COMPLIANCE AUDIT

City of Wilkes-Barre Aggregated Pension Trust Fund

Luzerne County, Pennsylvania

For the Period

January 1, 2016 to December 31, 2017

April 2019

Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

The Honorable Mayor and City Council
City of Wilkes-Barre
Luzerne County
Wilkes-Barre, PA 18702

We have conducted a compliance audit of the City of Wilkes-Barre Aggregated 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 our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

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

2. To determine if the individual pension plans that comprise the aggregated pension trust fund were administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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

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

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

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

- We determined whether retirement benefits calculated for all 10 non-uniformed employees, 7 policemen's relief plan members, and the lone firemen's relief plan member 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 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 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 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 during the current audit period, as well as through the completion of our fieldwork procedures.

The City of Wilkes-Barre contracted with an independent certified public accounting firm for annual audits of the City of Wilkes-Barre Aggregated Pension Trust Fund's 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 Wilkes-Barre Aggregated 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 objectives, and assessed whether those significant controls were properly designed and implemented. Additionally, and as previously described, we tested transactions, assessed official actions, performed analytical procedures, and interviewed selected officials to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements, or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

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

Police Relief Pension Plan:

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Plan Provision Inconsistent With The Third Class City Code

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Service Buyback Provision

Firemen's Relief Pension Plan:

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Plan Provisions Inconsistent With The Third Class City Code

Non-Uniformed Pension Plan:

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Unauthorized Service Buyback Provision

Finding No. 5 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Finding Nos. 1, 2, 3 and 4 contained in this audit report repeat conditions that were cited in our previous audit reports that have not been corrected by city officials. We are concerned by the city's failure to correct those previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this audit report.

As previously noted, one of the objectives of our audit of the City of Wilkes-Barre Aggregated 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 during 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:

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

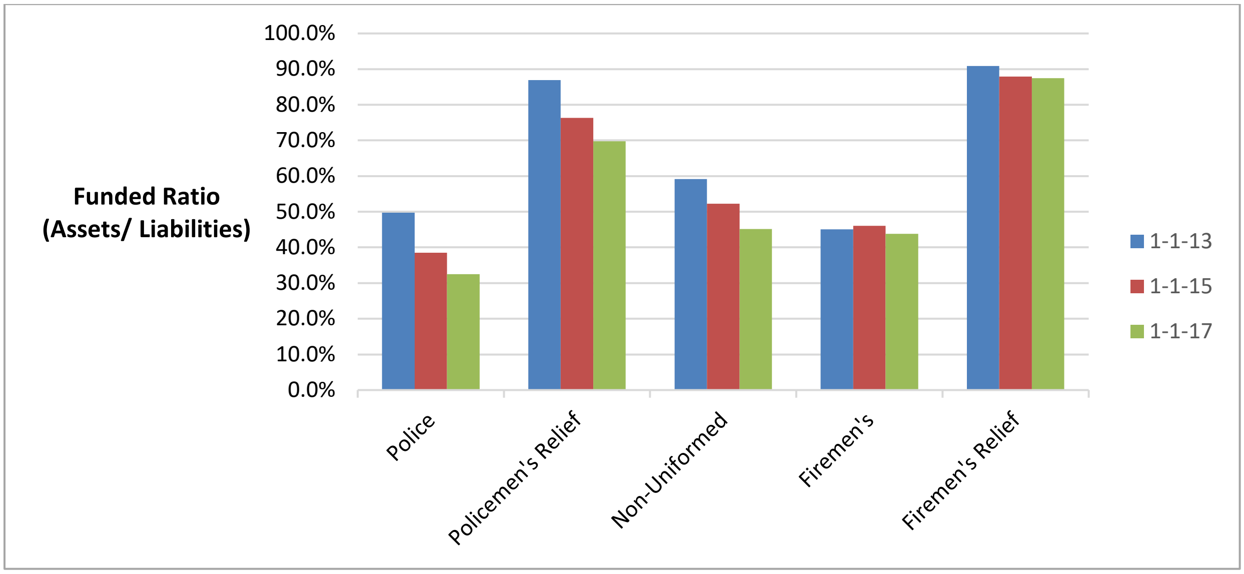
The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The data contained in the schedules of funding progress and from the January 1, 2013, January 1, 2015, and January 1, 2017, actuarial valuation reports filed with the former Public Employee Retirement Commission (PERC), now the Municipal Pension Reporting Program, for the city's police, policemen's relief, non-uniformed, firemen's, and firemen's relief pension plans contained the following aggregated funding data:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Funding Ratio
01-01-13	$ 80,682,402	$ 120,995,524	66.7%
01-01-15	$ 80,985,791	$ 130,436,535	62.1%
01-01-17	$ 79,826,865	$ 136,276,461	58.6%

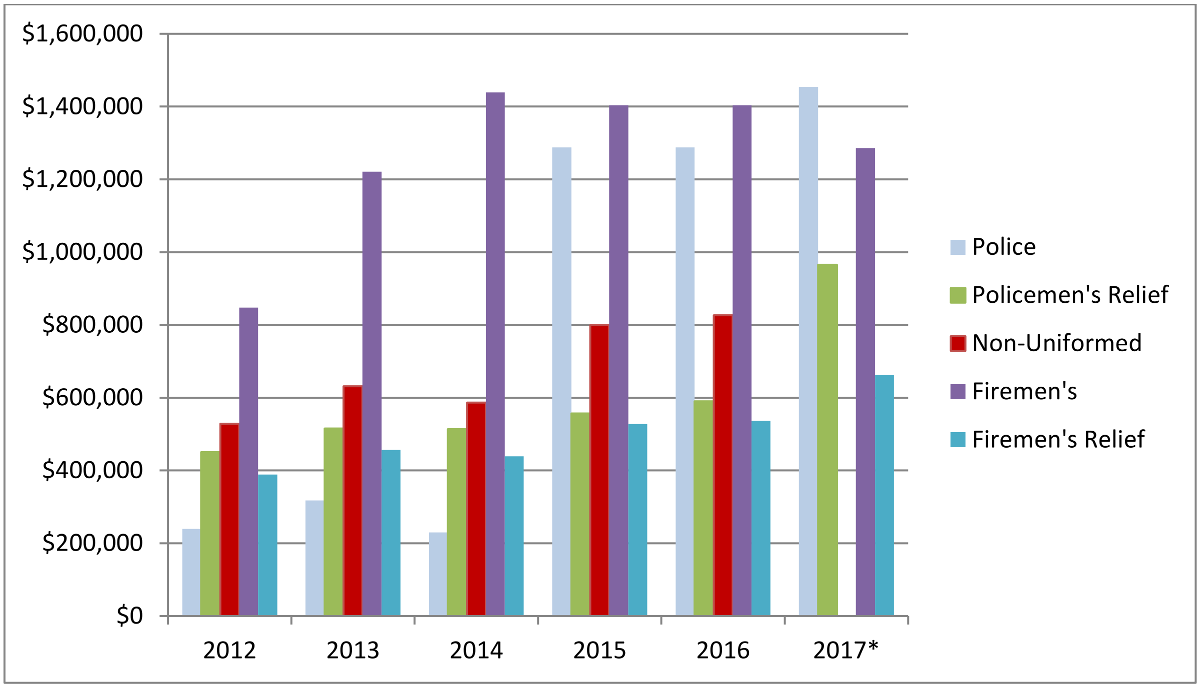
Based on this information, the City of Wilkes-Barre is currently in Level II moderate distress status.

A graphic illustration of the changes in the plans' funding status since 2013 is presented below:



We are extremely concerned about the historical trend information contained in the respective schedules of funding progress included in this report which indicate a continued decline of assets available to satisfy the long-term liabilities of the plans. This condition has required increased municipal contributions to fund the plans in accordance with Act 205 funding standards.

A graphic illustration of the increase in the city's annual required contributions to its pension plans since 2012 is presented below. The city's total employer contributions for 2012-2017 are included on Page 31.



* *The amortization contribution component from the January 1, 2015 actuarial valuation report used in the determination of the city's required contribution for the non-uniformed pension plan for 2017 resulted in no required contributions per Act 205. However, based on the funding status of the plan, this report data was only utilized for 2017. For 2018, the city's required municipal obligation for the non-uniformed pension plan increased to $1.9 million, respectively.*

We encourage city officials to develop a long-term strategic plan and make fiscally responsible decisions as plan fiduciaries that will benefit the City of Wilkes Barre and its taxpayers to ensure that 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 that will ensure the plans' long-term financial stability.

The contents of this report were discussed with officials of City of Wilkes-Barre 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.

January 23, 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, as well as 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 Wilkes-Barre Aggregated Pension Trust 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 317 - 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 Wilkes-Barre Aggregated Pension Trust Fund serves as a common investment and administrative agent for the city's two police, non-uniformed and two firemen's pension plans. The fund is comprised of the City's single-employer defined benefit pension plans, locally controlled by the provisions of the City's Ordinance No. 57 of 1998. The plans are also affected by the provisions of collective bargaining agreements between the city and its police officers, non-uniformed employees, and firefighters.

Police Pension Plan

The police pension plan was established July 8, 1976, for police officers hired prior to such date. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2017, the plan had no active members, no terminated members eligible for vested benefits in the future, and 80 retirees receiving benefits from the plan.

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

<u>Eligibility Requirements</u>:

Normal Retirement	Eligible with 20 years of service.
Early Retirement	None
Vesting	A member is 100% vested after 12 years of service.

<u>Retirement Benefit</u>:

Benefit equals 50% of the member's final salary average plus a monthly service increment equal to 1.25% of final salary for each year of service in excess of 20 years (additional monthly pension cannot exceed $100).

<u>Survivor Benefit</u>:

Before Retirement Eligibility	Refund of member contributions without interest.
After Retirement Eligibility	A monthly benefit equal to 100% of the pension the member was receiving or was entitled to receive on the day of the member's death.

<u>Service Related Disability Benefit</u>:

Benefit equals 50% of the member's salary at the time the disability was incurred plus a monthly service increment equal to 1.25% of final salary for each year of service in excess of 20 years.

Policemen's Relief Pension Plan

The policemen's relief pension plan was established for police officers hired after July 8, 1976. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2017, the plan had 77 active members, 3 terminated members eligible for vested benefits in the future, and 46 retirees receiving benefits from the plan.

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

Eligibility Requirements:

Normal Retirement	Age 50 and 20 years of service.
Early Retirement	None
Vesting	10 year vesting for police officers hired before January 24, 2001. None, if hired after January 24, 2001.

Retirement Benefit:

Benefit equals 2.5% for each year up to 20 years plus a monthly service increment equal to 1.25% of final salary for each year of service in excess of 20 years, if hired after January 24, 2001, the monthly service increment shall not exceed $100 per month.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions plus interest.
After Retirement Eligibility	Benefit equals 2.5% for each year of service up to 20 years plus a monthly service increment equal to 1.25% of final salary for each year of service in excess of 20 years.

Service Related Disability Benefit:

Benefit equals 50% of the member's final average salary plus a monthly service increment equal to 1.25% of final salary for each year of service in excess of 20 years.

Non-Uniformed Pension Plan

The non-uniformed pension plan was established July 19, 1927. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2017, the plan had 113 active members, 3 terminated members eligible for vested benefits in the future, and 156 retirees receiving benefits from the plan.

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

Eligibility Requirements:

Normal Retirement	Age 50 and 20 years of service; Age 62 and 10 years of service. If hired after January 24, 2001, age 60 and the completion of 20 years of service.
Early Retirement	None
Vesting	20 years of service before age 50; 10 years of service before age 62.

Retirement Benefit:

If hired before January 24, 2001, 50% of final average salary with at least 20 years of service, otherwise, 2.5% per year multiplied by the member's final average salary. If hired after January 24, 2001, 50% of the member's average monthly salary for the 5 years of employment which produces the highest such average. For members hired before January 24, 2001, for each year of service in excess of 20 years a member will receive an additional monthly benefit equal to 1.25% of final average salary provided that such additional pension shall not, in total, exceed 10% of final average salary.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions plus interest.
After Retirement Eligibility	Hired before January 24, 2001 and completed 28 years of service will automatically receive a monthly benefit equal to 100% of the pension the member was receiving or was entitled to receive on the day of the member's death.

Service Related Disability Benefit:

After 10 years of service but before age 62; 50% of the member's salary, with no offset for Social Security benefits.

Firemen's Pension Plan

The firemen's pension plan covers firefighters who were hired prior to July 8, 1976. The plan was established January 2, 1969. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2017, the plan had no active members, no terminated members eligible for vested benefits in the future, and 65 retirees receiving benefits from the plan.

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

Eligibility Requirements:

Normal Retirement	Age 50 and 20 years of service.
Early Retirement	Eligible with 10 years of service.
Vesting	Not provided prior to early or normal retirement.

Retirement Benefit:

Benefit equals 50% of the member's final salary average plus a service increment equal to 1.25% of final salary for each year of service in excess of 20 years provided that the service increment shall be limited to 25% (effective January 1, 1977) and 20% (effective June 29, 1999) of final salary.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions without interest.
After Retirement Eligibility	A percentage of the member's final salary; if death is job-related the percentage is equal to 50%, plus a service increment percentage equal to 1.25% for each year in excess of 20 years. If not job-related the percentage is 2.5% for each year up to 20 years, plus a service increment percentage equal to 1.25% for each year of service in excess of 20 years.

Service Related Disability Benefit:

Benefit equals 50% of the member's final salary.

Firemen's Relief Pension Plan

The firemen's relief pension plan covers firefighters who were hired after July 8, 1976. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2017, the plan had 68 active members, no terminated members eligible for vested benefits in the future, and 37 retirees receiving benefits from the plan.

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

Eligibility Requirements:

Normal Retirement	Hired before January 24, 2001 at attainment of age 50, and hired after January 23, 2001 age 50 and 20 years of service.
Early Retirement	Participants with 20 years of service may retire before the age of 50 with a pension reduced by 4% for each year such participant's age is short of age 50.
Vesting	10 years of service.

Retirement Benefit:

Member's final average salary with the percentage equal to 2.5% for each year of service up to 20 years plus a monthly service increment equal to 1.25% (2.25% if hired after January 23, 2001) for each year of service in excess of 20 years. If hired before January 24, 2001, the service increment percentage shall be limited to 25% effective January 1, 1997, and 20% effective June 29, 1999. If hired after December 31, 2001, the service increment shall not exceed $100 per month.

Survivor Benefit:

No age or service requirements if member's death is job-related; if death is not job-related, member must have been hired before January 24, 2001 and 10 years of service is required. A percentage of the member's final salary; if death is job-related the percentage is equal to 50%, plus a service increment calculated in same manner as for normal retirement. If death is not job-related the percentage is equal to 2.5% for each year of service up to 20 years. The service increment in the same manner as for normal retirement.

Service Related Disability Benefit:

Service Related:

No age or service required. A percentage of the member's final average salary equal to 50%, plus a service increment calculated in the same manner as for normal retirement.

Non-Service Related:

Member must have been hired before January 24, 2001 and 5 years (6 years for members hired after October 4, 1998) of service required. A percentage of the member's final average salary with a percentage equal to 2.5% for each year of service up to 20 years, plus a service increment percentage calculated in the same manner as for normal retirement. There is no reduction for commencement of benefits before normal retirement.

Noncompliance With Prior Audit Recommendations

The City of Wilkes-Barre has not complied with the prior audit recommendations concerning the following as further discussed in the Findings and Recommendations section of this report:

Policemen's Relief Pension Plan

- Plan Provision Inconsistent With The Third Class City Code

- Unauthorized Service Buyback Provision

Firemen's Relief Pension Plan

- Plan Provisions Inconsistent With The Third Class City Code

Non-Uniformed Pension Plan

- Unauthorized Service Buyback Provision

Policemen's Relief Pension Plan

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Plan Provision Inconsistent With The Third Class City Code

Condition: As previously disclosed in prior audit reports, the city adopted a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2901 et seq. (previously 53 P.S. § 1-101 et seq.) and provided benefits to its police officers participating in the policemen's relief pension plan in excess of those authorized by the Third Class City Code. And although the city partially complied with a prior audit recommendation to limit benefits to those authorized under the Code through the passage of File of Council No. 11 of 2001, dated December 12, 2001, and through an arbitration award dated December 21, 2001, the city continues to provide benefits to its police officers inconsistent with the Third Class City Code, as follows:

Benefit	Plan Governing Document	Third Class City Code
Basis of pension	The basis of the apportionment of the pension shall be determined by the rate of the monthly pay of the member at the date of injury, death, honorable discharge, or retirement, whichever is the higher, and except as to service increments provided for in subsection (b) of this section, shall not in any case exceed in any year one-half the annual pay of such member computed at such monthly or average annual rate, whichever is the higher.	The basis of the apportionment of the pension shall be determined by the rate of the monthly pay of the member at the date of injury, death, honorable discharge, vesting under section 4302.1 or retirement, or the highest average annual salary which the member received during any 5 years of service preceding injury, death, honorable discharge, vesting under section 4302.1 or retirement, whichever is the higher, and, except as to service increments provided for in subsection (d), shall not in any case exceed in any year one-half the annual pay of the member computed at the monthly or average annual rate, whichever is the higher. (§4303(b))

Finding No. 1 – (Continued)

Criteria: As disclosed previously, on January 24, 2001, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*; wherein, the court held that Section 2962(c)(5) of the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. Section 2962(c)(5), "clearly precludes home rule municipalities from providing pension benefits different from those prescribed in general law including Act 600." The court's holding was in accord with the position taken by this Department since at least January 1995.

Cause: Municipal officials are unable to amend the plan's governing ordinance to comply with the Third Class City Code due to the fact that pension benefits are a mandatory subject of collective bargaining. The city has attempted to amend these benefits through collective bargaining; however, it has been unsuccessful in doing so and had been ordered by the Pennsylvania Labor Relations Board to have the benefits continue as they are currently prescribed in the city's governing ordinances.

Effect: The provision of unauthorized benefits could increase the plan's pension costs and reduces the amount of funds available for investment purposes, the payment of authorized benefits, or administrative expenses. Since the city received its state aid allocations based on unit value during the current audit period, it did not receive any excess state aid due to the inconsistent pension benefits provided; however, the provision of benefits inconsistent with the Third Class City Code could result in the receipt of state aid in excess of the city's entitlement in the future, or increase required municipal contributions to the plan.

Recommendation: We again recommend that the city restrict pension benefits to those authorized by the Third Class City Code for all employees who began full-time employment on or after January 24, 2001 (the effective date of the *Monroeville* decision) upon the renewal, extension, or renegotiation of the collective bargaining agreement. To the extent the city is not in compliance with the Third Class City Code and/or is contractually obligated to provide benefits in excess of those authorized by the Third Class City Code to employees who began employment on or after January 24, 2001, the excess 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. In such case, the plan's actuary may be required to determine the impact, if any, of the unauthorized benefits on the city's future state aid allocations and submit this information to the department. If it is determined the unauthorized benefits 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. Plan officials would then be required to reimburse the overpayment to the Commonwealth.

Finding No. 1 – (Continued)

Management's Response: City officials agreed with the finding without exception. The City recently negotiated contracts with three out of its four unions (Fire, 1310, and Teamsters) which expired on December 31, 2016; however, the city was unsuccessful in amending provisions relative to its pension plans for subsequent collective bargaining agreements covering periods after December 31, 2016. However, it remains the City's goal through future negotiations to ensure that all unions become compliant with the Third Class City Code, with respect to all active employees. The City will also look to achieve the same goal through negotiations with the Police Union when its contract expires after 2019.

Auditor's Conclusion: As aforementioned, since the city received its state aid allocations based on unit value during the current audit period, it did not receive any excess state aid due to the inconsistent pension benefits provided; however, we will continue to monitor the impact on future state aid allocations and evaluate subsequent compliance during the next audit of the plan.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Unauthorized Service Buyback Provision

Condition: As previously disclosed in prior audit reports, the city enacted a service buyback provision which is not authorized in the Third Class City Code. File of Council No. 11 of 2001, Section I, states:

> Effective January 1, 2002, City employees are permitted to buy back all of the time which represents time served as a City of Wilkes-Barre employee and a participant in another City Pension Fund into the City Pension Fund in which they currently participate.
>
> The buyback amount shall be calculated by the City and shall include an amount equal to the employee's contributions, plus interest at a rate established by the City at the time of the buyback.
>
> The buyback must be initiated at the time of hire into another City job classification or after the effective date of this ordinance, whichever is later.

During the current audit period, a police officer with 16 years of service as a police officer with the city elected to retire on March 18, 2017, and was allowed to purchase an additional 12 years and 3 months of prior city service time as a non-uniformed employee for use in the determination of his final monthly pension benefit. The member is currently receiving a monthly benefit of $4,293, which is in excess of the benefits authorized under the Third Class City Code.

Criteria: The Third Class City Code does not authorize buybacks of prior service credits from another pension fund.

Finding No. 2 – (Continued)

Cause: The city has been unsuccessful through the collective bargaining process to limit pension benefits to those authorized by the Third Class City Code and ensure compliance with the prior audit recommendation.

Effect: The provision of unauthorized benefits increases the plan's pension costs and reduces the amount of funds available for investment purposes, the payment of authorized benefits, or administrative expenses. Additionally, the aforementioned retiree is receiving $1,431 per month in excess of the monthly benefit authorized under the Third Class City Code. From the date of this retiree's retirement to the date of this report, the total excess benefits paid from the pension plan amounted to $28,620. Since the city received its state aid allocations based on unit value during the audit period, it did not receive excess state aid allocations attributable to the unauthorized benefits provided. However, providing unauthorized pension benefits could result in the receipt of state aid in excess of the city's entitlement in the future, or increase required municipal contributions to the plan.

Recommendation: We again recommend that the city eliminate the unauthorized service buyback provision at its earliest opportunity to do so. To the extent that the city has already obligated itself to pay benefits in excess of those authorized by the Third Class City Code, the excess 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. In such case, the plan's actuary may be required to determine the impact, if any, of the unauthorized benefits on the city's future state aid allocations and submit this information to the department. If it is determined the unauthorized benefits 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. Plan officials would then be required to reimburse the overpayment to the Commonwealth.

Management's Response: City officials agreed with the finding without exception. The city recently negotiated contracts with three out of its four unions (Fire, 1310, and Teamsters) which expired on December 31, 2016; however, the city was unsuccessful in amending provisions relative to its pension plans for subsequent collective bargaining agreements covering periods after December 31, 2016. However, it remains the City's goal through future negotiations to ensure that all unions become compliant with the Third Class City Code, with respect to all active employees. The City will also look to achieve the same goal through negotiations with the Police Union when its contract expires after 2019.

Auditor's Conclusion: As aforementioned, since the city received its state aid allocations based on unit value during the current audit period, it did not receive any excess state aid due to the inconsistent pension benefits provided; however, we will continue to monitor the impact on future state aid allocations and evaluate subsequent compliance during the next audit of the plan.

Firemen's Relief Pension Plan

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Plan Provisions Inconsistent With The Third Class City Code

Condition: As previously disclosed in prior audit reports, the city adopted a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2901 et seq. (previously 53 P.S. § 1-101 et seq.) and provided benefits to its firefighters participating in the firemen's relief pension plan inconsistent with the Third Class City Code, as follows:

Benefits	Plan Governing Document	Third Class City Code
Basis of pension	Average monthly compensation for the firefighter's final year average salary.	Monthly salary or the highest average annual salary which was received during any 5 years of service preceding retirement, whichever is the higher. (§4322)
Definitions	Monthly compensation – basic monthly compensation plus longevity payments, acting officer's pay, EMT bonuses, overtime pay, night shift differential, educational incentive payments, holiday pay and annual buyback of sick leave.	Salary - the fixed amount of compensation paid at regular, periodic intervals by the city to the member and from which pension contributions have been deducted; this is interpreted to exclude buybacks of leave earned outside of the pension computation period. (§4328)
Service increment contribution	Not provided by ordinance, although members do make contributions to fund this benefit.	A sum not to exceed $1 per month, payable only until the employee reaches age 65 (§4322(b)(2)).

Finding No. 3 – (Continued)

Benefits	Plan Governing Document	Third Class City Code
Service increment	1.25% of final year average salary multiplied by the number of years of service in excess of 20 years, not to exceed the following: Effective January 1, 1997: 75%; Effective June 29, 1999: 70%.	1/40th (2.5%) of pension benefit multiplied by the number of whole years in excess of 20 years, not to exceed $100 per month. No credit for service after the employee is 65 years old. (§4322(b)(1)) After the effective date of this clause, the city may agree to make service increment payments in excess of one hundred dollars ($100) per month as long as such payments do not exceed five hundred dollars ($500) per month, and, in computing such service increments, no employment after age sixty-five years shall be included, provided that any agreement to provide an increase in service increment payments shall include a proportionate increase in the amount each contributor shall pay into the retirement fund under clause (2), not to exceed five dollars ($5) per month. (§4322(b)(6))
Survivor's benefit for children of retirees	The guardian of any minor children of the retiree receives the pension benefit the retiree was receiving if the retiree's spouse is deceased or remarried.	Not authorized

Finding No. 3 – (Continued)

Benefits	Plan Governing Document	Third Class City Code
Type of discharge required for non-intervening military service credit	Honorable or general discharge	No requirement
Purchase of non-intervening military service credit	Does not require the member to pay interest on the equivalent of the city's contributions.	Requires the payment of the equivalent of the city's contributions, plus interest. (§4321)
Years of service required for vested benefits	10 years	12 years (§4320.1(a))
Commencement of vested benefits	At age 50. If however such participant elects to receive such benefit upon termination of employment, the monthly benefit to which he or she is entitled shall be further reduced by 4 percent times each year short of age 50.	Date which would have been the member's retirement date had he continued full-time employment with the fire department. (§4320.1(b))
Vested portion of base retirement benefits	A fraction, as follows: the number of full years of service completed divided by 20, pension commences at age 50. If however such participant elects to receive such benefit upon termination of employment, the monthly benefit to which he or she is entitled shall be further reduced by 4 percent times each year short of age 50.	The percentage that the years of service actually rendered bears to the years of service which would have been rendered had the member continued to be employed by the department until the minimum retirement date. (No provision for early payment) (§4320.1(b)(2))

Finding No. 3 – (Continued)

Benefits	Plan Governing Document	Third Class City Code
Members' contributions disposition for terminating non-vested, non-retiring members	Participant elects whether to leave contributions in the firemen's pension relief fund or to have them refunded.	Members' contributions must be refunded to the member. (§4327)
Vesting conditions	None provided	The vesting member must file a written notice of intent to vest, at least 30 days prior to termination, which includes the member's intended termination date, and the member must be in good standing on the date of notice. The board must indicate on the notice to vest the basis for calculating the vested benefit. (4320.1(a))
Basis for calculating the vested benefit	Average monthly compensation for the firefighter's final year average salary prior to retirement or termination of employment	Rate of the monthly pay of the member as of the date of the notice to vest or the highest average annual salary which the member received during any 5 years of service preceding the date, whichever is the higher. (§4320.1(a)(5))
Interest on refunds of members' contributions	5 percent	Not authorized (§4327)

Finding No. 3 – (Continued)

Benefits	Plan Governing Document	Third Class City Code
Time limit on buyback of prior service time	Buyback must be elected in writing within 6 months of rehire and must be completed within 24 months of the written election.	No time limit provided (§4327)
Credit for periods of termination	Upon rehire, employees may buy back the time between employment periods.	Not authorized
Early Retirement	Participants with 20 years of service may retire before the age of 50 with a pension reduced by 4% for each year such participant's age is short of age 50.	Not authorized
Composition of Pension Board	5 members, as follows: the mayor, the city controller, the director of human resources, and 2 pension plan participants elected by the plan members.	7 members, as follows: 1) the mayor, 2) the director of accounts and finance, 3) the director of the department having charge of the fire department, or in cities where the mayor is also the director of the department having charge of the fire department, then the director of public safety, 4) the city controller, 5) the chief of the bureau of fire, and 2 members of the fire department chosen by the fire department members. (§4320)

Finding No. 3 – (Continued)

It was noted that a settlement agreement between the city and its firefighters' local union, executed August 22, 2012, extended the most current collective bargaining agreement (CBA) two additional years covering the period January 1, 2015 through December 31, 2016, and effectively added new language to Section 6(F) and (G) of Article 21 of the continuing CBA as follows:

> All firefighters hired after January 1, 2013, shall be entitled to pension benefits not in excess of the Third Class City Code.
>
> Fire fighters participating in the Fireman's Relief Pension Fund and hired on or after January 1, 2013, shall be entitled to a service increment not to exceed five hundred ($500) dollars per month and each member shall be required to make an additional monthly contribution to the pension plan of five ($5) dollars.

Moreover, according to a recent arbitration award between the city and its firefighters' local union, awarded November 28, 2017, it effectively extended the current terms of the CBA an additional two years covering the period January 1, 2017 through December 31, 2018, relative to pensions. Item 7 of the award cites the following:

> Pensions for all employees hired after the date of this Award will be in full compliance with the Third Class City Code. Specifically, pensions shall be based upon base salary and longevity only, and employee contributions to the pension shall be based upon base salary and longevity only. This provision is not to have any impact on any ongoing legal proceedings over Section 7(f) of the parties' August 2012 settlement agreement with respect to employees hired prior to the issuance of this Award.

Although it appears that the city has taken some measures to limit benefits not authorized by the Third Class City Code through collective bargaining, the city failed to update the plan's governing document accordingly and therefore, benefits remain inconsistent with the Third Class City Code.

Criteria: As disclosed previously, on January 24, 2001, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*; wherein, the court held that Section 2962(c)(5) of the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2962(c)(5), "clearly precludes home rule municipalities from providing pension benefits different from those prescribed in general law including Act 600." The court's holding was in accord with the position taken by this Department since at least January 1995.

Cause: Municipal officials have been unable to amend the plan's governing ordinances to fully comply with the Third Class City Code due to the fact that pension benefits are a mandatory subject of collective bargaining. Although the city has attempted to amend these benefits to comply with the Third Class City Code through the collective bargaining process, the city has been unsuccessful in doing so completely and has been subject to ongoing arbitration in efforts to amend benefits as they are currently prescribed in the city's governing ordinances.

Finding No. 3 – (Continued)

Effect: The provision of unauthorized benefits increases the plan's pension costs and reduces the amount of funds available for investment purposes, the payment of authorized benefits, or administrative expenses. Since the city received its state aid allocations based on unit value during the audit period, it did not receive any excess state aid allocations attributable to unauthorized pension benefits provided. However, the provision of unauthorized pension benefits could result in the receipt of excess state aid in the future, or could increase required contributions to the plan.

Recommendation: The department acknowledges that its position has changed over the years and that, until *Monroeville*, there was no definitive decision as to whether home rule municipalities were obliged to comply with applicable pension law. The department seeks, therefore, to implement the decision in as equitable a fashion as possible, while paying necessary deference to the court's ruling. Accordingly, the department will not penalize a home rule municipality for granting benefits not authorized by the Third Class City Code to existing retirees or to individuals who began full-time employment before January 24, 2001 (the effective date of the *Monroeville* decision). However, the department recommends the city incorporate the changes to its pension plan benefit structure agreed to during collective bargaining and the arbitration process which limits pension benefits to those authorized by the Third Class City Code for employees who began full-time employment on or after the aforementioned dates to ensure consistency in the administration of plan benefits among the varying plan documents.

Management's Response: City officials agreed with the finding without exception. On August 22, 2012, a settlement agreement between the city and its firefighters amended the collective bargaining agreement to state that all firefighters hired after January 1, 2013, shall be entitled to pension benefits not in excess of the Third Class City Code [*Auditor's Note: As disclosed in the Condition above*]. Further explanations provided by city officials indicated that the fire union is currently in the arbitration process and a new agreement is expected in the next few months. The city is also still waiting for the court's decision on what is to be considered "salary" for pension calculations. The City interpreted the Third Class City Code to mean base salary only. [*Auditor's Note: As noted in the aforementioned arbitration award of November 2017.*] However, the union argued that it should include other forms of compensation such as overtime, shift differentials, etc. Once the city has an arbitration award and a decision from the court, the city intends to make all of the necessary changes at once rather than going back and forth to Council and clean up the City ordinances as best they can at that time. It remains the City's goal through continued negotiations to ensure that all unions become compliant with the Third Class City Code, with respect to all active employees.

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

Non-Uniformed Pension Plan

Finding No. 4 – Noncompliance With Prior Audit Recommendation – Unauthorized Service Buyback Provision

Condition: As disclosed in prior audit reports, the city enacted an unauthorized service buyback provision which is not authorized in the Third Class City Code. File of Council No. 13 of 2001, Section I, states:

> Effective January 1, 2002, City employees are permitted to buy back all of the time which represents time served as a City of Wilkes-Barre employee and a participant in another City Pension Fund into the City Pension Fund in which they currently participate.
>
> The buyback amount shall be calculated by the City and shall include an amount equal to the employee's contributions, plus interest at a rate established by the City at the time of the buyback.
>
> The buyback must be initiated at the time of hire into another City job classification or after the effective date of this ordinance, whichever is later.

Criteria: The Third Class City Code does not authorize buybacks of prior service credits from another pension fund.

Cause: The city has been unsuccessful through the collective bargaining process to limit pension provisions to those authorized by the Third Class City Code and ensure compliance with the prior audit recommendation.

Effect: The provision of unauthorized benefits could increase the plan's pension costs and reduces the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses. Since the city received its state aid allocations based on unit value during the audit period, it did not received excess state aid allocations attributable to the unauthorized benefits provided. However, providing unauthorized pension benefits could result in the receipt of state aid in excess of the city's entitlement in the future, or increase required municipal contributions to the plan.

Recommendation: We again recommend that the city eliminate the unauthorized service buyback provision at its earliest opportunity to do so. To the extent that the city has already obligated itself to pay benefits to existing retirees in excess of those authorized by the Third Class City Code, the excess benefits must be reflected in the Act 205 actuarial valuation reports for the

Finding No. 4 – (Continued)

plan and funded in accordance with Act 205 funding standards. Furthermore, such benefits will be deemed ineligible for funding with state pension aid. In such cases, the plan's actuary may be required to determine the impact, if any, of the unauthorized benefits on the city's future state aid allocations and submit this information to the department. If it is determined the unauthorized benefits 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. Plan officials would then be required to reimburse the overpayment to the Commonwealth.

Management's Response: City officials agreed with the finding without exception. The City recently negotiated contracts with three out of its four unions (Fire, 1310, and Teamsters) which expired on December 31, 2016; however, the city was unsuccessful in amending provisions relative to its pension plans for subsequent collective bargaining agreements covering periods after December 31, 2016. However, it remains the City's goal through further negotiations to ensure that all unions become compliant with the Third Class City Code, with respect to all active employees.

Auditor's Conclusion: As aforementioned, since the city received its state aid allocations based on unit value during the current audit period, it did not receive any excess state aid due to the inconsistent pension benefits provided; however, we will continue to monitor the impact on future state aid allocations and evaluate subsequent compliance during the next audit of the plan.

Finding No. 5 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: The city certified 4 city councilpersons and related payroll amounting to $62,257 on the Certification Form AG 385 filed in 2018; however, the department is unable to determine whether the 4 individuals are full-time employees of the city and therefore eligible for certification purposes pursuant to Act 205 based on records provided by the city. The data contained on these certification forms is based on prior calendar year information.

Criteria: Act 205 defines a Municipality as follows:

> Any city, borough, incorporated town, township, home rule municipality, association of municipalities cooperating pursuant to the act of July 12, 1972 (P.L. 762, No. 180), referred to as the Intergovernmental Cooperation Law, or authority established by the actions of any county, city, borough, town or township or jointly by any such political subdivisions.

Finding No. 5 – (Continued)

In addition, Act 205 defines a Municipal Employee as follows:

> Any person who provides regular services for a municipality in return for compensation from the municipality.

Furthermore, Act 205 defines a Pension Plan or System as follows:

> 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.

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

Section 402(j) further states, in part:

> The Auditor General shall have the duty of administering the General Municipal Pension System State Aid Program. The Auditor General may promulgate rules and regulations necessary for the efficient administration of this program and may specify the form and content of any forms applicable to the program.

Although the act does not specifically define what constitutes full-time, based on past practice and Section 402(j) above, the department has established that on average, a full-time employee is one who has been employed continuously by the municipality (i.e., performs services each week on a continuous and consistent basis, averaging approximately 35 hours per week or more and receives other fringe benefits that similarly situated employees classified as full-time and employed by the municipality are entitled).

Cause: The city believes that the law provides for the certification of these individuals and that the Certification Form AG-385 submitted during 2018 was completed correctly. There was a recent turnover in municipal officials responsible for the administrative functions of the pension plan and the newly appointed city official responsible for preparing and submitting the AG 385 form during 2018 included the four city council members who contributed to the pension plan during 2017 because the city considers these council members to be full-time employees of the city and therefore entitled to participate in the pension plan and for certification purposes. The city also believes that the language in the Third Class City Code seems to agree, as its definition of employee includes all persons in the service of the city including officers and officials of the city, whether elected or appointed, and does not appear to make a distinction between full time and part time employees, nor does it identify a salary threshold to indicate whether an employee would be eligible for state aid.

<u>Finding No. 5 – (Continued)</u>

<u>Effect</u>: Due to the lack of appropriate and substantive documentation evidencing the full-time status of these officials, we are unable to appropriately conclude on the eligibility and inclusion of the aforementioned individuals on the Certification Form AG 385 used for state aid purposes filed during 2018. The data submitted on this certification form is used, in part, to calculate the state aid due to the city for distribution to its pension plans. Because the city's state aid allocation was based on unit value, the incorrect certification of pension data affected the city's state aid allocation, as identified below:

Year	United Overstated	Unit Value	State Aid Overpayment
2018	4	$ 4,684	$ 18,738

In addition, the city used the overpayment of state aid to pay the minimum municipal obligation (MMO) due to the non-uniformed pension plan; therefore, if the reimbursement to the Commonwealth is made from the pension plan, the plan's MMO will not be fully paid.

Furthermore, the city's future state aid allocations may be withheld until the finding recommendation is complied with.

<u>Recommendation</u>: We recommend that the total excess state aid, in the amount of $18,738, plus interest, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

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

In addition, if the reimbursement to the Commonwealth is made from non-uniformed pension plan funds, we recommend that any resulting MMO deficiency be paid to the pension plan with interest, at a rate earned by the pension plan.

Finding No. 5 – (Continued)

Management's Response: Municipal officials disagree with the recommendation. According to the finding, the Department of the Auditor General has deemed these four employees to be ineligible for any State Aid allocation based on the condition that the City does not require a time sheet for elected officials. It has been the position of the City that elected officials are not only full-time employees, but round-the-clock employees. Due to the unique nature of their positions, and the demands that coincide, the City has viewed the submission of timesheets by these employees to be both impractical and unnecessary. This practice is consistent with other elected officials that have been included and certified on Form AG 385 for many years.

By the State's own admission, Act 205 and the Third Class City Code do not clearly define what constitutes full-time status. However, it has been promulgated that on average, a full-time employee is one who has been continuously employed by the municipality, averages approximately 35 hours per week, and receives other fringe benefits that similar employees classified as full-time are entitled to. The City contends that its elected officials do meet all of these standards. Past practice of the City had shown that all benefits offered to regular, non-elected employees (e.g., medical, dental, and vision insurances) are also available to elected officials. The City does not offer these same benefits to its part time employees, nor does it allow its part time employees to participate in the pension plan. According to the finding, the Department has no issue with these four employees to participate in the pension plan. This would suggest that, at least to some extent, the department would agree that the Council Members are considered to be more than just part-time employees.

Finally, the City feels that the omission of Council Members from past Certification Forms should not prevent their inclusion on current and future forms. The City's interpretation of the law doesn't provide evidence to disqualify the four employees in question from being included on the Certification. The City intends to comply with the eventual outcome, but urges the Department to reconsider its initial conclusion, and thus remove the proposed finding. Thank you for your attention to this matter and taking the time to consider all relevant factors prior to making a final determination.

Auditor's Conclusion: As indicated above, due to the lack of substantive documentary evidence to support the full-time status of the aforementioned individuals, we are unable to sufficiently reach a conclusion regarding the eligibility and inclusion of these individuals on the Certification Form AG 385s submitted during 2018 under the general municipal pension system state aid provisions of Act 205. We are not taking exception to these individuals' participation in the city's pension plan, merely their inclusion on Certification Form AG 385 utilized in determining the city's state aid under the Act. As such, based on the criteria cited above, the finding remains as stated. Due to the potential withhold of state aid, the city's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the plan.

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
POTENTIAL WITHHOLD OF STATE AID

Finding No. 5 contained in this audit report cites an overpayment of state aid to the city in the amount of $18,738, plus interest. A check in this amount with interest, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 26 through 32 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

	2014	2015
Total Pension Liability		
Service cost	$ 1,536,325	$ 1,536,325
Interest	9,958,640	9,681,594
Difference between expected and actual experience	-	2,213,297
Changes in assumptions	-	(1,518,019)
Benefit payments, including refunds of member contributions	(9,309,194)	(9,904,085)
Net Change in Total Pension Liability	1,885,771	2,009,112
Total Pension Liability – Beginning	162,817,725	164,703,496
Total Pension Liability – Ending (a)	$ 164,703,496	$ 166,712,608
Plan Fiduciary Net Position		
Contributions – employer	$ 3,207,426	$ 4,575,102
Contribution – member	874,843	881,716
Net investment income	4,292,231	409,051
Benefit payments, including refunds of member contributions	(9,309,194	(9,904,085)
Administrative expense	(160,401)	(161,629)
Net Change in Plan Fiduciary Net Position	(1,095,095)	(4,199,845)
Plan Fiduciary Net Position – Beginning	74,150,061	73,054,966
Plan Fiduciary Net Position – Ending (b)	$ 73,054,966	$ 68,855,121
Net Pension Liability – Ending (a-b)	$ 91,648,530	$ 97,857,487
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.36%	41.30%
Estimated Covered Employee Payroll	$ 16,638,379	$ 17,219,631
Net Pension Liability as a Percentage of Covered Employee Payroll	550.83%	568.29%

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

	2016	2017
Total Pension Liability		
Service cost	$ 1,560,461	$ 1,638,737
Interest	9,965,367	10,632,067
Difference between expected and actual experience	(1,154,112)	(4,289,962)
Changes in assumptions	(13,394,220)	(13,163,473)
Benefit payments, including refunds of member contributions	(9,960,208)	(10,225,404)
Net Change in Total Pension Liability	(12,982,712)	(15,408,035)
Total Pension Liability – Beginning	166,712,608	153,729,896
Total Pension Liability – Ending (a)	$ 153,729,896	$ 138,321,861
Plan Fiduciary Net Position		
Contributions – employer	$ 4,645,186	$ 4,367,511
Contribution – member	880,155	886,618
Net investment income	4,174,520	9,524,166
Benefit payments, including refunds of member contributions	(9,960,208)	(10,225,404)
Administrative expense	(132,552)	(109,580)
Net Change in Plan Fiduciary Net Position	(392,899)	4,443,311
Plan Fiduciary Net Position – Beginning	68,855,121	68,462,222
Plan Fiduciary Net Position – Ending (b)	$ 68,462,222	$ 72,905,533
Net Pension Liability – Ending (a-b)	$ 85,267,674	$ 65,416,328
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.53%	52.71%
Estimated Covered Employee Payroll	$ 16,710,687	$ 17,145,597
Net Pension Liability as a Percentage of Covered Employee Payroll	510.26%	381.53%

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2017 and 2016, was 8.0% and 7.2%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates.

The rate of 8.0% as of December 31, 2017, is the single-effective discount rate using 8.00% on projected assets sufficient to cover expected cash flows on a projected basis.

The rate of 7.2% as of December 31, 2016, is the single-effective discount rate using 8.00% on projected assets sufficient to cover expected cash flows and 4.00% on remaining cash flows expected to be paid from the Trust, not already funded for by current assets, on a projected basis. As the January 1, 2015 discount rate of 8.00% resulted in a projected depletion of Trust net position by year 2051, a rate of 4.00% was used beginning in the cross-over depletion year of 2052, which is the 20-year tax-free municipal bond, rated AA. The rate of 4.00% was the 2016 average rate per the federalreserve.gov website.

In using the discount rates of 8.0% and 7.2% as of December 31, 2017 and 2016, respectively, the Trust's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2015 and 2014, was 6.1% and 6.0%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rates.

The rate of 6.1% as of December 31, 2015, is the single-effective discount rate using 8.00% on projected assets sufficient to cover expected cash flows and 3.76% on remaining cash flows expected to be paid from the Trust, not already funded for by current assets, on a projected basis. As the January 1, 2015, discount rate of 8.00% resulted in a projected depletion of Trust net position by year 2045, a rate of 3.76% was used beginning in the cross-over depletion year of 2046 which is the 20-year tax-free municipal bond, rated AA. The rate of 3.76% was the 2015 average rate per the federalreserve.gov website.

The rate of 6.0% as of December 31, 2014, is the single-effective discount rate using 8.00% on projected assets sufficient to cover expected cash flows and 4.25% on remaining cash flows expected to be paid from the Trust, not already funded for by current assets, on a projected basis. As the January 1, 2013, discount rate of 8.00% resulted in a projected depletion of Trust net position by year 2037, a rate of 4.25% was used beginning in the cross-over depletion year of 2038 which is the 20-year tax-free municipal bond, rated AA. The rate of 4.25% was the 2014 average rate per the federalreserve.gov website.

In using the discount rates of 6.1% and 6.0% as of December 31, 2015 and 2014, respectively, the Trust's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WILKES-BARRE AGGREGATED 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 for the aggregated pension trust fund as of December 31, 2014, calculated using the discount rate of 6.0%, 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 (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
Net Pension Liability	$ 116,490,960	$ 91,648,530	$ 69,832,463

In addition, the following presents the net pension liability of the city for the aggregated pension trust fund as of December 31, 2015, calculated using the discount rate of 6.1%, 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 (5.1%)	Current Discount Rate (6.1%)	1% Increase (7.1%)
Net Pension Liability	$ 125,032,321	$ 97,857,487	$ 76,017,676

Also, the following presents the net pension liability of the city for the aggregated pension trust fund as of December 31, 2016, calculated using the discount rate of 7.2%, 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 (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Net Pension Liability	$ 110,468,068	$ 85,267,674	$ 67,062,017

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

Furthermore, the following presents the net pension liability of the city for the aggregated pension trust fund as of December 31, 2017, calculated using the discount rate of 8.0%, 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 (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Pension Liability	$ 75,921,820	$ 65,416,328	$ 56,467,588

CITY OF WILKES-BARRE AGGREGATED 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	$ 1,337,851	$ 1,337,851	$ -		
2009	1,468,488	1,468,488	-		
2010	1,541,861	1,541,861	-		
2011	3,397,835	3,397,835	-		
2012	2,455,295	2,455,295	-		
2013	3,142,155	3,142,155	-		
2014	3,207,426	3,207,426	-	$16,638,379	19.28%
2015	4,575,102	4,575,102	-	17,219,631	26.57%
2016	4,645,186	4,645,186	-	16,710,687	27.80%
2017	4,367,511	4,367,511	-	17,145,597	25.47%

* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans,* being implemented only recently, the amount of Covered-Employee Payroll was not provided for years prior to 2015.

SCHEDULE OF INVESTMENT RETURNS

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

2017	14.88%
2016	6.68%
2015	1.10%
2014	6.40%

CITY OF WILKES-BARRE AGGREGATED 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	$ 9,210,941	$ 18,542,087	$ 9,331,146	49.7%
01-01-15	6,606,283	17,145,009	10,538,726	38.5%
01-01-17	5,304,983	16,304,328	10,999,345	32.5%

Note: The market values of the plan's assets at 01-01-13 have been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 70 to 130 percent of the market value of assets. The market value of the plan's assets at 01-01-15 and 01-01-17 has been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 80 to 120 percent of the market value of assets. These methods 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 WILKES-BARRE AGGREGATED 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:

Policemen's Relief 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	$ 18,807,542	$ 21,640,472	$ 2,832,930	86.9%
01-01-15	21,189,859	27,780,930	6,591,071	76.3%
01-01-17	22,670,691	32,491,000	9,820,309	69.8%

Note: The market values of the plan's assets at 01-01-13 have been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 70 to 130 percent of the market value of assets. The market value of the plan's assets at 01-01-15 and 01-01-17 has been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 80 to 120 percent of the market value of assets. These methods 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 WILKES-BARRE AGGREGATED 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:

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)
01-01-13	$ 23,017,148	$ 38,870,907	$ 15,853,759	59.2%
01-01-15	21,692,262	41,456,578	19,764,316	52.3%
01-01-17	18,909,782	41,790,553	22,880,771	45.2%

Note: The market values of the plan's assets at 01-01-13 have been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 70 to 130 percent of the market value of assets. The market value of the plan's assets at 01-01-15 and 01-01-17 has been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 80 to 120 percent of the market value of assets. These methods 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 WILKES-BARRE AGGREGATED 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	$ 8,351,045	$ 18,523,418	$ 10,172,373	45.1%
01-01-15	7,956,229	17,275,022	9,318,793	46.1%
01-01-17	7,031,118	16,069,702	9,038,584	43.8%

Note: The market values of the plan's assets at 01-01-13 have been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 70 to 130 percent of the market value of assets. The market value of the plan's assets at 01-01-15 and 01-01-17 has been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 80 to 120 percent of the market value of assets. These methods 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 WILKES-BARRE AGGREGATED 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 Relief 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	$ 21,295,726	$ 23,418,640	$ 2,122,914	90.9%
01-01-15	23,541,158	26,778,996	3,237,838	87.9%
01-01-17	25,910,291	29,620,878	3,710,587	87.5%

Note: The market values of the plan's assets at 01-01-13 have been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 70 to 130 percent of the market value of assets. The market value of the plan's assets at 01-01-15 and 01-01-17 has been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 80 to 120 percent of the market value of assets. These methods 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.

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 WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

Police Pension Plan

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	$ 239,434	100.0%
2013	317,602	100.0%
2014	229,648	100.0%
2015	1,287,607	100.0%
2016	1,287,607	100.0%
2017	1,454,242	100.0%

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

Policemen's Relief Pension Plan

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	$ 450,500	100.0%
2013	515,757	100.0%
2014	513,294	100.0%
2015	557,006	100.0%
2016	590,391	100.0%
2017	965,042	100.0%

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

Non-Uniformed Pension Plan

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	$ 528,275	100.0%
2013	631,200	100.0%
2014	586,710	100.0%
2015	799,331	100.0%
2016	826,913	100.0%
2017	None	N/A

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

Firemen's Pension Plan

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	$ 848,043	100.0%
2013	1,221,182	100.0%
2014	1,439,056	100.0%
2015	1,403,688	100.0%
2016	1,403,688	100.0%
2017	1,285,903	100.0%

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

Firemen's Relief Pension Plan

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	$ 389,043	100.0%
2013	456,414	100.0%
2014	438,718	100.0%
2015	527,470	100.0%
2016	536,587	100.0%
2017	662,324	100.0%

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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	Plan assets are valued using the method described in Section 210 of Act 205, as amended, subject to a corridor between 80-120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0% compounded annually
Projected salary increases	3.5% compounded annually
Cost-of-living adjustments	None assumed

Policemen's Relief 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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	19 years
Asset valuation method	Plan assets are valued using the method described in Section 210 of Act 205, as amended, subject to a corridor between 80-120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0% compounded annually
Projected salary increases	3.5% compounded annually
Cost-of-living adjustments	None assumed

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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	20 years
Asset valuation method	Plan assets are valued using the method described in Section 210 of Act 205, as amended, subject to a corridor between 80-120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0% compounded annually
Projected salary increases	3.5% compounded annually
Cost-of-living adjustments	None assumed

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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	1 year
Asset valuation method	Plan assets are valued using the method described in Section 210 of Act 205, as amended, subject to a corridor between 80-120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0% compounded annually
Projected salary increases	3.5% compounded annually
Cost-of-living adjustments	None assumed

Firemen's Relief 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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	Plan assets are valued using the method described in Section 210 of Act 205, as amended, subject to a corridor between 80-120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0% compounded annually
Projected salary increases	3.5% compounded annually
Cost-of-living adjustments	None assumed

CITY OF WILKES-BARRE AGGREGATED PENSION TRUST FUND
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This report was initially distributed to the following:

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