

COMPLIANCE AUDIT

City of Sharon Firemen's Pension Plan Mercer County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

January 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

City Council
City of Sharon
Mercer County
Sharon, PA 16146

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

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

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

- We determined whether state aid was properly 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 whether retirement benefits calculated for the lone plan member who retired during the current audit period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefits due to the retired individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.
- 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.

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

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

Finding – Member Contributions In Excess Of Contributions Earned From Full-Time Firefighter Position

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

The contents of this report were discussed with officials of City of Sharon 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.

November 6, 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 Sharon Firemen's Pension Plan is also governed by implementing regulations adopted by the former Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

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

The City of Sharon Firemen's Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Chapters 288 and 289 of the city's codified ordinances. The plan is also affected by the provisions of collective bargaining agreements between the city and its firefighters. The plan was established April 12, 1967. Active members are required to contribute 5 percent of base and longevity pay, plus \$1 per month to the plan. As of December 31, 2018, the plan had 13 active members, no terminated members eligible for vested benefits in the future, and 26 retirees receiving pension benefits.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement	Eligible with 20 years of service if the hire date is before 2002, age 50 and 20 years of service for all others.	
Early Retirement	None	
Vesting/Percentage Of Final Monthly Average Salary	Less than 10 years of service – 0.0%; and then after:	
	10 years of service – 25%	11 years of service – 27.5%
	12 years of service – 30%	13 years of service – 32.5%
	14 years of service – 35%	15 years of service – 37.5%
	16 years of service – 40%	17 years of service – 42.5%
	18 years of service – 45%	19 years of service – 47.5%
	20 years of service – 50%	

Vesting upon normal retirement age for members hired on or after January 1, 2008.

Retirement Benefit:

Benefit equals 50% of higher of (1) Final Monthly Average Salary or (2) highest 5-year average salary, plus a service increment equal to $1/40^{\text{th}}$ of the retirement allowance times years of completed service over 20 years to a maximum increment of \$100 per month. Final Monthly Average Salary is defined as the greater of (a) the rate of the participant's monthly salary at retirement, death or termination of employment or (b) the sum of salary received during the five highest years prior to retirement, death or termination of employment, divided by 60.

Survivor Benefit:

Before Retirement Eligibility	(1) Refund of member contributions without interest; or. (2) Upon death of member who is killed in service or dies in the service, 100% benefit to surviving spouse for life.
After Retirement Eligibility	100% to surviving spouse during their lifetime.

BACKGROUND – (Continued)

Disability Benefit:

Service Related Disability Benefit: For injury or illness after 15 years of service resulting in permanent and total disability, 75% of the normal pension is payable.

Non-Service Related Disability Benefit: For members hired prior to January 1, 2008: Benefit equals 25% of Final Monthly Average Salary at the time of disability for any firefighter with 10 years or less of service who is disabled due to injury or illness not in the line of duty. Over 10 years of service, a firefighter shall be entitled to 50% of Final Monthly Average Salary at the time of disability.

Non-service related disability benefits are not provided for members hired on or after January 1, 2008.

CITY OF SHARON FIREMEN'S PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Member Contributions In Excess Of Contributions Earned From Full-Time Firefighter Position

Condition: The city withheld and deposited member contributions into the firemen's pension plan for a plan member in excess of the contributions due from wages earned as a full-time firefighter of the city from September 2016 through the date of this report. The excess contributions stem from additional compensation earned by the individual while also performing the duties and responsibilities as city manager and are not part of the individual's full-time position as a salaried firefighter for the city.

Criteria: Section 288.01(o) of the Codified Ordinances states, in part:

“Employee” means a full-time member of the bureau of fire of the employer. Any member of the bureau of fire of the employer who is classified as a part-time employee shall not be an employee for the purposes of this plan and is ineligible to participate in this plan.

Section 288.03(b)(1) of the Codified Ordinances states, in part:

Each member of the Bureau of Fire shall pay to the Pension Fund, monthly, five percent of his or her salary.... Each member of the Bureau of Fire authorizes the City to deduct the monthly payment from his or her monthly wage or salary and to pay the amount so deducted to the Pension Fund on behalf of said member.

Section 288.01(dd) of the Codified Ordinances states, in part:

“Salary” means the fixed amount of compensation paid at regular, periodic intervals by the City to the member from which pension contributions have been deducted which includes base pay and longevity pay but excludes court pay, overtime and any other remunerations.

The city adopted Ordinance No. 07-17 of 2017 to amend the above definition of “Salary” for the firemen's pension plan found in Section 288.01(dd) of Article 288 of the City Code to include the following additional language:

If the City compensates an active Plan Participant for additional duties at the City as those normally performed by a City Manager, such Additional Compensation shall be included as Salary for purposes of this paragraph dd.

We note that the definition of “salary” was amended subsequent to the firefighter in question assuming the additional duties of City Manager.

CITY OF SHARON FIREMEN'S PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

In addition, Section 102 of Act 205 contains the following definitions pertaining to employee classifications:

“Firefighter.” A municipal employee who holds a position or an office in the fire department of the municipality and has retirement coverage provided by the firefighters pension plan.

“Municipal employee.” Any person who provides regular services for a municipality in return for compensation from the municipality.

Moreover, Section 102 of Act 205 also defines the following:

“Pension plan or system.” The various aspects of the relationship between a municipality and its employees with respect to the retirement coverage provided by a municipality to the employees.

The city maintains three separate defined benefit pension plans for its police, firefighters and non-uniformed municipal employees, and each plan has its own specific eligibility, participatory and benefit requirements. Therefore, based on the Criteria above, it appears inappropriate to include the wages from one employment classification (firefighter) with compensation earned from another classification of employment (city manager) within the same municipality when separate municipal pension plans are clearly established and specifically identify plan criteria/ requirements for each plan pertaining to its corresponding participants.

Cause: City officials believe that the plan member is entitled to contribute to the firemen’s pension plan based on all compensation received from all employment with the city and that the contributions deposited during the current period were appropriate.

Effect: By making excess member contributions on wages that were not earned as a firefighter into the firemen’s pension plan, the plan member could receive additional benefits from the firemen’s pension plan beyond those earned as a firefighter and outlined in the plan’s governing document and intended under Act 205. Providing unauthorized pension benefits increases the plan’s pension costs and reduces the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses. Since the city received state aid based on unit value for its pension plans during the current audit period, it did not receive allocations attributable to the excess pension benefits provided. However, the increased costs to the pension plan as a result of the excess pension benefits could result in the receipt of excess state aid in the future and increase the municipal contributions necessary to fund the plan in accordance with Act 205 funding standards.

CITY OF SHARON FIREMEN'S PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend the city limit future member contributions for participants of the firemen's pension plan to full-time wages earned specifically as a firefighter. In addition, for excess member contributions previously withheld and deposited into the firemen's pension plan during the period September 2016 to the date of this report from wages other than those earned as a firefighter, we recommend the city consult with its solicitor and determine whether these amounts should be refunded to the participant or transferred to the city's non-uniformed pension plan along with the corresponding service credit since all non-full-time, non-police and firefighter employees of the city are entitled to participate in the city's non-uniformed pension plan according to provisions of the city's non-uniformed pension plan. To the extent that the city is contractually obligated to continue withholding member's contributions and/or pay future benefits from the firemen's pension plan beyond those earned as a firefighter, the benefits must be reflected in the Act 205 actuarial valuation reports for the plan and funded in accordance with Act 205 funding standards. Furthermore, such benefits will be deemed ineligible for funding with state pension aid. Accordingly, the pension plan's actuary may be required to determine the impact, if any, of the excess benefit payments on the City's future state aid allocations and submit this information to the Department. If it is determined the excess benefit payments had an impact on the City's future state aid allocations after the submission of this information, the plan's actuary would then be required to contact the Department to verify the overpayment of state aid received and the City would then be required to reimburse the overpayment to the Commonwealth.

Management's Response: Municipal officials disagree with the recommendation as noted in the solicitor's response provided as follows:

Both the proposed Observation and Finding stem from the same factual circumstances. The long-serving Fire Chief of the City was asked to take on additional duties at the City. As a result, the City did not have to hire a City Manager. Instead, the City was run by the teamwork of the Fire Chief together with the Finance Director/Administrative Officer. The Fire Chief was willing to take on these additional responsibilities based upon agreement with the City that all the related compensation would be includable in his Firefighter's pension.

Treating the Fire Chief's Firemen's pension in the fashion is consistent with a fairly long-standing pattern at the City where Fire employees take on additional responsibilities for pay that is includable in the Firefighters pension.

The Fire Chief has contributed to the Fire Plan on all his compensation and has relied on inclusion in his pension including entering into a divorce order where the alternate payee (ex-spouse) is also relying on this inclusion of this income.

CITY OF SHARON FIREMEN'S PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

The City intends to clarify the Fire Plan document to make clear the inclusion of the compensation for additional duties and submit a draft of the clarification Amendment to the Auditor General's legal department prior to adoption by the City. Assuming quick review by the Auditor General's Office, the Amendment should be passed this year thus avoiding the necessity for the proposed Observation or Finding.

Auditor's Conclusion: We commend the city in its efforts to maximize its limited financial resources while minimizing the impact of administrative costs of operating the city. The city has taken a novel approach towards lessening the burden on local taxpayers of the city by paying existing employees performing services in other positions to take on these additional administrative duties. We disagree however that such additional salary from earnings from a city position other than that of a firefighter is includable under the firemen's pension plan in accordance with Act 205. And although we understand that this is a very singular situation that is not likely to replicate across the city, nor is it expected to have a significant effect on the actual pension plans themselves, best practice dictates that the city manager position be treated separately pursuant to the qualifications under Act 205 and in keeping with the existing firemen's pension plan. Therefore, to the extent the employee's contributions from the city manager position were applied to the firemen's pension plan, based on the criteria cited above, the recommendation remains as stated. Compliance will be evaluated during our next audit of the plan.

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

The supplementary information contained on Pages 7 through 10 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 AND 2015

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 111,333	\$ 111,333
Interest	587,266	611,282
Difference between expected and actual experience	212,083	-
Benefit payments, including refunds of member contributions	<u>(581,768)</u>	<u>(577,475)</u>
Net Change in Total Pension Liability	328,914	145,140
Total Pension Liability – Beginning	<u>8,304,025</u>	<u>8,632,939</u>
Total Pension Liability – Ending (a)	<u><u>\$ 8,632,939</u></u>	<u><u>\$ 8,778,079</u></u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 384,682	\$ 462,038
Contributions – member	33,517	31,832
Net investment income	554,294	(21,320)
Benefit payments, including refunds of member Contributions	<u>(581,768)</u>	<u>(577,475)</u>
Administrative expense	<u>(2,925)</u>	<u>(9,012)</u>
Net Change in Plan Fiduciary Net Position	387,800	(113,937)
Plan Fiduciary Net Position – Beginning	<u>6,551,026</u>	<u>6,938,826</u>
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 6,938,826</u></u>	<u><u>\$ 6,824,889</u></u>
Net Pension Liability – Ending (a-b)	<u><u>\$ 1,694,113</u></u>	<u><u>\$ 1,953,190</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.38%	77.75%
Estimated Covered Employee Payroll	\$ 800,000	\$ 689,034
Net Pension Liability as a Percentage of Covered Employee Payroll	211.76%	283.47%

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

SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 85,998	\$ 125,644
Interest	620,490	602,188
Changes in assumptions	370,474	-
Differences between expected & actual experience	(197,889)	-
Benefit payments, including refunds of member contributions	<u>(564,173)</u>	<u>(548,903)</u>
Net change in total pension liability	314,900	178,929
Total Pension Liability – Beginning	<u>8,778,079</u>	<u>9,092,979</u>
Total Pension Liability – Ending (a)	<u>\$ 9,092,979</u>	<u>\$ 9,271,908</u>
 Plan Fiduciary Net Position		
Contributions – employer	\$ 406,438	\$ 410,690
Contributions – member	34,716	36,698
Net investment income	537,417	889,898
Benefit payments, including refunds of member contributions	(564,173)	(548,903)
Administrative expense	<u>(11,705)</u>	<u>(7,861)</u>
Net Change in Plan Fiduciary Net Position	402,693	780,522
Plan Fiduciary Net Position – Beginning	<u>6,824,889</u>	<u>7,227,582</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 7,227,582</u>	<u>\$ 8,008,104</u>
Net Pension Liability – Ending (a-b)	<u>\$ 1,865,397</u>	<u>\$ 1,263,804</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 79.49%	 86.37%
 Estimated Covered Employee Payroll	 \$ 730,056	 \$ 772,433
 Net Pension Liability as a Percentage of Covered Employee Payroll	 255.51%	 163.61%

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

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following presents the net pension liability of the city as of December 31, 2016 and 2017, calculated using the discount rate of 6.75%, 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 (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability – 12/31/16	\$ 2,935,035	\$ 1,865,397	\$ 973,565
Net Pension Liability – 12/31/17	\$ 2,344,600	\$ 1,263,804	\$ 362,548

The discount rate used to measure the total pension liability at December 31, 2017 is 6.75%. This rate differs from the 7.25% reported in the Notes to Supplementary Schedules on page 14 of this report.

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	\$ 271,501	\$ 271,501	\$ -	\$ 799,443	33.96%
2010	233,026	233,026	-	831,211	28.03%
2011	333,613	279,030	54,583	855,803	32.60%
2012	319,760	265,177	54,583	738,183	35.92%
2013	390,020	390,020	-	770,951	50.59%
2014	384,682	384,682	-	760,246	50.60%
2015	462,038	462,038	-	800,000	57.75%
2016	406,438	406,438	-	689,034	58.99%
2017	410,690	410,690	-	730,056	56.25%
2018	425,187	425,187	-	772,433	55.05%

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.

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

SCHEDULE OF INVESTMENT RETURNS

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

2018	(4.70%)
2017	12.40%
2016	8.00%
2015	(0.30%)
2014	8.60%

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

SCHEDULE OF FUNDING PROGRESS

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

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 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	\$ 5,378,857	\$ 8,124,887	\$ 2,746,030	66.2%
01-01-15	6,342,644	8,632,939	2,290,295	73.5%
01-01-17	7,273,213	8,627,340	1,354,127	84.3%

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. These methods will lower contributions in years of less 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 SHARON FIREMEN'S PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

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

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

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

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	7 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 2.5%

CITY OF SHARON FIREMEN'S PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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