COMPLIANCE AUDIT

City of Scranton
Aggregate Pension Fund

Lackawanna County, Pennsylvania

For the Period
January 1, 2018 to December 31, 2019

January 2021

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 Scranton
Lackawanna County
Scranton, PA 18503

We have conducted a compliance audit of the City of Scranton Aggregate Pension Fund for the period January 1, 2018 to December 31, 2019. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

The objective of the audit was to determine if the pension 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 fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

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

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

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

- We determined whether retirement benefits calculated for the fund members who retired and the fund 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 and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid or payable to the recipients.

- We determined whether the January 1, 2017 and January 1, 2019 actuarial valuation reports were prepared and submitted by March 31, 2018 and 2020, 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.

The City of Scranton contracted with an independent certified public accounting firm for an audit of its basic financial statements for the year ended December 31, 2018, 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 Scranton Aggregate Pension Fund is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objective.

The results of our procedures indicated that, in all significant respects, the City of Scranton Aggregate Pension Fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

As previously noted, one of the objectives of our audit of the City of Scranton Aggregate Pension Fund was to determine compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Act 205, which was amended on September 18, 2009 through the adoption of Act 44 of 2009, provides for the implementation of a distress recovery program. Three levels of distress have been established:

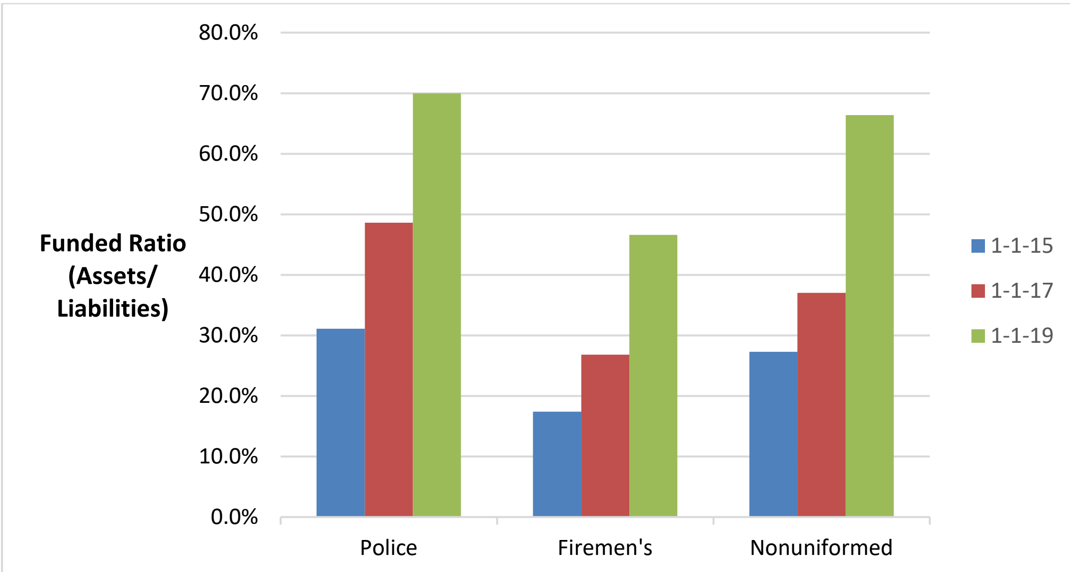
Level	Indication	Funding Criteria
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it. Data from the January 1, 2015 actuarial valuation report filed with the former Public Employee Retirement Commission (PERC) and the January 1, 2017 and January 1, 2019 actuarial valuation reports filed with the Municipal Pension Reporting Program (MPRP) for the city's police, firemen's, and non-uniformed pension plans contained the following aggregated funding data:

Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability	Funding Ratio
01-01-15	$ 50,697,276	$ 209,048,852	24.3%
01-01-17	$ 61,515,914	$ 164,918,497	37.3%
01-01-19	$ 99,661,353	$ 170,509,066	58.4%

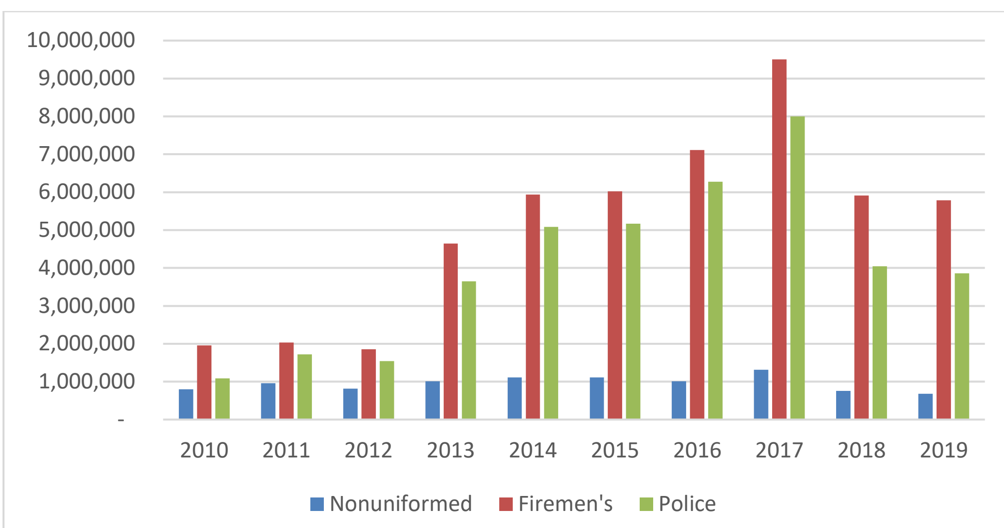
Based on this information, the City of Scranton is in Level II moderate distress status. While we note an improvement in the aggregate funding status of the city's plans in recent years, **we continue to be concerned about the funded statuses of the police, firemen's, and non-uniformed pension plans which are 70.0%, 46.6%, and 66.4% funded, respectively, as of the January 1, 2019 actuarial valuation.**

A graphic illustration of the changes in the plans' funding status since 2015 is presented below:



The city's annual required contribution to the police pension plan has gone from $1,087,920 in 2010 to $3,858,001 in 2019, an increase of 254.6%. Similarly, the city's annual required contribution to the firemen's pension plan has gone from $1,957,996 in 2010 to $5,784,744 in 2019, an increase of 195.4%. However, the city's annual required contribution to the non-uniformed pension plan has decreased from $794,872 in 2010 to $679,159 in 2019.

A graphic illustration of the increase in the city's annual contributions to its pension plans since 2010 is presented below:



Based on the annual benefit payments owed to beneficiaries reported on the respective plans' January 1, 2019, actuarial valuation reports, at current funding levels, based on the plans' current benefit obligations and actuarial assumptions, the police plan only has assets to fund less than 11 years of benefit payments, the firemen's plan only has assets to fund less than 6 years of benefit payments, and the non-uniformed plan only has assets to fund less than 9 years of benefit payments, as illustrated below:

Plan	Actuarial Valuation of Assets 1-1-19	Annual Benefit Payments Owed To Beneficiaries 1-1-19	Years of Benefit Payments That Can Be Funded By Assets Available 1-1-19
Police	$ 54,191,476	$ 5,295,758	10.23
Firemen's	$ 38,484,057	$ 6,669,695	5.77
Non-Uniformed	$ 6,985,820	$ 799,873	8.73

As more fully described in the Comments section included in this report, city officials have taken remedial actions to address the city's distressed status, and we encourage city officials to continue their efforts in the development and implementation of a long-term strategic plan to ensure the long-term financial stability of its pension fund.

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

December 15, 2020

EUGENE A. DEPASQUALE
Auditor General

CONTENTS

BACKGROUND

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

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 Scranton Aggregate Pension Fund is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 177	-	General Local Government Code, Act of December 19, 1996 (P.L. 1158, No. 177), as amended, 53 Pa.C.S. § 101 et seq.
Act 400	-	Second Class A Cities Pension Act, Act of September 23, 1959 (P.L. 970, No. 400), as amended, 53 P.S. § 30551 et seq.

The City of Scranton Police, Firemen's, and Non-Uniformed Pension Plans are single-employer defined benefit pension plans locally controlled by the provisions of Chapter 99 of the Code of the City of Scranton, adopted pursuant to Act 177. The plans are also affected by the provisions of collective bargaining agreements between the city and its police officers, firefighters, and non-uniformed employees.

BACKGROUND – (Continued)

Police Pension Plan

The police pension plan was established March 28, 1936. Active members hired on or before June 30, 1987 are required to contribute 6.5 percent of compensation to the plan. Active members hired on or after July 1, 1987 are required to contribute 6 percent of compensation to the plan. As of December 31, 2019, the plan had 146 active members, no terminated members eligible for vested benefits in the future, and 175 retirees receiving pension benefits from the plan.

Firemen's Pension Plan

The firemen's pension plan was established May 5, 1964. Active members hired on or before June 30, 1987 are required to contribute 6.5 percent of compensation to the plan. Active members hired on or after July 1, 1987 are required to contribute 6 percent of compensation to the plan. As of December 31, 2019, the plan had 134 active members, 1 terminated member eligible for vested benefits in the future, and 205 retirees receiving pension benefits from the plan.

Non-Uniformed Pension Plan

The non-uniformed pension plan was established February 20, 1922. Active members hired on or before June 30, 1987 are required to contribute $24 per month to the plan. Active members hired on or after July 1, 1987 are required to contribute $22 per month to the plan. As of December 31, 2019, the plan had 123 active members, 5 terminated members eligible for vested benefits in the future, and 122 retirees receiving pension benefits from the plan.

CITY OF SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES 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, 2015, 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)
01-01-15	$ 29,702,124	$ 95,423,666	$ 65,721,542	31.1%
01-01-17	36,237,561	74,612,682	38,375,121	48.6%
01-01-19	54,191,476	77,443,991	23,252,515	70.0%

Note: The market values of the plan's assets at 01-01-15, 01-01-17, and 01-01-19 have been adjusted to reflect the smoothing of gains and/or losses over a 5-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 SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF FUNDING PROGRESS – (Continued)

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)
01-01-15	$ 17,619,002	$ 101,237,118	$ 83,618,116	17.4%
01-01-17	21,453,861	79,982,558	58,528,697	26.8%
01-01-19	38,484,057	82,537,191	44,053,134	46.6%

Note: The market values of the plan's assets at 01-01-15, 01-01-17, and 01-01-19 have been adjusted to reflect the smoothing of gains and/or losses over a 5-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 SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULES OF FUNDING PROGRESS – (Continued)

NON-UNIFORMED PENSION PLAN

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-15	$ 3,376,150	$ 12,388,068	$ 9,011,918	27.3%
01-01-17	3,824,492	10,323,257	6,498,765	37.0%
01-01-19	6,985,820	10,527,884	3,542,064	66.4%

Note: The market values of the plan's assets at 01-01-15, 01-01-17, and 01-01-19 have been adjusted to reflect the smoothing of gains and/or losses over a 5-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 SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

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

CITY OF SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

POLICE PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution*	Actual Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2010	$ 1,087,920	$ 1,087,920	$ -	$ 6,200,000	17.5%
2011	1,466,328	1,719,673	(253,345)	6,800,000	25.3%
2012	1,541,840	1,541,840	-	6,900,000	22.3%
2013	3,648,077	3,648,077	-	7,700,000	47.4%
2014	5,082,761	5,082,761	-	8,700,000	58.4%
2015	5,170,561	5,170,761	-	9,700,000	53.3%
2016	6,274,672	6,274,672	-	10,100,000	62.1%
2017	7,996,779	7,996,779	-	11,000,000	72.7%
2018	4,042,020	4,042,020	-	10,800,000	37.4%
2019	3,858,001	3,858,001	-	11,000,000	35.1%

* The actuarially determined contributions for the years 2011 through 2016 reflect the 25 percent reduction of the amortization contribution the city was permitted to defer pursuant to Act 44 of 2009.

For 2018, the actual contributions exclude bond proceeds of $10,383,827 deposited on December 17 and December 20, 2018.

CITY OF SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

FIREMEN'S PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution*	Actual Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2010	$ 1,957,996	$ 1,957,996	$ -	$5,900,000	33.2%
2011	1,731,004	2,030,078	(299,074)	6,200,000	32.7%
2012	1,854,942	1,854,942	-	6,200,000	29.9%
2013	4,643,813	4,643,813	-	6,800,000	68.3%
2014	5,935,836	5,935,836	-	7,800,000	76.1%
2015	6,023,553	6,023,553	-	9,000,000	66.9%
2016	7,111,152	7,111,152	-	9,100,000	78.1%
2017	9,501,455	9,501,455	-	10,500,000	90.5%
2018	5,909,496	5,909,496	-	10,500,000	56.3%
2019	5,784,744	5,784,744	-	10,700,000	54.1%

* The actuarially determined contributions for the years 2011 through 2016 reflect the 25 percent reduction of the amortization contribution the city was permitted to defer pursuant to Act 44 of 2009.

For 2018, the actual contributions exclude bond proceeds of $10,383,827 deposited on December 17 and December 20, 2018.

CITY OF SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

NON-UNIFORMED PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution*	Actual Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2010	$ 794,872	$ 794,872	$ -	$5,200,000	15.3%
2011	815,883	956,847	(140,964)	5,800,000	16.5%
2012	818,603	818,603	-	5,800,000	14.1%
2013	1,013,260	1,013,260	-	5,800,000	17.5%
2014	1,107,818	1,107,818	-	5,300,000	20.9%
2015	1,107,868	1,107,868	-	5,300,000	20.9%
2016	1,014,228	1,014,228	-	5,400,000	18.8%
2017	1,313,328	1,313,328	-	5,800,000	22.6%
2018	754,924	754,924	-	5,800,000	13.0%
2019	679,159	679,159	-	5,900,000	11.5%

* The actuarially determined contributions for the years 2011 through 2016 reflect the 25 percent reduction of the amortization contribution the city was permitted to defer pursuant to Act 44 of 2009.

For 2018, the actual contributions exclude bond proceeds of $2,307,517 deposited on December 17 and December 20, 2018.

CITY OF SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

POLICE PENSION PLAN

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

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	6 years
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5%

FIREMEN'S PENSION PLAN

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

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	6 years
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.5%

CITY OF SCRANTON AGGREGATE PENSION FUND
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

NON-UNIFORMED PENSION PLAN

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

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Remaining amortization period	6 years
Asset valuation method	Fair value, 5-year smoothing
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%

STATUS: SPECIAL REPORT ON DOUBLE PENSION BENEFITS PAID TO NON-UNIFORMED PLAN MEMBERS

As disclosed in prior audit reports, the Department of the Auditor General issued a special report on June 23, 2015, which reviewed activities surrounding a retirement incentive (double-pension payments) offered in 2002 and 2007 by the City of Scranton for its non-uniformed employees who met certain eligibility criteria.

The report recommended that the Pension Board and the City complete its comprehensive review of the pension benefits being paid to the 2002 and 2007 affected retirees and determine:

a. Whether recipients were actually eligible for the retirement incentive.
b. Whether it is obligated to continue paying the double-pension benefits to each of the 2002 and 2007 retirees.
c. Whether any amounts paid to these retirees should be recouped by the City.

The previous audit report disclosed that 12 of the 34 retirees impacted by this unauthorized incentive previously settled their cases agreeing to have their pension benefits reduced prospectively to the amounts authorized by the plan's governing ordinance. It was also disclosed that a special meeting was held by the Non-Uniformed Pension Board on March 3, 2017, during which the remaining 22 retirees' pension benefits were reduced to amounts authorized by the plan's governing ordinance. Although the 22 retirees appealed the Board's decision to the Lackawanna County Court of Common Pleas, on October 3, 2018, the Hearing Officers' recommendations, as adopted by the Non-Uniformed Pension Board, were affirmed.

During the current audit period, the following additional update was provided by the city's pension boards' solicitor:

> The amounts each retiree is receiving has not changed since March 3, 2017. One retiree appealed the October 3, 2018, Hearing Officers' recommendations, as adopted by the Non-Uniformed Pension Board. Both the Commonwealth Court and the PA Supreme Court denied the retiree's petition for Appeal, on August 1, 2019 and March 3, 2020, respectively. All cases are concluded and there is no other avenue of appeal.

The special report also contained additional recommendations regarding any future benefit modification proposals:

> In order to make informed decisions about the financial impact of any future benefit modification proposals, Plan and City officials should first obtain and properly document their review and analysis of cost studies prior to approving such proposals in accordance with Act 205.

STATUS: SPECIAL REPORT – (Continued)

> The Pension Board and the City should ensure all pension benefit provisions are documented clearly and specifically through properly executed plan documents, including ordinances, resolutions, collective bargaining agreements, and board minutes.
>
> The Pension Board and the City should ensure the Plan's Consultant and Custodian are provided with adequate supporting documentation authorizing all benefit modifications.

During the current audit period, there were no benefit modifications made to the City's non-uniformed pension plan; and as such, the department will continue to monitor the City's compliance with these recommendations in subsequent audit periods, as warranted.

The final recommendation of the special report, as also previously noted in the prior audit report, was that the City continue its efforts in the development of a long-term strategic plan addressing the non-uniformed pension plan's distressed status and that future benefit modifications need to be carefully considered to assess their long-term effects on the City and its taxpayers.

During the prior audit, the City's solicitor provided the following update:

> The Scranton Sewer Authority sold its assets to Pennsylvania American Water Company for $195 million. The proceeds of the sale were thereafter distributed to the City of Scranton and the Borough of Dunmore. The City of Scranton received 80% of the proceeds after retirement of Authority debt and transaction fees, for a total of approximately $96 million. After funding required escrows and meeting other terms as set forth in the Sale, the City's portion of the Sale proceeds received at closing was $69,074,221, comprised of $66,505,463 received at closing and $2,568,758 released from the sewer revenue bond refunding escrows (the "Sale Proceeds").
>
> By execution of a Trust Agreement between the City and its Pension Board, the City has agreed to apply approximately $22,910,531 of Sale Proceeds to fund the City's pension plans at such time as certain pension reforms are enacted, to include: i) retaining a nationally recognized investment advisor to oversee the tactical and strategic allocation of pension fund investments; ii) retaining a third party administrator to assist the composite pension board with the operation of the funds, including but not limited to, assisting with the processing of disability pension applications, iii) utilization of independent board certified specialists to determine disability eligibility and continuing compliance with all material aspects of the January 30, 2015 Memoranda of Understanding, as amended by the Memoranda of Agreement filed in the Court of Common Pleas of Lackawanna County, No. 13-CV-6689 (the "Disability Pension Agreements").

STATUS: SPECIAL REPORT – (Continued)

> Additionally, the City has been named as a Defendant in the matter of *Moses v. City of Scranton, et al.* (Docket No: 2017-CV-5338), pending in Lackawanna County Court of Common Pleas, challenging the ability of the Scranton Sewer Authority to transfer the Sale Proceeds to the City of Scranton and the Borough of Dunmore pursuant to the Municipal Authorities Act. The Defendants filed preliminary objections to Plaintiff's Complaint. On September 7, 2018, the Honorable John L. Braxton sustained Defendants' preliminary objection for failure to join an indispensable party and ordered the Plaintiff to amend its Complaint to include the Scranton Sewer Authority as a Defendant. The remaining preliminary objections raised by Defendants were deemed to be not ripe for disposition at this time. The matter remains pending in Lackawanna County Court of Common Pleas.

Subsequently, during November 2020 the following update was provided by the city's assistant solicitor:

> In the interim, the parties have executed a Tolling Agreement providing that this matter shall be tolled pending possible settlement of the companion case against the Scranton Sewer Authority, *Hadley, et al. v. SSA* (Lackawanna County Court of Common Pleas Docket No: 2016-CV-6261). In this companion case, the Court held a Final Fairness Hearing on November 19, 2020 to determine if the proposed settlement should be approved. Approval of the settlement remains pending before the Court. If the Court approves the Hadley settlement, then the Plaintiffs in the Moses matter shall file a Praecipe to Discontinue with prejudice.

Moses v. City of Scranton, et al., remains pending as of the date of this report. The department will continue to monitor the impact of the situation and the City's continued efforts to address its pension funding crisis during our next audit of the pension fund.

CITY OF SCRANTON AGGREGATE PENSION FUND
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
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Commonwealth of Pennsylvania

The Honorable Paige G. Cognetti
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