

**CITY OF COATESVILLE NONUNIFORMED PENSION PLAN**

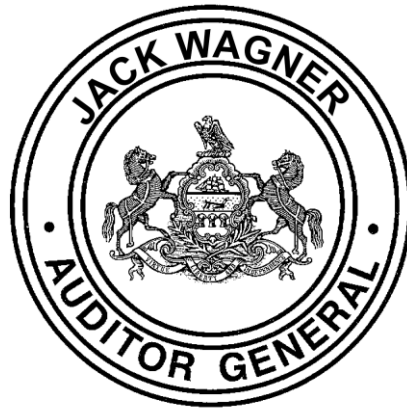
**CHESTER COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2007, TO DECEMBER 31, 2009**





**CITY OF COATESVILLE NONUNIFORMED PENSION PLAN**

**CHESTER COUNTY**

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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.

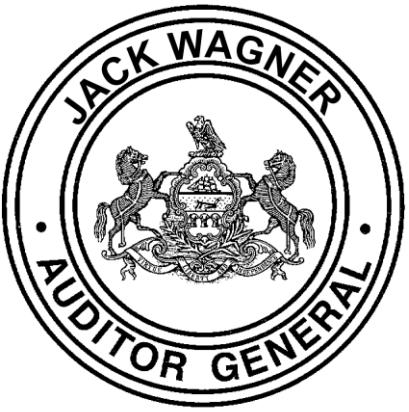
Pension plan aid is provided from a 2 percent foreign casualty insurance premium tax, a portion of the foreign fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, 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 Coatesville Nonuniformed Pension Plan is also governed by implementing regulations adopted by the 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 177 - General Local Government Code, Act of December 19, 1996 (P.L. 1178, No. 177), as amended, 53 Pa.C.S. § 101 et seq.

Act 317 - The Third Class City Code, Act of June 23, 1931 (P.L. 932, No. 317), as amended, 53 P.S. § 35101 et seq.

The City of Coatesville Nonuniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Chapter 38, Article II of the city's codified ordinances, adopted pursuant to Act 317. The plan is also affected by the provisions of collective bargaining agreements between the city and its nonuniformed employees.





City Council  
City of Coatesville  
Chester County  
Coatesville, PA 19320

We have conducted a compliance audit of the City of Coatesville Nonuniformed Pension Plan for the period January 1, 2007, to December 31, 2009. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with *Government Auditing Standards* applicable to performance audits 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 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. The City of Coatesville contracted with an independent certified public accounting firm for audits of its basic financial statements for the years ending December 31, 2007 and 2008, 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 Coatesville Nonuniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the city's internal controls as they relate to the city's compliance with those requirements and that we considered to be significant within the context of our audit objectives, and assessed whether those significant controls were properly designed and implemented. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to the extent necessary to satisfy the audit objectives.

The results of our tests indicated that, in all significant respects, the City of Coatesville Nonuniformed 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 – Inconsistent And Unauthorized Pension Benefits
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid
- Finding No. 3 – Failure To Fully Pay The Minimum Municipal Obligation Of The Plan
- Finding No. 4 – Failure To Determine And Submit The Financial Requirements And Minimum Municipal Obligation Of The Plan
- Finding No. 5 – Failure To Determine Vested Pension Benefits
- Finding No. 6 – Failure To Maintain Adequate Minutes Of Pension Board Meetings

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

The contents of this report were discussed with officials of the City of Coatesville and, where appropriate, their responses have been included in the report.

February 11, 2011

JACK WAGNER  
Auditor General

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDINGS

Noncompliance With Prior Audit Recommendations

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

- Inconsistent And Unauthorized Pension Benefits
- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Inconsistent And  
Unauthorized Pension Benefits

Condition: 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.). The audit report for the period January 1, 1999, to December 31, 2000, cited the city for providing pension benefits in excess of the Third Class City Code. The January 1, 2005, to December 31, 2009, collective bargaining agreement provided Third Class City pension benefits to all employees of the bargaining unit hired after January 2001, in compliance with that prior audit recommendation. However, as disclosed in the prior audit report, the pension plan’s governing document contains benefit provisions that conflict with the collective bargaining agreement between the nonuniformed employees and the city and are not authorized by the Third Class City Code, as noted below:

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Collective Bargaining Agreement</u>	<u>Third Class City Code</u>
Normal retirement eligibility	Age 65 with no service requirement.	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	Age 60 with 20 years of service.
Normal retirement benefit	Monthly pension benefit equal to years of service times:  Before 1/1/00, \$25; Effective 1/1/00, \$30; Effective 1/1/01, \$35; Effective 1/1/02, \$40; Effective 1/1/03, \$45; and Effective 1/1/04, \$50	The city will provide a benefit of \$50 per month per year of service as a City employee with a hire date prior to January, 2001. The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	50% of the highest average annual salary during any 5 years of service.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Collective Bargaining Agreement</u>	<u>Third Class City Code</u>
Social Security offset	Not specified	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	For employees covered by Social Security, a reduction in the pension by 40% of the participant's primary Social Security insurance amount attributable to city service to be made at the time that the participant becomes eligible to receive the Social Security primary insurance benefit.
Member contribution rate	Member contributions not required.	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	Two percent (2%), if the employees are not covered by Social Security, or 3.5% of compensation on which Social Security is payable, and 5% of any compensation in excess of that amount.
Refund of members' contributions	Not specified	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	For employees ineligible to receive a pension benefit for any reason, their contributions must be returned, without interest, to the member or his estate, if payment is due to death.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Collective Bargaining Agreement</u>	<u>Third Class City Code</u>
Early retirement eligibility	Age 55 with 10 years of service.	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	20 years of service with no age requirement.
Early retirement benefit	The monthly pension accrued to the early retirement date, actuarially reduced and paid immediately.	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	A normal pension payable at age 60 if the participant continues paying monthly member's contributions equal to the last amount due while in active employment until the member reaches age 60.
Disability benefits	Not specified	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	For total and permanent disabilities occurring after 10 years of service and before age 60, benefit equals normal retirement benefit without offset for Social Security benefits.
Vesting eligibility	5 years of service.	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	12 years of service.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Collective Bargaining Agreement</u>	<u>Third Class City Code</u>
Vested benefit	Employee's accrued pension at termination, payable on normal retirement date.	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	Base pension times the percentage member's years of service bears to years of service member would have rendered by his earliest retirement date, payable at normal retirement date.
Pension benefit payment options	The monthly pension may be paid under one of the following options: <ol style="list-style-type: none"> <li>1. Lifetime pension – payments payable to retiree until death;</li> <li>2. Joint and survivor pension – payments until the later of the death of retiree or survivor, with survivor's benefit of 100%, 75%, 66 2/3% or 50% of the retiree's benefit; or</li> <li>3. Lifetime pension with certain period payments payable to retiree or beneficiary until the later of retiree's death or a payment of a specified number of payments (120 or 180).</li> </ol>	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	Payment options are not provided.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Collective Bargaining Agreement</u>	<u>Third Class City Code</u>
Survivor benefit	The death benefit shall be a monthly pension equal to 50% of the pension the deceased employee would have been entitled to receive if the employee had retired on the date of death.	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	A survivor benefit to the surviving spouse of a deceased employee who was retired or killed-in-service equal to 50% of the pension benefit to which the participant was entitled as of the date of death.
Credit for prior city service	Not specified	The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 2001.	Rehired employees who previously withdrew their members' contributions shall not receive credit for prior city service unless they return the amount withdrawn.

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.” The court’s holding was in accord with the position taken by this department since at least January 1995.

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 date *Monroeville* was issued). However, the department expects the city to restrict pension benefits to those authorized by the Third Class City Code for all employees who began full-time employment on or after that date.



CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

In addition, a governing document which contains clearly defined and updated benefit provisions is a prerequisite for the consistent, sound administration of retirement benefits. Furthermore, the pension plan's benefit structure should be in compliance with the provisions of the Third Class City Code.

Cause: Municipal officials failed to establish adequate internal control procedures to ensure compliance with the prior audit recommendation.

Effect: Inconsistent benefit provisions could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Providing unauthorized pension benefits increases the plan's pension costs and reduces the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses. The provision of unauthorized pension benefits may have resulted in the receipt of excess state aid and could increase the municipal contributions necessary to fund the plan in accordance with Act 205 funding standards.

Recommendation: We again recommend that municipal officials amend the plan's governing document, as necessary, to eliminate the inconsistencies with the collective bargaining agreement.

To the extent that the city is not in compliance with the Third Class City Code and/or is contractually obligated to pay benefits to existing plan members 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 must determine the impact, if any, of the excess benefits on the city's state aid allocations received in the years 2008 and 2009, and submit this information to the department.

Management's Response: Municipal officials agreed with the finding without exception and are in the process of writing a restated plan agreement.

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

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

Condition: As disclosed in the prior audit report, the city failed to certify 1 eligible nonuniformed employee (1 unit) and understated payroll by \$41,684 in 2006 on Certification Form AG 385. During the current audit period, city officials failed to comply with the recommendation in the prior audit report to establish adequate internal control procedures to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

As a result, the city failed to certify 1 eligible nonuniformed employee (1 unit) and understated payroll by \$56,769 in 2008 on Certification Form AG 385. In addition, the city certified 2 ineligible police officers (4 units) and overstated payroll by \$2,739, and certified 5 ineligible nonuniformed employees (5 units) and overstated payroll by \$95,091 in 2009 on Certification Form AG 385. Furthermore, the city understated police payroll by \$46,931 in 2010, and certified 6 ineligible nonuniformed employees (6 units) and overstated payroll by \$105,322 in 2010 on Certification Form AG 385.

Criteria: 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.

In addition, pursuant to the instructions that accompany Certification Form AG 385, the total payroll eligible to be certified should be Internal Revenue Service Form W-2 earnings pertaining to full-time positions.

Cause: Plan officials failed to establish adequate internal control procedures to ensure compliance with the prior audit recommendation.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: The data submitted on these certification forms 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 allocations for the years 2008 and 2009 were based on pension costs, and 2010 was based on unit value, the incorrect certification of pension data affected the city’s state aid allocations, as identified below:

Year	Type Of Plan	Units Overstated	Unit Value	Normal Cost	Payroll Overstated (Understated)	State Aid Overpayment (Underpayment)
2008	Nonuniformed			5.25764%	\$ (56,769)	\$ (2,985)
2009	Police			19.73601%	\$ 2,739	\$ 540
	Nonuniformed			5.25764%	\$ 95,091	\$ 5,000
2010	Nonuniformed	6	\$ 3,235			\$ 19,410
Net Overpayment of State Aid						<u>\$ 21,965</u>

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

Recommendation: We recommend that the net overpayment of state aid, in the amount of \$21,965, 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, 11 Stanwix Street, Suite 1450, Pittsburgh, PA 15222. A copy of the interest calculation must be submitted along with the check.

We also recommend that, in the future, plan officials comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

In addition, if the reimbursement to the Commonwealth is made from nonuniformed 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.

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

Finding No. 3 – Failure To Fully Pay The Minimum Municipal Obligation Of The Plan

Condition: The city did not fully pay the minimum municipal obligation (MMO) that was due to the nonuniformed pension plan for the year 2010, as required by Act 205. The city had an unpaid 2010 MMO balance of \$3,829.

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Section 302(d) of Act 205 states, in part:

The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Furthermore, Section 302(e) of Act 205 states, in part:

Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid. . . .

Cause: Plan officials failed to establish adequate internal control procedures to ensure the MMO was fully paid in accordance with Act 205 requirements.

Effect: The failure to fully pay the MMO could result in the plan not having adequate resources to meet current and future benefit obligations to its members.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Due to the city’s failure to fully pay the 2010 MMO by the December 31, 2010, deadline, the city must add the 2010 MMO balance to the current year’s MMO and include interest, as required by Act 205.

Recommendation: We recommend that the city pay the MMO due to the nonuniformed pension plan for the year 2010, with interest, in accordance with Section 302(e) of Act 205. A copy of the interest calculation must be maintained by the city for examination during our next audit of the plan.

Furthermore, we recommend that plan officials establish adequate internal control procedures to ensure the plan’s MMO is fully paid in accordance with Act 205 requirements.

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

Finding No. 4 – Failure To Determine And Submit The Financial Requirements And Minimum Municipal Obligation Of The Plan

Condition: Plan officials did not determine the financial requirements of the plan (FRP) or the minimum municipal obligation (MMO) of the nonuniformed pension plan for the year 2011, as required by Act 205. In addition, the chief administrative officer (CAO) of the plan failed to submit the FRP and MMO to the governing body of the city, as required by Act 205.

Criteria: With regard to the FRP, Section 302(b) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the financial requirements of the pension plan for the following plan year.

With regard to the MMO, Section 302(c) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Furthermore, Section 304 of Act 205 states, in part:

The chief administrative officer of each pension plan shall submit the financial requirements of the pension plan and the minimum obligation of the municipality with respect to the pension plan, with appropriate documenting detail, to the governing body of the municipality on or before the last business day in September, annually.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the 2011 MMO was determined and submitted in accordance with Act 205 requirements.

Effect: The proper determination and submission of the plan's FRP and MMO ensures plan officials can properly allocate the necessary resources to the pension plan for the upcoming year.

Recommendation: We recommend that the CAO determine the FRP and MMO of the pension plan for the year 2011 and submit these calculations to the governing body, as required by Act 205.

In addition, plan officials should establish adequate internal control procedures, which could include a written procedure manual, to assist them in complying with Act 205 reporting and funding requirements.

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

Finding No. 5 – Failure To Determine Vested Pension Benefits

Condition: The city failed to determine vested pension benefits for six plan members who terminated employment with the city during the audit period.

Criteria: The city should timely determine and maintain adequate supporting documentation to substantiate the accuracy of vested pension benefits.

Cause: The plan consultant is waiting to calculate these vested pension benefits until after a restated plan document is adopted by the city.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Effect: The failure of plan officials to timely determine vested pension benefits could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that plan officials establish adequate internal control procedures to ensure that all vested pension benefits are determined timely, supported by adequate documentation and maintained by the city.

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

Finding No. 6 – Failure To Maintain Adequate Minutes Of Pension Board Meetings

Condition: The city failed to maintain adequate minutes of the pension board meetings.

Criteria: Maintaining documentation of pension board meetings is a prerequisite for the sound administration of pension plans.

Cause: Municipal officials were unaware of their fiduciary responsibility to maintain minutes of pension board meetings.

Effect: The failure to maintain adequate minutes of pension board meetings could lead to undetected errors or improprieties in plan transactions as well as deficiencies in authorizing and implementing pension plan policies.

Recommendation: We recommend that plan officials maintain a permanent record of all pension board meetings. The minutes should include an adequate record of all financial-related business conducted by the pension board.

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

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
POTENTIAL WITHHOLD OF STATE AID

Finding No. 2 contained in this audit report cites an overpayment of state aid to the city in the amount of \$21,965. A condition of a repeat finding of this nature may lead to a total withholding of state aid in the future unless that finding is corrected. 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, 11 Stanwix Street, Suite 1450, Pittsburgh, PA 15222.



CITY OF COATESVILLE NONUNIFORMED 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, except for distressed pension plans, for which annual reporting was required through January 1, 2003. The historical information, beginning as of January 1, 2005, is as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
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)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
01-01-05	\$ 634,592	\$ 948,110	\$ 313,518	66.9%	\$ 1,807,063	17.3%
01-01-07	900,464	1,093,547	193,083	82.3%	1,319,202	14.6%
01-01-09	924,535	1,283,370	358,835	72.0%	1,466,412	24.5%

CITY OF COATESVILLE NONUNIFORMED 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.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (Column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed percentage, the stronger the plan.

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2004	\$ 64,173	100.0%
2005	99,083	104.0%
2006	110,082	100.0%
2007	88,282	122.8%
2008	108,085	184.0%
2009	108,518	100.0%

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 NOTES TO SUPPLEMENTARY SCHEDULES  
 (UNAUDITED)

The information presented in the required 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, 2009
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	16 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return *	7.0%
Projected salary increases *	5.0%
* Includes inflation at	Not disclosed
Cost-of-living adjustments	None assumed

CITY OF COATESVILLE NONUNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

City of Coatesville Nonuniformed Pension Plan  
Chester County  
One City Hall Place  
Coatesville, PA 19320

Mr. Karl Marking	Council President
Mr. Kirby Hudson	Assistant City Manager
Ms. Stacy Bjorhus	Finance Director

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