMO of its pension plan.

Finding No. 1 – (Continued)

Effect: Due to the municipality's failure to pay the 2018 MMO by the December 31 deadline, the city incurred an interest penalty under Act 205 that would not have otherwise been required had the MMO been timely paid. Since the interest has not yet been paid, the plan has not been adequately compensated for the municipality's failure to pay the MMO timely in accordance with Act 205 requirements.

Recommendation: We recommend that plan officials calculate and pay the interest due to the pension plan, in accordance with Act 205. We also recommend that plan officials establish and implement internal control procedures to ensure that future MMOs are paid timely to the plan in accordance with Act 205 requirements.

Management Response: The city's response, dated August 29, 2019, was provided by the city's Deputy Mayor & Director of Accounts and Finance and is included in its entirety as follows:

Finding Number 1 indicates that the City failed to fully pay the 2018 MMO in the amount of $182,149 by December 31, 2018. The City does not dispute the fact that the MMO was not paid by December 31, 2018. The City also agrees with the Memorandum's conclusion of the effect of the Finding, which was that the City lacked financial resources to pay the MMO by December 31, 2018. However, the City would like to provide some more context as to this cause. Late in the year, the City was faced with a decision of paying the MMO on time or continuing to pay employee wages and benefits. The City chose to continue compensating the employees in order to ensure that services would continue for its residents and decided that the 2018 MMO would be paid when the 2019 Tax Anticipation Note was received.

Unfortunately, through no fault of its own, the City did not obtain its Tax Anticipation Note in the month of January as was typical in past years. The bank which had held the City's Note for several years chose to only provide these services to its own slate of customers. The City was able to obtain the financing through its own bank, but the delay caused uncertainty resulting in the City choosing to guard its available resources for the purpose of fulfilling its responsibilities to its employees and vendors.

Finding No. 1 – (Continued)

Additionally, the City was unable to effectively manage its finances or conduct business from the months of June through August 2018. As you are fully aware, the City has been operating without its Mayor and Councilman who refused to attend Council meetings since early 2018. Additionally, in May 2018, the City suffered from the passing of a Councilman and consequentially, the City did not have a quorum to conduct business until mid-August 2018. Given the circumstances, the City, while already struggling financially, was forced to deal with four months of unattended-to City business. Unfortunately, by the end of the year, the consequences of missing four months of meetings continued to affect the City, and Council was forced with making the decision of whether to pay the 2018 MMO or keep paying its employees and creditors. Thereafter, once the City received the 2019 Tax Anticipation Note in February, it paid the outstanding 2018 MMO.

Based on the above circumstances, the City believes that the penalty of compounded interest calculated from January 1, 2018 through February 2019 is unreasonably harsh and will cause significant financial harm. Simply stated, a penalty in this amount will likely contribute to the City exhausting its financial resources well before the end of year.

To alleviate an occurrence of late MMO payments, the City has implemented internal control procedures to ensure that revenues meet financial responsibilities through the end of the year. The processes have been in place since the fall of 2018, when Council realized that the City's financial system was spiraling out of control. City Council has worked extremely hard in operating a fiscally responsible government, but a penalty levied in this amount will not only jeopardize that effort, it will destroy any progress made thus far. With that said, in order to avoid further financial detriment, the City respectfully requests that the interest penalty be limited to the months of January and February 2019 when the 2018 MMO remained unpaid.

Auditor Conclusion: The Department appreciates the financial difficulties the city has endured and the difficult decisions made by city officials to ensure continued services for its residents. Also, the Department is aware of the city's administrative uncertainty that has affected its ability to conduct city business, as noted in the Cause above. However, the requirement that interest be paid due to delinquent MMO payments is statutory. Act 205 does not provide for any exceptions to this requirement, and does not grant the Department the authority to waive the required interest payment due. Therefore, based on the Criteria previously cited, the finding and recommendation remain as stated. Compliance will be evaluated during our next audit of the plan.

Finding No. 2 – Incorrect Survivor Benefit

Condition: Plan officials failed to reduce the monthly pension benefit for a survivor of a retired police officer who died in October 2017. The survivor continued to receive 100 percent of the monthly pension benefit that her late husband was receiving but should have only received 50 percent of his benefit in accordance with the pension plan's governing plan document.

Criteria: Section 13(a) of Ordinance No. 8 of 1988, states, in part:

> The widow of a Member of the Monessen Police Pension Fund Association of Monessen, Pennsylvania, who has retired or is eligible to retire on pension after January 1, 1967, and dies, shall during her lifetime, or so long as she does not remarry, be entitled to receive fifty percent of the pension the member was receiving or would have been receiving had he been retired at the time of his death.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the survivor benefit was properly determined and paid in accordance with the plan's governing document. Prior to the change to a third asset custodian, administration of pension benefit payments was contracted to a third party provider who stated that they were not notified of any change in the status of the retiree. While transferring assets and benefit administration to the new asset custodian, the change in the retiree's status was discovered.

Effect: The plan is paying pension benefits to a survivor in excess of those authorized by the plan's governing document, in the amount of $829 per month. The plan has made overpayments totaling $17,409 from November 2017 through July 2019.

Recommendation: We recommend that plan officials reduce the survivor's pension benefit in accordance with the provisions contained in the plan's governing document in effect at the time of retirement. We also recommend that the police pension plan be reimbursed for the improper pension benefits paid, totaling $17,409, as of the date of this report, plus interest calculated at a rate earned by the pension plan. Finally, we recommend that plan officials implement adequate internal control procedures to ensure that future survivor pension benefits are properly determined and paid in accordance with the plan's governing document.

Finding No. 2 – (Continued)

Management Response: The city's response, dated August 29, 2019, was provided by the city's Deputy Mayor & Director of Accounts and Finance and is included in its entirety as follows:

The City of Monessen recognizes that an incorrect survivor benefit was distributed beginning in November 2017. In order to rectify future occurrences of this, the City Administrator and City Council have reviewed the respective ordinances relating to the Police Pension Plan. Additionally, the City has implemented and will continue to implement internal controls to review the distribution of pension benefits. As part of these internal controls, the City will work with its pension fund custodian and all related parties to ensure that when pension benefits are distributed, they are distributed accurately. Finally, the City will take steps to reduce the specific survivor pension benefits.

Auditor Conclusion: Based on the management response, it appears municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

CITY OF MONESSEN POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 11 through 14 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

	2014	2015	2016
Total Pension Liability			
Service cost	$ 96,419	$ 118,004	$ 123,904
Interest	379,262	398,953	407,894
Difference between expected and actual experience	-	132,422	-
Benefit payments, including refunds of member contributions	(333,757)	(401,777)	(405,580)
Net Change in Total Pension Liability	141,924	247,602	126,218
Total Pension Liability – Beginning	5,124,280	5,266,204	5,513,806
Total Pension Liability – Ending (a)	$ 5,266,204	$ 5,513,806	$ 5,640,024
Plan Fiduciary Net Position			
Contributions – employer	$ 276,090	$ 276,263	$ 232,385
Contributions – member	27,768	28,539	26,835
Net investment income	140,298	(80,748)	289,358
Benefit payments, including refunds of member contributions	(333,757)	(401,777)	(405,580)
Administrative expense	(57,557)	(41,061)	(44,589)
Net Change in Plan Fiduciary Net Position	52,842	(218,784)	98,409
Plan Fiduciary Net Position – Beginning	3,939,457	3,992,299	3,773,515
Plan Fiduciary Net Position – Ending (b)	$ 3,992,299	$ 3,773,515	$ 3,871,924
Net Pension Liability – Ending (a-b)	$ 1,273,905	$ 1,740,291	$ 1,768,100
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.8%	68.4%	68.7%
Estimated Covered Employee Payroll	$ 656,595	$ 663,990	$ 646,191
Net Pension Liability as a Percentage of Covered Employee Payroll	194.0%	262.1%	273.6%

CITY OF MONESSEN POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

	2017	2018
Total Pension Liability		
Service cost	$ 130,979	$ 136,546
Interest	428,108	440,422
Difference between expected and actual experience	(76,219)	-
Changes of assumptions	396,042	-
Benefit payments, including refunds of member contributions	(378,408)	(411,774)
Net Change in Total Pension Liability	500,502	165,194
Total Pension Liability – Beginning	5,640,024	6,140,526
Total Pension Liability – Ending (a)	$ 6,140,526	$ 6,305,720
Plan Fiduciary Net Position		
Contributions – employer	$ 294,954	$ 336,702
Contributions – member	27,324	23,009
Net investment income	592,952	(238,059)
Benefit payments, including refunds of member contributions	(378,408)	(411,774)
Administrative expense	(43,248)	(23,483)
Net Change in Plan Fiduciary Net Position	493,574	(313,605)
Plan Fiduciary Net Position – Beginning	3,871,924	4,365,498
Plan Fiduciary Net Position – Ending (b)	$ 4,365,498	$ 4,051,893
Net Pension Liability – Ending (a-b)	$ 1,775,028	$ 2,253,827
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.1%	64.3%
Estimated Covered Employee Payroll	$ 673,839	$ 656,335
Net Pension Liability as a Percentage of Covered Employee Payroll	263.4%	343.4%

CITY OF MONESSEN POLICE 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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability – 12/31/15	$ 2,328,403	$ 1,740,291	$ 1,241,565
Net Pension Liability – 12/31/16	$ 2,372,769	$ 1,768,100	$ 1,255,313

In addition , the following presents the net pension liability of the city as of December 31, 2017 and 2018, calculated using the discount rate of 7.25%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability – 12/31/17	$ 2,435,632	$ 1,775,028	$ 1,219,352
Net Pension Liability – 12/31/18	$ 2,929,932	$ 2,253,827	$ 1,685,304

CITY OF MONESSEN POLICE 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
2009	$ 248,740	$ 248,740	$ -		
2010	238,973	238,973	-	$ 668,759	35.7%
2011	281,340	236,266	45,074		
2012	291,417	245,854	45,563	724,727	33.9%
2013	292,522	292,522	-		
2014	276,090	276,090	-	656,595	42.0%
2015	276,263	276,263	-	663,990	41.6%
2016	232,385	232,385	-	646,191	36.0%
2017	294,954	294,954	-	673,839	43.8%
2018	323,534	141,385	182,149	656,335	21.5%

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

For 2011 and 2012, 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.

SCHEDULE OF INVESTMENT RETURN

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

2018	(5.86%)
2017	16.49%
2016	8.27%
2015	(2.15%)
2014	3.74%

CITY OF MONESSEN POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

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

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2013, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-13	$ 3,581,611	$ 4,967,729	$ 1,386,118	72.1%
01-01-15	3,956,273	5,398,626	1,442,353	73.3%
01-01-17	4,077,093	5,959,847	1,882,754	68.4%

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.

CITY OF MONESSEN POLICE 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 POLICE 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	12 years (aggregate)
Asset valuation method	4-year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	4.25%

* Includes inflation at 2.75%

CITY OF MONESSEN POLICE 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. Anthony W. Orzechowski
Deputy Mayor

Mr. Gilbert Coles
Councilman

Mr. David R. Feehan
Councilman

Ms. Lois Thomas
Councilwoman

Ms. Judith L. Taylor
City Administrator

Mr. Wayne Vlasic
City Controller

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