

COMPLIANCE AUDIT

City of York Pension Trust Fund York County, Pennsylvania For the Period January 1, 2018 to December 31, 2019

July 2021



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and City Council
City of York Pension Trust Fund
York County
York, PA 17401

We have conducted a compliance audit of the City of York Pension Trust Fund for the period January 1, 2018 to December 31, 2019. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our 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 report; and
2. To determine if the pension trust fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior 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 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 plan members who retired or elected to vest during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the monthly pension benefits 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, 2017 and January 1, 2019 actuarial valuation reports were prepared and submitted by March 31, 2018 and 2020, in accordance with Act 205 and whether selected information provided on these reports are 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 the pension plan is in compliance with Act 205 for distressed municipalities through inquiry of plan officials and evaluation of the recovery remedies implemented during the audit period and through the completion of our fieldwork procedures.
- 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.
- 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.

The City of York contracted with an independent certified public accounting firm for an audit of its basic financial statements for the year ended December 31, 2018 which are available at the city's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of York Pension Trust Fund is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the City of York Pension Trust Fund 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 Benefit Not Authorized By The Plan’s Governing Document
- Finding No. 2 – Partial Compliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid
- Finding No. 3 – Partial Compliance With Prior Audit Recommendation – Failure To Properly Fund The City’s Pension Plans In Accordance With Special Taxing Provisions Of Act 205
- Finding No. 4 – Partial Compliance With Prior Audit Recommendation – Failure to Fully Pay The Minimum Municipal Obligation Of The Plan

The findings contained in this audit report repeat conditions that were cited in our previous audit report that have not been corrected by city officials. We are concerned by the city’s failure to correct these 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 York Pension Trust Fund was to determine compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Among several provisions relating to municipal pension plans, Act 205 which was amended on September 18, 2009, through the adoption of Act 44 of 2009, provides for the implementation of a distress recovery program. Three levels of distress have been established:

<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%

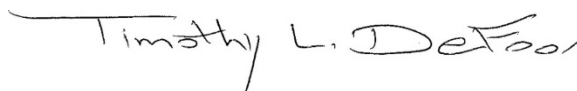
The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The data contained in the schedules of funding progress and from the January 1, 2019, actuarial valuation reports filed with the Municipal Pension Reporting Program for the city's police, firefighter's, and officers and employees pension plans contained the following aggregated funding data:

<u>Actuarial Valuation of Assets</u>	<u>Actual Accrued Liability</u>	<u>Funding Ratio</u>
\$ 112,035,278	\$ 191,998,194	58.4%

Based on this information, the Municipal Pension Reporting Program issued a notification that the City of York continues to be in Level II moderate distress status. **We are extremely concerned about the funded status of the city's pension plans, particularly the police and firefighter's pension plans, which are 59.6% and 47.0% funded, respectively, as of January 1, 2019, and we strongly encourage city officials to monitor the funding of its pension plans to ensure the plans' long-term financial stability.**

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



Timothy L. DeFoor
Auditor General

June 16, 2021

CONTENTS

	<u>Page</u>
Background	1
Status of Prior Findings	3
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Recommendation – Pension Benefit Not Authorized By The Plan’s Governing Document	5
Finding No. 2 – Partial compliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment of State Aid	7
Finding No. 3 – Partial Compliance With Prior Recommendation – Failure To Properly Fund The City’s Pension Plans In Accordance With Special Taxing Provisions Of Act 205.....	10
Finding No. 4 – Partial Compliance With Prior Recommendation – Failure To Fully Pay The Minimum Municipal Obligations of the Plans.....	12
Potential Withhold of State Aid.....	15
Supplementary Information	16
Report Distribution List	26

BACKGROUND

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

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the City of York Pension Trust Fund is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 399 - Optional Third Class City Charter Law, Act of July 15, 1957 (P.L. 901, No. 399), as amended, 53 P.S. § 41101 et seq.

The City of York Pension Trust Fund serves as a common administrative and investment agent for the city's police, firefighter's, and officers and employees pension plans. The police, firefighter's, and officers and employees pension plans are single-employer defined benefit pension plans locally controlled by the provisions of Article 169, 171, and 167, as amended, respectively, of the city's codified ordinances adopted pursuant to Act 399. These plans are also affected by the provisions of separately executed collective bargaining agreements between the city and its police officers, firefighters, and non-uniformed employees.

BACKGROUND – (Continued)

The police plan was established March 21, 1930. Active members are required to contribute 5 percent of base salary to the plan. As of December 31, 2019, the plan had 90 active members, 3 terminated members eligible for vested benefits in the future, and 136 retirees receiving pension benefits.

The firefighter's plan was established April 1, 1947. Active members hired prior to January 1, 2007, are required to contribute 5 percent of base salary plus \$1 per month to the plan. Active members hired on or after January 1, 2007, are required to contribute 6 percent of base salary to the plan. As of December 31, 2019, the plan had 58 active members, 1 terminated member eligible for vested benefits in the future, and 93 retirees receiving pension benefits.

The officers and employees plan was established May 23, 1945. Active members are required to contribute 2 percent of base salary to the plan. If service increments are provided, an additional $\frac{1}{2}$ (.5) percent is contributed. As of December 31, 2019, the plan had 164 active members, 25 terminated members eligible for vested benefits in the future, and 144 retirees receiving pension benefits.

CITY OF YORK PENSION TRUST FUND STATUS OF PRIOR FINDINGS

Compliance With Prior Recommendations

City of York has complied with the prior recommendations concerning the following:

- Failure To Determine And Submit The Financial Requirements And Minimum Municipal Obligation Of The Plan (FRP-MMO)

During the current audit period, the CAO properly determined and submitted the annual FRP-MMOs for the city's pension plans in accordance with Act 205 and maintained readily available copies of such calculations, along with approvals evidencing compliance by the governing body in the books and records of the city's pension fund.

Partial Compliance With Prior Recommendation

City of York has partially complied with the prior recommendation concerning the following:

- Failure To Properly Fund The City's Pension Plans In Accordance With Special Taxing Provisions Of Act 205

During the current audit period, the city, with assistance from its actuary, determined the city's required level of contributions under Section 607(f) of Act 205. However, the city failed to make the required contributions for 2020, as further discussed in the Findings and Recommendations section of this report;

- Failure To Fully Pay The Minimum Municipal Obligation Of The Plan

In 2019, the city paid the outstanding MMO due to the firefighter's pension plan for the year 2017, with interest, in accordance with Section 302(e) of Act 205. However, the city failed to fully pay the MMOs due the Police and Officers and Employees pension plans for 2020, as further discussed in the Findings and Recommendations section of this report; and

- Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid

During the current audit period, the city reimbursed \$64,466 to the Commonwealth for the total overpayment of state aid received during 2016 through 2018; however, plan officials failed to include the interest due on the this overpayment. In addition, plan officials again failed to comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data in 2020, as further discussed in the Findings and Recommendations section of this report.

CITY OF YORK PENSION TRUST FUND
STATUS OF PRIOR FINDINGS

Noncompliance With Prior Recommendation

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

- Pension Benefit Not Authorized By The Plan's Governing Document

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Recommendation – Pension Benefit Not Authorized By The Plan’s Governing Document

Condition: As disclosed in the prior audit report, municipal officials provided pension benefits in excess of those authorized by the Officers and Employees pension plan’s governing document, Article 167, as amended. Pension benefit calculations for four retirees were prepared using wages earned that were excluded by the governing document, thereby increasing the amount of the pension benefit. The condition remained during the current audit period.

Criteria: Section 3.2(c) of the pension plan’s governing document, Ordinance No. 39, states, in part:

...each eligible participant shall receive an annual benefit payable at his normal retirement date equal to 2.0% of average annual compensation multiplied by the years of benefit service, up to a maximum of 40 years.

In addition, Section 1.3(c) of the pension plan’s governing document, Ordinance No. 39, states, in part:

Average annual compensation means... the average of a participant’s annual compensation over the highest 5-consecutive year period out of the last 10 years preceding the date of employment termination.

Furthermore, Section 1.3(a)(1) of the pension plan’s governing document, Ordinance No. 39, states, in part:

Compensation means the sum of the following for the applicable period:

- Base salary
- Longevity pay

Cause: Although plan officials agreed with the prior recommendation, the pension benefits were not recalculated and adjusted prospectively, as previously recommended.

Effect: The plan continues paying pension benefits to 4 retirees in the Officers and Employees pension plan in excess of those authorized by the plan’s governing document. As of the date of this report, the retirees received excess benefits totaling approximately \$4,401 from their respective retirement dates through the date of this report.

CITY OF YORK PENSION TRUST FUND FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Providing unauthorized pension benefits increases the plan's pension costs and reduces the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses. Since the city received state aid based on unit value during the current audit period, it did not receive allocations attributable to the excess pension benefits provided. However, the increased costs to the pension plan as a result of the excess pension benefits could result in the receipt of excess state aid in the future and increase the municipal contributions necessary to fund the plan in accordance with Act 205 funding standards.

Recommendation: We again recommend that the pension benefits of any retirees whose benefits were not determined in accordance with the provisions of the plan's governing document be adjusted prospectively. In addition, any excess benefit payments made from the plan will be deemed ineligible for funding with state aid. Accordingly, the pension plan's actuary may be required to determine the impact, if any, of the excess benefit payments on the city's future state aid allocations and submit this information to the Department. If it is determined that the excess benefit payments had an impact on the city's future state aid allocations after the submission of this information, the plan's actuary would then be required to contact the Department to verify the overpayment of state aid received. Plan officials would then be required to reimburse the overpayment to the Commonwealth.

We further recommend that future pension benefits be calculated and paid in accordance with the applicable provisions contained in the plan's governing document in effect at the time of a plan member's retirement.

Management's Response: The city provided the following response:

The city will recalculate the pension amount due to each participant; notify the respective participant of their respective overpayment; and make arrangement to recoup said overpayment through an agreed upon payment plan with each respective participant. The goal is to have this task completed by no later than December 1, 2021.

Auditor's Conclusion: Based on the management response, it appears municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the pension trust fund.

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Partial Compliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment of State Aid

Condition: As disclosed in the Status of Prior Finding section of this report, although the city reimbursed the Commonwealth for the overpayment of state aid received during the prior period, plan officials failed to include the interest due on the overpayment. In addition, plan officials again failed to comply with the instructions that accompanied Certification Form AG 385 to assist them in accurately reporting the required pension data. During the current audit period, the city certified 2 ineligible police officers (4 units), 1 ineligible non-uniformed employee (1 unit) and 1 ineligible firefighter (2 units) but also failed to properly include 1 eligible police officer (2 units), 4 eligible non-uniformed employees (4 units), and 1 eligible firefighter (2 units) on the Certification Form AG 385 filed in 2020. The ineligible police officers and firefighter had retired prior to July 1, 2019, and entered their respective Deferred Retirement Option Program (DROP) and were therefore ineligible for certification purposes according to Act 205.

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.

Cause: Plan officials were unaware that when submitting the rosters accompanying the electronic filing of the AG 385 form during 2020, the last member appearing alphabetically on each plan's roster was not appropriately included on the electronic filing form and the city lacked adequate internal control procedures, such as having another individual review the accuracy of the data certified, to timely detect the omissions prior to submission. In addition, plan officials again failed to properly exclude DROP participants, along with their respective compensation, as previously recommended in the prior report.

CITY OF YORK PENSION TRUST FUND FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: The data submitted on this certification form is used, in part, to calculate the state aid due the municipality for distribution to its pension plan. Because the city's state aid allocation was based on unit value, the city received a net underpayment of 2020 state aid as identified below:

Type Of Plan	Units Overstated (Understated)	Unit Value	State Aid Overpayment (Underpayment)
Police	2	\$ 4,924	\$ 9,848
Officers & Employees	(3)	4,924	(14,772)
Total Underpayment of State Aid			<u>\$ (4,924)</u>

Although the city will be reimbursed for the underpayment of state aid due to the city's certification error, the full amount of the 2020 state aid allocation was not available to be deposited timely and therefore was not available to pay operating expenses or for investment.

Recommendation: We again recommend that the city calculate and pay the interest due on the state aid overpayment received during the prior period to the Commonwealth. The interest should be compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, and 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 again 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.

Management's Response: The city provided the following response:

The City disagrees in part and agrees in part [sic] with this finding. The City reimbursed the \$64,467 overpayment of state aid to the Commonwealth but did not include interest due. The City disagrees with this finding. The previous pension plan audit referenced this finding but failed to include the City also owed interest on the net overpayment of state aid in the amount of \$64,466¹. Therefore, it is the city's position that it does not owe any interest on this amount. The city paid what it was told to pay. The city agrees with the finding of incorrect data on the Certification Form AG 385 resulting in an underpayment of state aid.

¹ The 2016 – 2017 Pension Plan audit report references an overpayment of \$64,467 versus the \$64,466 referenced in the 2018 – 2019 pension plan report.

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Auditor's Conclusion: The department disagrees with the City's assertion. The recommendation contained in the prior audit report indicates the following:

We recommend that the net overpayment of state aid, in the amount of \$64,466, plus interest, be returned to the Commonwealth from its general fund. 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.

In addition, correspondence dated December 31, 2019 from this department to the city denoting receipt of the city's state aid reimbursement included the following:

Earlier this year, we received the check you submitted in the amount of \$64,466, dated July 9, 2019, as evidence of compliance with Finding No. 1 contained in the City of York Pension Trust Fund audit report for the period January 1, 2016 to December 31, 2017. Considering the documentation provided, it appears the city has substantially complied with the finding recommendation. The city should be aware that the reimbursement of state aid did not include interest, as recommended in the finding. This compliance will be subject to verification during our next audit of the pension trust fund.

Therefore the finding remains as stated. Compliance will be evaluated during our next audit of the pension trust fund.

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Partial Compliance With Prior Recommendation – Failure To Properly Fund The City’s Pension Plans In Accordance With Special Taxing Provisions Of Act 205

Condition: As disclosed in the Status of Prior Findings section of this report, the city, with assistance from its actuary, partially complied with the prior recommendation by determining the city’s required level of contributions under Section 607(f) of Act 205. Based on a computation provided by the city, the city’s level of contributions determined under the distressed special tax provisions of Act 205 totaled \$9,827,678 for 2020; however, the city failed to meet its determined level of contributions during 2020 in accordance with such provisions.

In addition, it was also noted that based on records maintained by the city, although the city received \$3,816,600 in special tax revenues collected under the act during 2020, none of the proceeds of the special tax were used to defray the additional costs required to be paid pursuant to Act 205 directly related to its pension plans during 2020 despite the funding deficiencies noted above and in Finding No. 4 contained in this report.

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, relative to the additional remedies available to distressed municipalities to assist with the funding of their pension plans, Section 607(f) of Act 205 further states:

(f) Special municipal taxing authority.

- (1) If the tax rates set by the municipality on earned income or on real property are at the maximum provided by applicable law, the municipality may increase its tax on either earned income or real property above those maximum rates. The proceeds of this special municipal tax increase shall be used solely to defray the additional costs required to be paid pursuant to this act, which are directly related to the pension plans of the municipality. The municipality utilizing this special municipal taxing authority shall not reduce the level of municipal contributions to the pension plans prior to the implementation of the special municipal taxing authority. [Emphasis added.]

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

- (2) The average level of municipal contributions to the pension plans from all revenue sources for the three years immediately prior to the implementation of the special municipal taxing authority shall be expressed as a percentage of the average covered payroll for that same three-year period: Provided, however, that any supplemental contributions made to the plans pursuant to any pension recovery legislation enacted by the municipalities shall be excluded for purposes of determining the level of municipal contribution to the pension plans prior to the implementation of the special municipal taxing authority. In each year subsequent to the implementation of the special municipal taxing authority, the municipal contributions to the pension plan from all revenue sources existing prior to the implementation of the special existing municipal taxing authority, reduced by any supplemental pension recovery contributions, shall equal or exceed this average percentage of the current covered payroll. A municipality utilizing the provisions of section 404 may levy or continue to levy the special municipal tax increase under this subsection provided that the municipality does not reduce the level of municipal contributions to the pension plans prior to the implementation of the special municipal taxing authority. In executing the procedure prescribed in this subsection to determine the level of municipal contributions, the debt service payments for bonds or notes issued under section 404 shall be considered municipal contributions. [Emphasis added.]

Cause: According to officials, the city experienced a cash flow problem during 2020 which resulted in the necessary funds not being available to be deposited into the pension fund.

Effect: The failure to properly apply the provisions of Section 607(f) of Act 205 and fund the pension plans accordingly resulted in less annual funding towards the city's distressed pension plans than afforded under the provisions of Act 205 during 2020 and could result in the plans not having the necessary resources to meet current and future benefit obligations to its members. Additionally, the failure to maintain the levels of contribution prior to enacting the additional special tax reduced the net overall contributions to the plan, potentially negating benefits of the additional tax.

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

Recommendation: We recommend that the city, with assistance from its actuary, and after deposit of the outstanding MMOs due as disclosed in Finding No. 4, determine whether additional funds are required to be deposited into the pension fund for 2020 from general revenues of the city to comply with Section 607(f) of Act 205.

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

We also again recommend that the city implement adequate internal control procedures to ensure that the city does not reduce its annual level of contributions to its pension plans from funding sources prior to the implementation of the special municipal tax in accordance with Act 205. Such procedures should include maintaining appropriate supporting documentation identifying the sources of its annual contributions to its pension plans as well as an annual reconciliation evidencing that funding requirements were properly met in accordance with Section 607(f) of Act 205.

Management's Response: The city provided the following response:

The city's failure to make this payment was due to a cash flow problem. The city will make this payment no later than December 1, 2021.

Auditor's Conclusion: 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 pension trust fund.

Finding No. 4 – Partial Compliance With Prior Recommendation – Failure To Fully Pay The Minimum Municipal Obligation Of The Plans

Condition: As disclosed in the Status of Prior Findings section of this report, the city partially complied with the prior recommendation by depositing the outstanding MMO due to the firefighter's pension plan for the year 2017, with interest, in accordance with Section 302(e) of Act 205. However, a similar condition occurred during the current audit period. The city did not fully pay the minimum municipal obligation (MMO) of the police or the officers and employees pension plans for the year 2020, as required by Act 205. The MMOs for the police and officers and employees pensions plan calculated by the city in August of 2019 were \$6,017,243 and \$1,731,666; respectively. However, the city only deposited \$3,628 into the police pension plan and did not deposit any funds into the officers and employees pension plan for the year 2020. Therefore, the city has an outstanding MMO obligation due its pension plans totaling \$7,745,281 for 2020.

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.

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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

Annually the municipality shall provide for the full amount of the minimum obligation of the municipality in the budget of the municipality. The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

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.

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

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 at a rate equal to the interest assumption used for the actuarial valuation report or the discount rate applicable to treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation was due, whichever is greater, expressed as a monthly rate and compounded monthly.

Cause: According to officials, the city experienced a cash flow problem which resulted in the necessary funds not being available to be deposited towards the obligations of the pension fund.

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.

Due to the city's failure to fully pay the 2020 MMOs by the December 31, deadline, the city must add the 2020 MMO balances to the 2021 MMOs and include interest, as required by Act 205.

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

CITY OF YORK PENSION TRUST FUND
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that the city pay the outstanding MMOs due to the police and officers and employees' pension plans for the year 2020, 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, in the future, city officials determine and pay the full MMO due to the plan in accordance with Act 205 requirements.

Management's Response: The city provided the following response:

The city's failure to make this payment was due to a cash flow problem. The city will make this payment no later than December 1, 2021.

Auditor's Conclusion: 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 pension trust fund.

CITY OF YORK PENSION TRUST FUND
POTENTIAL WITHHOLD OF STATE AID

Conditions of repeat findings such as those reported by Findings No. 3 and 4 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action will not be considered if sufficient written documentation is provided to verify compliance with this department's recommendation. Such documentation should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

CITY OF YORK 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, 2015, is as follows:

POLICE PENSION PLAN

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-15	\$ 53,378,033	\$ 76,406,010	\$ 23,027,977	69.9%
01-01-17	51,821,578	86,982,155	35,160,577	59.6%
01-01-19	55,985,450	93,880,652	37,895,202	59.6%

Note: The market values of the plan's assets at 01-01-17, and 01-01-19 have been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period which will be limited to a maximum of 120 percent and a minimum of 80 percent of the fair market value of assets. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF YORK 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, 2015, is as follows:

FIREFIGHTER'S PENSION PLAN

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-15	\$ 28,193,075	\$ 53,944,991	\$ 25,751,916	52.3%
01-01-17	29,556,363	59,006,604	29,450,241	50.1%
01-01-19	28,960,657	61,596,461	32,635,804	47.0%

Note: The market values of the plan's assets at 01-01-17, and 01-01-19 have been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period which will be limited to a maximum of 120 percent and a minimum of 80 percent of the fair market value of assets. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF YORK 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, 2015, is as follows:

OFFICERS AND EMPLOYEES PENSION PLAN

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-15	\$ 24,015,037	\$ 30,853,331	\$ 6,838,294	77.8%
01-01-17	25,633,700	34,869,508	9,235,808	73.5%
01-01-19	27,089,171	36,521,081	9,431,910	74.2%

Note: The market values of the plan's assets at 01-01-17, and 01-01-19 have been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period which will be limited to a maximum of 120 percent and a minimum of 80 percent of the fair market value of assets. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF YORK PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

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

CITY OF YORK PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

POLICE PENSION PLAN

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll **	Contributions as a Percentage of Covered- Employee Payroll
2010	\$ 3,244,829	\$ 3,244,829	\$ -		
2011	3,384,038	3,384,038	-		
2012	3,509,807	3,509,807	-		
2013	3,428,955	3,428,955	-		
2014	3,491,221	3,491,221	-	\$ 7,164,627	48.73%
2015*	-	-	-	6,306,343	0.00%
2016*	-	1,074,024	(1,074,024)	6,665,819	16.11%
2017	2,633,544	2,997,427	(363,883)	6,789,842	44.15%
2018	5,526,294	5,526,294	-	6,626,144	83.40%
2019	5,598,190	6,768,190	(1,170,000)		

* During the January 1, 2013 to December 31, 2014 audit period, it was noted that the retroactive implementation of an amended cost of living adjustment provision enabled the City to submit a revised January 1, 2013 actuarial valuation report, and the corresponding actuarial adjustments resulted in the elimination of the police pension plan's MMO payments for the years 2015 and 2016.

** This schedule is presented pursuant to the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans* by reporting entities responsible for administering the pension plan to improve financial reporting by state and local governmental pension plans. Due to the statement being implemented only recently, the amount of Covered-Employee Payroll was not provided for years prior to 2014. In addition, due to the timing of this audit, covered-employee payroll for 2019 was not provided in this schedule.

CITY OF YORK PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

FIREFIGHTER'S PENSION PLAN

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll *</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2010	\$ 1,805,385	\$ 1,805,385	\$ -		
2011	1,715,778	1,715,778	-		
2012	1,756,473	1,756,473	-		
2013	1,521,930	1,521,930	-		
2014	1,537,319	1,537,319	-	\$ 3,705,295	41.49%
2015	2,217,425	2,273,368	(55,943)	3,869,835	58.75%
2016	2,226,597	2,226,597	-	3,624,686	61.43%
2017	2,883,556	2,883,556	-	3,672,313	78.52%
2018	-	-	-	3,614,249	0.00%
2019	-	-	-		

* This schedule is presented pursuant to the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans* by reporting entities responsible for administering the pension plan to improve financial reporting by state and local governmental pension plans. Due to the statement being implemented only recently, the amount of Covered-Employee Payroll was not provided for years prior to 2014. In addition, due to the timing of this audit, covered-employee payroll for 2019 was not provided in this schedule.

CITY OF YORK PENSION TRUST FUND
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

OFFICERS AND EMPLOYEES PENSION PLAN

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll *	Contributions as a Percentage of Covered- Employee Payroll
2010	\$ 376,684	\$ 376,684	\$ -		
2011	759,447	759,447	-		
2012	762,020	762,020	-		
2013	757,667	757,667	-		
2014	724,531	724,531	-	\$ 7,283,412	9.95%
2015	1,204,572	1,448,271	(243,699)	7,405,770	19.56%
2016	1,129,001	1,129,001	-	7,513,114	15.03%
2017	1,291,264	1,292,195	(931)	7,878,825	16.40%
2018	1,616,698	1,620,310	(3,612)	8,039,939	20.15%
2019	1,592,280	1,922,280	(330,000)		

* This schedule is presented pursuant to the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans* by reporting entities responsible for administering the pension plan to improve financial reporting by state and local governmental pension plans. Due to the statement being implemented only recently, the amount of Covered-Employee Payroll was not provided for years prior to 2014. In addition, due to the timing of this audit, covered-employee payroll for 2019 was not provided in this schedule.

CITY OF YORK PENSION TRUST FUND
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:

POLICE PENSION PLAN

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	39 years
Asset valuation method	5-year smoothing - the actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the fair market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Cost-of-living adjustments	2.5% per year postretirement. For certain members who retired between 1-1-03 and 1-15-03, 4.0% per year postretirement.

CITY OF YORK PENSION TRUST FUND
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:

FIREFIGHTER'S PENSION PLAN

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	18 years
Asset valuation method	5-year smoothing - the actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the fair market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Cost-of-living adjustments	Hired pre 1-1-1988 - 5.0% per year postretirement. For certain members who retired between 1-1-03 and 1-15-03, 4.0% per year postretirement

CITY OF YORK PENSION TRUST FUND
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:

OFFICERS AND EMPLOYEES PENSION PLAN

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	5-year smoothing - the actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the fair market value of assets.
Actuarial assumptions:	18 years
Investment rate of return	8.0%
Projected salary increases	5.0%
Cost-of-living adjustments	None assumed

CITY OF YORK PENSION TRUST FUND
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Honorable Michael Helfrich
Mayor

Mr. Henry Hay Nixon
Council President

Mr. Thomas Ray
Business Administrator

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