

COMPLIANCE AUDIT

Norristown Borough Police Pension Plan

Montgomery County, Pennsylvania
For the Period
January 1, 2015 to December 31, 2018

March 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Borough Council
Norristown Borough
Montgomery County
Norristown, PA 19401

We have conducted a compliance audit of the Norristown Borough Police Pension Plan for the period January 1, 2015 to December 31, 2018. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the finding 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 eight of the plan members 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 benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to 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.
- We determined whether provisions of the Deferred Retirement Option Plan (DROP) were in accordance with the provisions of Act 205 by examining provisions stated in the plan's governing documents.

Norristown Borough contracted with an independent certified public accounting firm for annual audits of the Norristown Borough Police Pension Plan's financial statements, which are available at the borough's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Norristown Borough Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the borough's internal controls as they relate to the borough'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 Norristown Borough Police Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:

- Finding No. 1 – Noncompliance With Prior Audit Recommendation - Pension Benefits Not In Compliance With Act 600
- Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid
- Finding No. 3 – Failure To Maintain An Adequate Record-Keeping System

Finding No. 1 contained in this audit report repeats a condition that was cited in our previous audit report that has not been corrected by borough officials. We are concerned by the borough's failure to correct this previously reported audit finding 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 Norristown Borough Police Pension Plan was to determine compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

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

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it. However, we are extremely concerned about the funded status of the plan contained in the schedule of funding progress included in this report, which indicates **the plan's funded ratio is 61.6% as of January 1, 2017**, which is the most recent data available. **Based on this information, the Municipal Pension Reporting Program issued a notification that the borough is currently in Level II moderate distress status.** We encourage borough officials to monitor the funding of the police pension plan to ensure its long-term financial stability.

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 Norristown Borough and, where appropriate, their responses have been included in the report.

March 11, 2020



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

- Act 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 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 767 et seq.

The Norristown Borough Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 05-30-2005, as amended, adopted pursuant to Act 600. The plan is also affected by the provisions of collective bargaining agreements between the borough and its police officers. The plan was established January 1, 1945. Active members are required to contribute 7.5 percent of compensation to the plan for the year 2015, and 8.0 percent of compensation for the years 2016, 2017, and 2018. As of December 31, 2018, the plan had 65 active members, 3 terminated members eligible for vested benefits in the future, and 80 retirees receiving pension benefits from the plan.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement	Age 50 and 25 years of service.
Early Retirement	Age 45 and 15 years of service.
Vesting	Member is 100% vested after 12 years of service.

Retirement Benefit:

50% of final 36 months average salary, plus a service increment of \$25 per month for each year of service in excess of 25 years. For officers who retired under the window (12/31/94 – 12/31/95), the benefit was 65% of final average salary.

Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions plus interest.
After Retirement Eligibility	A monthly benefit equal to 50% of the pension the member was receiving or was entitled to receive on the day of the member's death.

Service Related Disability Benefit:

Severe	Benefit equals 100% of final average salary.
Moderate	Benefit equals 50% of final average salary.

NORRISTOWN BOROUGH POLICE PENSION PLAN
STATUS OF PRIOR FINDING

Noncompliance With Prior Audit Recommendation

Norristown Borough has not complied with the prior audit recommendation concerning the following as further discussed in the Findings and Recommendations section of this report:

- Pension Benefits Not In Compliance With Act 600

NORRISTOWN BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 - Noncompliance With Prior Audit Recommendation – Pension Benefits Not In Compliance With Act 600

Condition: The borough operates under 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.). As disclosed in the prior audit report, the plan’s normal retirement benefit options provide for actuarial equivalent benefits that are not in compliance with Act 600, and which conflicts with the collective bargaining agreement between the police officers and the borough, as noted below:

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Collective Bargaining Agreement</u>	<u>Act 600</u>
Normal retirement benefit options	A married police officer may elect a joint and 100% survivor annuity instead of a joint and 50% survivor annuity when he retires. That means that the plan will pay benefits in the same equal monthly installments to such a police officer and to his surviving spouse for the duration of their lifetimes. The surviving spouse shall continue to receive this benefit even if she remarries. If no spouse survives, or if she survives and subsequently dies, the child or children under the age of 18 years, or if attending college under or attaining the age of 23 years, shall receive the same benefit. <u>The joint and 100% survivor annuity will be the actuarial equivalent of a fully subsidized joint and 50% survivor annuity.</u> [Emphasis added.]	Not addressed	Not authorized

Criteria: On January 24, 2001, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*. Therein, 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.”

NORRISTOWN BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Furthermore, Section 5(c) of Act 600, states, in part:

Monthly pension or retirement benefits other than length of service increments shall be computed at one half the monthly average salary of such member during not more than the last sixty nor less than the last thirty-six months of employment.

In addition, Section 1(a)(4) of Act 600 provides that the governing body shall prescribe a survivor's benefit "calculated at no less than fifty per centum of the pension the member was receiving or would have been receiving had he been retired at the time of his death."

Cause: Municipal officials failed to update the plan's governing document to be in compliance with Act 600.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan. In addition, providing actuarial equivalent benefits that are not in compliance with Act 600 could result in plan members or their beneficiaries receiving incorrect benefit amounts or being denied benefits to which they are statutorily entitled.

Providing unauthorized pension benefits could increase the plan's pension costs and reduce the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses. Since the borough received state aid based on unit value during the current audit period, it did not receive allocations attributable to the unauthorized pension benefits provided. However, the provision of unauthorized 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.

Recommendation: The department has determined that it will not penalize a home rule municipality for granting benefits not authorized by Act 600 to existing retirees or to individuals who began full time employment before January 24, 2001 (the date *Monroeville* was issued). However, the department expects the borough to restrict pension benefits to those authorized by Act 600 for all employees who began full time employment on or after that date.

Special note should be taken that the department's application of *Monroeville* only to employees hired on or after January 24, 2001, does not sanction (1) a municipality's granting excess benefits to existing or future employees when none had been granted as of January 24, 2001, or (2) a municipality's increasing excess benefits for existing or future employees beyond those that had been granted as of that date.

NORRISTOWN BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Therefore, we again recommend that municipal officials take appropriate action to eliminate the benefit not authorized by Act 600 for police officers hired on or after January 24, 2001, at their earliest opportunity to do so. Furthermore, such benefits may 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 borough's future state aid allocations and submit this information to the department.

Management's Response: Borough officials continue to respectfully disagree with the Auditor General's reading of Act 600 to prohibit joint and survivor benefit options that are actuarially equivalent to a fully subsidized joint and 50% survivor annuity. The Auditor General's finding, however, will be referred to the Plan's Board of Trustees and to the Municipality and FOP for review and appropriate action.

Auditor's Conclusion: We are concerned that the municipality has not complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so. Compliance will be evaluated during our next audit of the plan.

Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid

Condition: The borough failed to certify 1 eligible police officer (2 units) on the Certification Forms AG 385 filed in 2017 and 2018. In addition, the borough certified 1 ineligible police officer (2 units) and overstated payroll by \$119,169 on the Certification Form AG 385 filed in 2019. The ineligible member retired effective January 26, 2018, and entered the borough's Deferred Retirement Option Plan (DROP). The data contained on these certification forms is based on prior calendar year information.

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

Furthermore, Act 205 at Section 402(e)(2) states, in part:

For the purpose of computing and reporting the applicable number of units, a DROP participant shall not be reported to the Auditor General as an active employee.

NORRISTOWN BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Municipal officials were unaware that a police officer who was on worker’s compensation was eligible for certification, and that the police officer who entered the DROP was not eligible for certification.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the borough’s state aid allocations were based on unit value, the borough received a net underpayment of state aid of \$8,304 as identified below:

<u>Year</u>	<u>Units Overstated (Understated)</u>	<u>Unit Value</u>	<u>State Aid Overpayment (Underpayment)</u>
2017	(2)	\$4,588	\$ (9,176)
2018	(2)	\$4,684	\$ (9,368)
2019	2	\$5,120	\$ 10,240
Net Underpayment of State Aid			<u>\$ (8,304)</u>

Although the additional state aid will be allocated to the borough, the full amount of the 2017 and 2018 state aid allocations was not available to be deposited timely and therefore was not available to pay operating expenses or for investment.

Recommendation: We recommend that in the future, plan officials establish adequate internal control procedures, such as having at least two 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.

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

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

NORRISTOWN BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Failure To Maintain An Adequate Record-Keeping System

Condition: Municipal officials did not provide or maintain pension plan records for examination during the course of the audit. The deficiencies are as follows:

- Retiree rosters were not maintained;
- Pension calculations were not maintained in personnel files;
- Cost-of-Living (COLA) calculations were not maintained;
- Signed copies of the 2017 and 2019 Certification Forms AG 490 were not maintained.

Criteria: An adequate system of accounting and record keeping is a prerequisite for sound administration of pension plans.

Cause: Plan officials were unaware of their various record-keeping responsibilities.

Effect: Although we were able to obtain copies from a third-party source in order to complete our audit procedures, the failure of plan officials to maintain adequate records prohibits municipal officials from effectively monitoring the plan's financial operations.

Recommendation: We recommend that plan officials establish accounting procedures which meet the minimum record-keeping requirements of this department. Plan officials should refer to the Auditor General's Bulletin No. 2-88 entitled "Preparation, Maintenance and Auditability of Financial Records," for further guidance in establishing adequate accounting procedures.

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

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

NORRISTOWN BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 9 through 11 reflects the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, 2016, 2017, AND 2018

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability					
Service cost	\$ 742,377	\$ 860,540	\$ 874,495	\$ 895,945	\$ 899,623
Interest	2,837,181	2,946,663	3,136,765	3,049,663	3,246,813
Difference between expected and actual experience	280,388	48,139	(1,507,870)	123,388	56,203
Changes of assumptions	-	831,674	-	901,586	-
Benefit payments, including refunds of member contributions	(2,447,676)	(2,310,845)	(2,338,562)	(2,429,255)	(2,431,517)
Net Change in Total Pension Liability	1,412,270	2,376,171	164,828	2,541,327	1,771,122
Total Pension Liability - Beginning	35,715,902	37,128,172	39,504,343	39,669,171	42,210,498
Total Pension Liability - Ending (a)	<u>\$ 37,128,172</u>	<u>\$ 39,504,343</u>	<u>\$ 39,669,171</u>	<u>\$ 42,210,498</u>	<u>\$ 43,981,620</u>
Plan Fiduciary Net Position					
Contributions - Commonwealth of Pennsylvania	\$ 693,257	\$ 716,145	\$ 790,692	\$ 840,969	\$ 857,578
Contributions - municipality	887,403	1,497,597	1,574,143	1,547,856	1,708,444
Contributions - municipality pension bond	-	-	-	879,732	-
Contributions - military buyback	-	-	8,371	-	-
Contributions - participants	428,217	479,263	516,887	551,619	526,764
Net investment income	1,142,207	64,102	1,373,062	4,011,362	(1,801,449)
Benefit payments, including refunds of member contributions	(2,447,676)	(2,310,845)	(2,338,562)	(2,429,255)	(2,431,517)
Administrative expense	(75,771)	(74,274)	(72,796)	(75,468)	(80,496)
Net Change in Plan Fiduciary Net Position	627,637	371,988	1,851,797	5,326,815	(1,220,676)
Plan Fiduciary Net Position - Beginning	22,143,488	22,771,125	23,143,113	24,994,910	30,321,725
Plan Fiduciary Net Position - Ending (b)	<u>\$ 22,771,125</u>	<u>\$ 23,143,113</u>	<u>\$ 24,994,910</u>	<u>\$ 30,321,725</u>	<u>\$ 29,101,049</u>
Net Pension Liability - Ending (a-b)	<u>\$ 14,357,047</u>	<u>\$ 16,361,230</u>	<u>\$ 14,674,261</u>	<u>\$ 11,888,773</u>	<u>\$ 14,880,571</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.33%	58.58%	63.01%	71.83%	66.17%
Estimated Covered Employee Payroll	\$ 6,494,921	\$ 6,819,667	\$ 6,681,750	\$ 6,831,479	\$ 6,974,654
Net Pension Liability as a Percentage of Covered Employee Payroll	221.05%	239.91%	219.62%	174.03%	213.35%

NORRISTOWN BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the borough as of December 31, 2014, calculated using the discount rate of 8.25%, as well as what the borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
Net Pension Liability - 12/31/14	\$ 18,480,969	\$ 14,357,047	\$ 10,855,059

In addition, the following presents the net pension liability of the borough as of December 31, 2015 and 2016, calculated using the discount rate of 8.00%, as well as what the borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
Net Pension Liability - 12/31/15	\$ 20,806,132	\$ 16,361,230	\$ 12,592,289
Net Pension Liability - 12/31/16	\$ 19,065,322	\$ 14,674,261	\$ 10,944,665

Furthermore, the following presents the net pension liability of the borough as of December 31, 2017 and 2018, calculated using the discount rate of 7.75%, as well as what the borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Net Pension Liability - 12/31/17	\$ 16,606,335	\$ 11,888,773	\$ 7,887,887
Net Pension Liability - 12/31/18	\$ 19,742,213	\$ 14,880,571	\$ 10,754,319

NORRISTOWN BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2009	\$ 561,254	\$ 561,254	\$ -	\$5,215,234	10.76%
2010	629,124	629,124	-	6,047,527	10.40%
2011	1,342,405	1,342,405	-	5,822,171	23.06%
2012	1,294,190	1,294,190	-	5,954,543	21.73%
2013	1,567,645	1,567,645	-	5,698,376	27.51%
2014	1,580,660	1,580,660	-	6,494,921	24.34%
2015	2,213,742	2,213,742	-	6,819,667	32.46%
2016	2,364,835	2,364,835	-	6,681,750	35.39%
2017	2,388,825	2,388,825	-	6,831,479	34.97%
2018	2,566,022	2,566,022	-	6,974,654	36.79%

SCHEDULE OF INVESTMENT RETURNS

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

2018	(5.43)%
2017	16.66%
2016	6.57%
2015	0.67%
2014	5.80%
2013	16.86%
2012	13.54%
2011	0.97%
2010	13.18%
2009	23.10%

NORRISTOWN BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

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

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

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-13	\$ 20,249,399	\$ 35,302,532	\$ 15,053,133	57.4%
01-01-15	22,771,125	37,959,846	15,188,721	60.0%
01-01-17	24,994,910	40,570,757	15,575,847	61.6%

NORRISTOWN BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

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

NORRISTOWN BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

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

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75%
Cost-of-living adjustments	The lifetime maximum COLA is 5% of final average salary.

NORRISTOWN BOROUGH POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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Councilwoman

Mr. Crandall Jones
Municipal Administrator

Mr. Norman Butts
Finance Director

Ms. Kathy Pfister
Controller

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