

# COMPLIANCE AUDIT

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## City of New Castle Comprehensive Municipal Pension Trust Fund

Lawrence County, Pennsylvania

For the Period

January 1, 2016 to December 31, 2017

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November 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and City Council  
City of New Castle  
Lawrence County  
New Castle, PA 16101

We have conducted a compliance audit of the City of New Castle Comprehensive Municipal Pension Trust Fund for the period January 1, 2016 to December 31, 2017. 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 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 objective identified above. 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 respective 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 respective pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- We determined whether retirement benefits calculated for all 11 of the pension trust fund members who retired during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the respective plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefit due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients. We also determined whether retirement benefits calculated for both of the plan members who elected to vest during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the pension benefit due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined.
- We determined whether the January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 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.
- We determined whether the pension plan 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.

The City of New Castle contracted with an independent certified public accounting firm for an audit of its basic financial statements for the year ended December 31, 2016, which is 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 New Castle Comprehensive Municipal Pension Trust Fund is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the city's internal controls as they relate to the city's compliance with those requirements and that we considered to be significant within the context of our audit 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 New Castle 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 finding further discussed later in this report:

Finding – Incorrect Data On Certification Form AG-385 Resulting In An Underpayment Of State Aid

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

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

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it. **However, we are extremely concerned about the funded status of the plan contained in the schedules of funding progress included in this report which indicates the Police Pension plan's funded ratio is 62.3%, the City Employee Pension Plan's funded ratio is 67.6%, and the Firemen's Pension Plan funded ratio is 66.9% as of January 1, 2017,**

which is the most recent data available. Based on this information, the Municipal Pensions Reporting Program issued a notification that the city is currently in Level II moderate distress status. We encourage city officials to monitor the funding of the pension plans to ensure their long-term financial stability.

While it was previously acknowledged in the prior audit report that the City has implemented an Act 205 earned income pension funding tax to help fund its pension liabilities and reduced the discount rate from 8.0% as of January 1, 2011, to 7.5% as of January 1, 2015, it should be noted the City has further reduced the discount rate to 7.25% as of its latest valuation January 1, 2017, reflecting the adoption of a more conservative investment return assumption, and implemented reduced benefit modifications, we continue to encourage city officials to make fiscally responsible decisions as plan fiduciaries that will benefit the City of New Castle and its taxpayers to ensure the city's pension plans have 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 City of New Castle 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.

October 3, 2018



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 New Castle Comprehensive Municipal Pension Trust Fund is also governed by implementing regulations adopted by the former Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 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 399 - Optional Third Class City Charter Law, Act of July 15, 1957 (P.L. 901, No. 399), as amended, 53 P.S. § 41101 et seq.

The City of New Castle Comprehensive Municipal Pension Trust Fund is a single-employer defined benefit pension trust fund locally controlled by the provisions of the city's Codified Ordinances, Articles 169, 167, and 171, as amended, for its police officers, non-uniformed employees, and firefighter's, respectively. The fund is also affected by the provisions of collective bargaining agreements between the city and its police officers, non-uniformed employees, and firefighters.

## **BACKGROUND – (Continued)**

### POLICE PENSION PLAN

The plan was established December 12, 1922. Active members hired prior to January 1, 2013, are required to contribute 4.5 percent of compensation plus \$1 per month for the service increment to the plan. Active members hired on or after January 1, 2013, are required to contribute 5.0 percent of compensation plus \$1 per month for the service increment benefit to the plan. As of December 31, 2017, the plan had 37 active members, 2 terminated members eligible for vested benefits in the future, and 51 retirees receiving pension benefits from the plan.

As of December 31, 2017, selected plan benefit provisions are as follows:

#### Eligibility Requirements:

Normal Retirement	Hired before 1/1/88: 25 years of service. Hired after 1/1/88: Age 55 and 25 years of service.
Early Retirement	If hired before 1/1/08; and after completing 25 years of service, and prior to age 55.
Vesting	A member is 100% vested after 12 years of service.

#### Retirement Benefit:

If hired before 1/1/08 - Benefit equals 75% of final monthly pay or 5-year average pay if higher, plus a service increment equal to \$100 per month for completing 25 years of service.

If hired between 1/1/08 and 12/31/12 - Benefit equals 50% of average monthly compensation plus service increment.

If hired after 1/1/13 - Benefit equals 50% of average compensation over the highest 5 years, plus service increment.

#### Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions, without interest.
After Retirement Eligibility	If hired before 1/1/08: 50% of the participant's average compensation; If hired after 1/1/08: 50% of the participant's accrued benefit.

#### Disability Benefit:

Service Related	Benefit equals 50% of average compensation calculated at date of disability.
Non-Service Related	Same as service related, but only if disablement occurs after the completion of 10 years of credited service.



## CITY EMPLOYEES PENSION PLAN

The plan was established December 15, 1947. Active members are required to contribute 5.0 percent of compensation plus 1 percent for the surviving spouse benefit to the plan. The plan was amended effective February 9, 2017, and the city enacted a defined contribution pension plan for all eligible full-time employees hired on or after January 1, 2017 and are not eligible to participate in the city's defined benefit plan. Active members are required to contribute 5% of base salary into the plan and may voluntarily contribute up to 10% of base salary. The city is required to contribute 5 percent of base salary that was paid since the previous allocation date. As of December 31, 2017, the defined benefit plan had 41 active members, 3 terminated members eligible for vested benefits in the future, and 61 retirees receiving pension benefits from the plan. Additionally, as of December 31, 2017, the defined contribution plan had 4 active members and 1 terminated member eligible for a refund of member contributions.

As of December 31, 2017, selected plan benefit provisions are as follows:

### Eligibility Requirements:

- |                   |  |
|-------------------|--|
| Normal Retirement | Age 60 and 20 years of service.                    |
| Early Retirement  | Age 50 and 12 years of service.                    |
| Vesting           | A member is 100% vested after 12 years of service. |

### Retirement Benefit:

Benefit equals 50% of final monthly pay or 5-year average pay if higher. Participants who have not elected to make additional contributions (0.5%) will have their benefits reduced by 40% of the primary Social Security benefit.

### Survivor Benefit:

- |                               |   |
|-------------------------------|---|
| Before Retirement Eligibility | Refund of member contributions.   |
| After Retirement Eligibility  | For participants who elected to make the additional contributions, 50% of the pension the participant was receiving or entitled to receive on the day of death is payable to the participant's spouse for life or until remarriage. |

### Service and Non-Service Related Disability Benefit:

After 10 years of service, a monthly benefit of 50% of average compensation.

## FIREMEN'S PENSION PLAN

The plan was established December 22, 1922. Active members are required to contribute 7.0 percent of compensation, plus \$1 per month for the service increment benefit to the plan. As of December 31, 2017, the plan had 21 active members, no terminated members eligible for vested benefits in the future, and 51 retirees receiving pension benefits from the plan.

As of December 31, 2017, selected plan benefit provisions are as follows:

### Eligibility Requirements:

Normal Retirement	Hired before 1/1/88: Age 50 and 20 years of service. Hired after 1/1/88: Age 55 and 20 years of service.
Early Retirement	None
Vesting	A member is 100% vested after 8 years of service.

### Retirement Benefit:

If hired before 1/1/07: 75% of final monthly pay or 5-year average pay if higher, plus a monthly service increment equal to 1/40<sup>th</sup> of the monthly benefit for each year of service over 20, up to a maximum of \$100 per month; If hired after 1/1/07: 55% plus service increment after 20 years and age 55; 65% plus service increment after 25 years and age 55; 70% plus service increment after 30 years and age 55; If hired on or after 1/1/14; 50% plus service increment after 20 years and age 55; 56% plus service increment after 25 years and age 55; 62% plus service increment after 30 years and age 55.

### Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions, without interest.
After Retirement Eligibility	A monthly benefit equal to 50% of average compensation is payable to participant's surviving spouse for life. If retirement occurred before January 1, 1998, the benefit is 100% of the participant's compensation.

### Disability Benefit:

Service Related	No service requirement - 50% of average compensation calculated at date of disability.
Non-Service Related	Completion of 5 years of service required before becoming eligible; benefit is the normal retirement amount multiplied by the ratio of actual service to service that would have been completed at normal retirement.

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
FINDING AND RECOMMENDATION

**Finding – Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid**

Condition: Subsequent to the current audit period, the city failed to certify 2 eligible police officers (4 units) and understated payroll by \$57,478 on the Certification Form AG 385 filed during 2018. The data contained on this certification form is based on prior calendar year information.

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

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

Effect: The data submitted on this certification form is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the city’s state aid allocation was based on unit value, the city received an underpayment of state aid as identified below:

<u>Year</u>	<u>Units Understated</u>	<u>Unit Value</u>	<u>State Aid Underpayment</u>
2018	4	\$ 4,684	\$ 18,736

Although the city will be reimbursed for the underpayment of state aid due to the city’s certification errors, the full amount of the 2018 state aid allocation was not available to be deposited timely into the city’s eligible pension plans and therefore was not available to pay operating expenses or for investment.

Recommendation: We recommend that in the future, plan officials establish adequate internal control procedures, such as having at least 2 people review the data prior to certification, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

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

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

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

The supplementary information contained on Pages 6 through 17 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

POLICE PENSION PLAN

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 347,674	\$ 362,213
Interest	1,509,557	1,515,118
Difference between expected and actual experience	-	(383,910)
Benefit payments, including refunds of member contributions	(1,444,214)	(1,382,099)
Net Change in Total Pension Liability	<u>413,017</u>	<u>111,322</u>
Total Pension Liability - Beginning	20,488,805	20,901,822
Total Pension Liability - Ending (a)	<u>\$ 20,901,822</u>	<u>\$ 21,013,144</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 1,141,995	\$ 1,450,930
Contribution – member	91,990	98,329
Net investment income	777,813	257,897
Benefit payments, including refunds of member contributions	(1,444,214)	(1,382,099)
Administrative expense	(92,400)	(97,383)
Net Change in Plan Fiduciary Net Position	<u>475,184</u>	<u>327,674</u>
Plan Fiduciary Net Position - Beginning	11,360,076	11,835,260
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,835,260</u>	<u>\$ 12,162,934</u>
Net Pension Liability - Ending (a-b)	<u>\$ 9,066,562</u>	<u>\$ 8,850,210</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.6%	57.9%
Estimated Covered Employee Payroll	\$ 2,363,173	\$ 2,406,409
Net Pension Liability as a Percentage of Covered Employee Payroll	383.7%	367.8%

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

SCHEDULE OF CHANGES IN THE NET PENSION  
 LIABILITY AND RELATED RATIOS

POLICE PENSION PLAN

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 380,324	\$ 441,728
Interest	1,556,793	1,544,071
Difference between expected and actual experience	-	(1,306,878)
Change of assumptions	-	1,127,393
Benefit payments, including refunds of member contributions	(1,295,880)	(1,260,248)
Net Change in Total Pension Liability	<u>641,237</u>	<u>546,066</u>
Total Pension Liability – Beginning	21,013,144	21,654,381
Total Pension Liability - Ending (a)	<u>\$ 21,654,381</u>	<u>\$ 22,200,447</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 1,396,068	\$ 1,468,073
Contribution – member	96,009	102,912
Net investment income	488,169	2,142,344
Benefit payments, including refunds of member contributions	(1,295,880)	(1,260,248)
Administrative expense	(94,865)	(114,329)
Net Change in Plan Fiduciary Net Position	<u>589,501</u>	<u>2,338,752</u>
Plan Fiduciary Net Position – Beginning	12,162,934	12,752,435
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,752,435</u>	<u>\$ 15,091,187</u>
Net Pension Liability - Ending (a-b)	<u>\$ 8,901,946</u>	<u>\$ 7,109,260</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.9%	68.0%
Estimated Covered Employee Payroll	\$ 2,583,780	\$ 2,572,383
Net Pension Liability as a Percentage of Covered Employee Payroll	344.5%	276.4%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 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 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability - 12/31/15	\$ 11,310,984	\$ 8,850,210	\$ 6,781,652
Net Pension Liability - 12/31/16	\$ 11,427,091	\$ 8,901,946	\$ 6,776,730

In addition, the following presents the net pension liability of the city as of December 31, 2017, 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	\$ 9,894,227	\$ 7,109,260	\$ 4,785,571

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 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
2008	\$ 567,300	\$ 567,300	-	\$ 2,165,747	26.2%
2009	565,779	580,808	(15,029)	2,178,101	26.7%
2010	525,133	536,405	(11,272)	2,178,101	24.6%
2011	894,462	735,337	159,125	2,161,918	34.0%
2012	889,960	730,835	159,125	2,161,918	33.8%
2013	1,082,245	876,058	206,187	2,205,675	39.7%
2014	1,414,341	1,141,995	272,346	2,363,173	48.3%
2015	1,450,382	1,450,930	(548)	2,406,409	60.3%
2016	1,395,785	1,396,068	(283)	2,583,780	54.0%
2017	1,399,832	1,468,073	(68,241)	2,572,383	57.1%

The actual contributions for the years 2011 through 2014 reflect the 25 percent reduction of the amortization contributions the city was permitted to defer pursuant to Act 44 of 2009.

SCHEDULE OF INVESTMENT RETURNS

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

2014	8.19%
2015	2.03%
2016	4.03%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)  
 SCHEDULE OF CHANGES IN THE NET PENSION  
 LIABILITY AND RELATED RATIOS

CITY EMPLOYEES PENSION PLAN

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 228,444	\$ 214,963
Interest	821,912	822,157
Difference between expected and actual experience	-	(206,060)
Benefit payments, including refunds of member contributions	(811,015)	(844,697)
Net Change in Total Pension Liability	<u>239,341</u>	<u>(13,637)</u>
Total Pension Liability – Beginning	11,128,560	11,367,901
Total Pension Liability - Ending (a)	<u>\$ 11,367,901</u>	<u>\$ 11,354,264</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 481,025	\$ 595,315
Contribution – member	111,131	115,531
Net investment income	542,734	174,444
Benefit payments, including refunds of member contributions	(811,015)	(844,697)
Administrative expense	(65,499)	(71,752)
Net Change in Plan Fiduciary Net Position	<u>258,376</u>	<u>(31,159)</u>
Plan Fiduciary Net Position – Beginning	7,999,889	8,258,265
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,258,265</u>	<u>\$ 8,227,106</u>
Net Pension Liability - Ending (a-b)	<u>\$ 3,109,636</u>	<u>\$ 3,127,158</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.6%	72.5%
Estimated Covered Employee Payroll	\$ 2,142,880	\$ 2,178,786
Net Pension Liability as a Percentage of Covered Employee Payroll	145.1%	143.5%



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

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS

CITY EMPLOYEES PENSION PLAN

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 221,885	\$ 236,091
Interest	836,802	922,908
Difference between expected and actual experience	-	414,518
Change of assumptions	-	984,747
Benefit payments, including refunds of member contributions	(852,985)	(947,700)
Net Change in Total Pension Liability	<u>205,702</u>	<u>1,610,564</u>
Total Pension Liability – Beginning	11,354,264	11,559,966
Total Pension Liability - Ending (a)	<u>\$ 11,559,966</u>	<u>\$ 13,170,530</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 589,078	\$ 624,148
Contribution – member	111,245	99,029
Net investment income	318,791	1,327,345
Benefit payments, including refunds of member contributions	(852,985)	(947,700)
Administrative expense	(65,473)	(80,441)
Net Change in Plan Fiduciary Net Position	<u>100,656</u>	<u>1,022,381</u>
Plan Fiduciary Net Position - Beginning	8,227,106	8,327,762
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,327,762</u>	<u>\$ 9,350,143</u>
Net Pension Liability - Ending (a-b)	<u>\$ 3,232,204</u>	<u>\$ 3,820,387</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.0%	71.0%
Estimated Covered Employee Payroll	\$ 2,163,661	\$ 1,855,693
Net Pension Liability as a Percentage of Covered Employee Payroll	149.4%	205.9%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 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 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net Pension Liability - 12/31/15	\$ 8,624,511	\$ 6,780,407	\$ 5,212,971
Net Pension Liability - 12/31/16	\$ 4,338,994	\$ 3,232,204	\$ 2,276,960

In addition, the following presents the net pension liability of the city as of December 31, 2017, 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability - 12/31/17	\$ 5,143,670	\$ 3,820,387	\$ 2,687,295

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 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
2008	\$ 319,980	\$ 319,980	-	\$ 2,269,293	14.1%
2009	289,956	293,876	(3,920)	2,243,621	13.1%
2010	278,358	296,214	(17,856)	2,243,621	13.2%
2011	423,450	388,500	34,950	2,252,912	17.2%
2012	407,427	358,978	48,449	2,252,912	15.9%
2013	487,005	401,260	85,745	2,155,707	18.6%
2014	589,950	481,025	108,925	2,142,880	22.4%
2015	589,950	595,315	(225)	2,178,786	27.3%
2016	588,959	589,078	(119)	2,163,661	27.2%
2017	595,135	624,148	(29,013)	1,855,693	33.6%

The actual contributions for the years 2011 through 2014 reflect the 25 percent reduction of the amortization contributions the city was permitted to defer pursuant to Act 44 of 2009.

SCHEDULE OF INVESTMENT RETURNS

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

2014	8.19%
2015	2.03%
2016	4.03

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)  
 SCHEDULE OF CHANGES IN THE NET PENSION  
 LIABILITY AND RELATED RATIOS

FIREMEN'S PENSION PLAN

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 293,337	\$ 245,698
Interest	1,292,761	1,297,251
Difference between expected and actual experience	-	(269,426)
Benefit payments, including refunds of member contributions	<u>(1,221,243)</u>	<u>(1,196,649)</u>
Net Change in Total Pension Liability	364,855	76,874
Total Pension Liability – Beginning	<u>17,543,059</u>	<u>17,907,914</u>
Total Pension Liability - Ending (a)	<u>\$ 17,907,914</u>	<u>\$ 17,984,788</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 821,559	\$ 1,082,944
Contribution – member	93,349	96,700
Net investment income	733,619	239,438
Benefit payments, including refunds of member contributions	<u>(1,221,243)</u>	<u>(1,196,649)</u>
Administrative expense	<u>(92,248)</u>	<u>(92,859)</u>
Net Change in Plan Fiduciary Net Position	335,036	129,574
Plan Fiduciary Net Position – Beginning	<u>10,827,759</u>	<u>11,162,795</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,162,795</u>	<u>\$ 11,292,369</u>
Net Pension Liability - Ending (a-b)	<u>\$ 6,745,119</u>	<u>\$ 6,692,419</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.3%	62.8%
Estimated Covered Employee Payroll	\$ 1,656,541	\$ 1,651,638
Net Pension Liability as a Percentage of Covered Employee Payroll	407.2%	405.2%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)  
 SCHEDULE OF CHANGES IN THE NET PENSION  
 LIABILITY AND RELATED RATIOS

FIREMEN'S PENSION PLAN

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 227,578	\$ 251,858
Interest	1,322,197	1,289,694
Difference between expected and actual experience	-	(614,882)
Change of assumptions	-	429,209
Benefit payments, including refunds of member contributions	<u>(1,187,609)</u>	<u>(1,270,743)</u>
Net Change in Total Pension Liability	362,166	85,136
Total Pension Liability – Beginning	<u>17,984,788</u>	<u>18,346,954</u>
Total Pension Liability - Ending (a)	<u>\$ 18,346,954</u>	<u>\$ 18,432,090</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 1,013,009	\$ 1,065,914
Contribution – member	93,424	88,814
Net investment income	442,773	1,877,038
Benefit payments, including refunds of member contributions	<u>(1,187,609)</u>	<u>(1,270,743)</u>
Administrative expense	<u>(87,419)</u>	<u>(105,261)</u>
Net Change in Plan Fiduciary Net Position	274,178	1,655,762
Plan Fiduciary Net Position - Beginning	<u>11,292,369</u>	<u>11,566,547</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,566,547</u>	<u>\$ 13,222,309</u>
Net Pension Liability - Ending (a-b)	<u>\$ 6,780,407</u>	<u>\$ 5,209,781</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.0%	71.7%
Estimated Covered Employee Payroll	\$ 1,535,912	\$ 1,524,053
Net Pension Liability as a Percentage of Covered Employee Payroll	441.5%	341.8%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 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 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net Pension Liability - 12/31/15	\$ 8,527,852	\$ 6,692,419	\$ 5,132,637
Net Pension Liability - 12/31/16	\$ 8,624,511	\$ 6,780,407	\$ 5,212,971

In addition, the following presents the net pension liability of the city as of December 31, 2017, 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability- 12/31/17	\$ 7,153,068	\$ 5,209,781	\$ 3,562,239

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
 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
2008	\$ 413,729	\$ 413,729	-	\$ 1,259,023	32.9%
2009	383,860	383,860	-	1,453,958	26.4%
2010	393,077	393,077	-	1,453,958	27.0%
2011	606,478	508,538	97,940	1,564,832	32.5%
2012	652,873	544,968	107,905	1,564,832	34.8%
2013	803,907	662,432	141,475	1,688,961	39.2%
2014	1,025,885	821,559	204,326	1,656,541	49.6%
2015	1,082,535	1,082,944	(409)	1,651,638	65.6%
2016	1,012,804	1,013,009	(205)	1,535,912	66.0%
2017	1,016,367	1,065,914	(49,547)	1,524,053	69.9%

The actual contributions for the years 2011 through 2014 reflect the 25 percent reduction of the amortization contributions the city was permitted to defer pursuant to Act 44 of 2009.

SCHEDULE OF INVESTMENT RETURNS

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

2014	8.19%
2015	2.03%
2016	4.03

CITY OF NEW CASTLE 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, 2013, 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)
01-01-13	\$ 10,027,323	\$ 20,040,615	\$ 10,013,292	50.0%
01-01-15	11,144,071	20,517,912	9,373,841	54.3%
01-01-17	13,377,845	21,474,896	8,097,051	62.3%

Note: The market value 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 4-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.



CITY OF NEW CASTLE 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, 2013, is as follows:

CITY EMPLOYEES 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)
01-01-13	\$ 7,026,746	\$ 10,880,090	\$ 3,853,344	64.6%
01-01-15	7,778,738	11,161,841	3,383,103	69.7%
01-01-17	8,764,383	12,959,231	4,194,848	67.6%

Note: The market value 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 4-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF NEW CASTLE 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, 2013, 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)
01-01-13	\$ 9,508,536	\$ 17,119,863	\$ 7,611,327	55.5%
01-01-15	10,510,913	17,638,488	7,127,575	59.6%
01-01-17	12,157,786	18,161,281	6,003,495	66.9%

Note: The market value 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 4-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(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 NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
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:

POLICE PENSION PLAN

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	5.0%
Cost-of-living adjustments	None assumed

\* Includes inflation at 2.75%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
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:

CITY EMPLOYEES PENSION PLAN

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	4.25%
Cost-of-living adjustments	None assumed

\* Includes inflation at 2.75%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
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:

FIREMEN'S PENSION PLAN

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	11 years
Asset valuation method	Fair value, 4-year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	4.75%
Cost-of-living adjustments	None assumed

\* Includes inflation at 2.75%

CITY OF NEW CASTLE COMPREHENSIVE MUNICIPAL PENSION TRUST FUND  
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