

COMPLIANCE AUDIT

City of Coatesville Non-Uniformed Pension Plan Chester County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

November 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

City Council
City of Coatesville
Chester County
Coatesville, PA 19320

We have conducted a compliance audit of the City of Coatesville Non-Uniformed Pension Plan for the period January 1, 2016 to December 31, 2017. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

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

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

- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- We determined whether retirement benefits calculated for all 3 of the plan members who retired during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients. We also determined whether retirement benefits calculated for all 3 of the plan members who elected to vest during the current audit period represent payments to all (and only) those entitled to receive them and were properly determined in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined.
- 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.

City of Coatesville contracted with an independent certified public accounting firm for an annual audit of its basic financial statements for the year ended December 31, 2016 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 Non-Uniformed 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 and as previously described, we tested transactions, assessed official actions, performed analytical procedures, and interviewed selected officials to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the City of Coatesville Non-Uniformed 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 – Failure To Determine Vested Pension Benefits
- Finding No. 3 – Incorrect Data On Certification Form AG-385 Resulting In An Overpayment Of State Aid

Findings No. 1 and 2 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 those previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this audit report.

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

The contents of this report were discussed with officials of City of Coatesville and, where appropriate, their responses have been included in the report. We would like to thank city officials for the cooperation extended to us during the conduct of the audit.

September 28, 2018


EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The Act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

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

In addition to Act 205, the City of Coatesville Non-Uniformed 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 67 - The Third Class City Code, Act of November 24, 2015 (P.L. 242, No. 67), as amended, 11 Pa. C.S. § 10101 et seq.

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.

The City of Coatesville Non-Uniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 1438-2014, adopted pursuant to Act 317 (prior Third Class City Code). The plan is also affected by the provisions of collective bargaining agreements between the city and its non-uniformed employees. The plan was established January 1, 1968. Active union members hired before January 1, 2001 and non-union members are not required to contribute to the plan. Active union members hired on or after January 1, 2001 are required to contribute 3.5 percent of compensation up to the Social Security taxable wage, and 5 percent of compensation in excess of the Social Security taxable wage to the plan. As of December 31, 2017, the plan had 23 active members, 36 terminated members eligible for vested benefits in the future, 26 retirees receiving pension benefits from the plan, and 10 retirees receiving benefits funded through annuities purchased with plan assets.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement	Union hired before January 1, 2001 and Non-Union: Age 65; Union hired on or after January 1, 2001; Age 60 and 20 years of service.
Early Retirement	Union hired before January 1, 2001 and Non-Union: Age 55 and 10 years of service; Union hired on or after January 1, 2001: None
Vesting	Union hired before January 1, 2001 and Non-Union: 100% after 5 years of service; Union hired on or after January 1, 2001: 100% after 12 years of service.

Retirement Benefit:

Union hired before January 1, 2001 and Non-Union: \$60 per year of service (\$65 if retired in calendar year 2016 and \$70 if retired on or after 1/1/17);
Union hired on or after January 1, 2001: 50% of pay less 40% of Social Security primary Insurance benefit.

Survivor Benefit:

Union hired before January 1, 2001 and Non-Union: If a member is eligible for retirement and is married at least 1 year, the surviving spouse receives 50% of the benefit the member would have been receiving had he been retired at the time of his death;
Union hired on or after January 1, 2001: Refund of employee contributions.

Disability Benefit:

Union hired before January 1, 2001 and Non-Union: None;
Union hired on or after January 1, 2001: After 20 years of service – full pension, after 10 years of service – full pension multiplied by service to date divided by 20 years.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Noncompliance With Prior Audit Recommendations

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

Failure To Determine Vested Pension Benefits

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

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

Condition: As disclosed in the 2 prior audit reports, the city partially complied with a previous audit recommendation to comply with the Third Class City Code for members of the bargaining unit hired on, or after January 1, 2001. However, the amended pension plan document continues to contain a benefit provision for available benefit payment options that is not authorized by the Third Class City Code and conflicts with the collective bargaining agreement for union employees hired on or after January 1, 2001, as noted below:

Benefit Provision	Governing Document	Collective Bargaining Agreement	Third Class City Code
Pension benefit payment options	<p>The monthly pension may be paid under one of the following options:</p> <ol style="list-style-type: none"> 1. Lifetime pension – payments payable to retiree until death; 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 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). 	<p>The City shall provide a Third Class City Pension Benefit to all employees of the bargaining unit hired after January 1, 2001.</p>	<p>Payment options are not provided.</p>

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

In addition, as disclosed in the prior audit report, 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 pension plan’s governing document continues to contain benefit provisions that are not authorized by the Third Class City Code for non-union employees hired on or after January 1, 2001, who are not members of the bargaining unit, as illustrated below:

Benefit Provision	Governing Document	Third Class City Code
Normal retirement eligibility	Age 65 with no service requirement.	Age 60 with 20 years of service.
Normal retirement benefit	Monthly pension benefit equal to years of service times: Effective 1/1/04, \$50, Effective 1/1/14, \$55, Effective 1/1/15, \$60, Effective 1/1/16, \$65, and Effective 1/1/17, \$70	50% of the highest average annual salary during any 5 years of service.
Social Security offset	Not specified	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.	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.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Third Class City Code</u>
Refund of members' contributions	Not specified	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.
Early retirement eligibility	Age 55 with 10 years of service.	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.	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	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.	12 years of service.
Vested benefit	Employee's accrued pension at termination, payable on normal retirement date.	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.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Benefit Provision	Governing Document	Third Class City Code
Pension benefit payment options	<p>The monthly pension may be paid under one of the following options:</p> <ol style="list-style-type: none"> 1. Lifetime pension – payments payable to retiree until death; 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 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). 	Payment options are not provided.
Credit for prior city service	Not specified	Rehired employees who previously withdrew their members’ contributions shall not receive credit for prior city service unless they return the amount withdrawn.

Criteria: As stated previously in prior audit reports, 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.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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.

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: City 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 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. Although the city did not receive excess state aid attributable to the unauthorized pension benefits during the current audit period, the provision of unauthorized pension benefits may have resulted in the receipt of excess state aid in the years 2008 and 2009, as previously disclosed in the prior audit report, and could increase the municipal contributions necessary to fund the plan in accordance with Act 205 funding standards.

Recommendation: We again recommend that plan officials amend the plan's governing document, as necessary, to ensure the plan's benefit provisions are in compliance with the Third Class City Code for non-union plan members who began full-time employment on or after January 24, 2001, and to eliminate the remaining inconsistency with the collective bargaining agreement for union employees.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

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, as previously recommended, 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, by utilizing Supplemental Actuarial Information Form AG-MP 1 and submitting this information to the department. If it is determined that the excess benefits had an impact on the city's state aid allocations received in 2008 and 2009, the form should be submitted to the department. Furthermore, after the submission of this information, the plan's actuary should contact the department to verify the overpayment of state aid received and plan officials should reimburse the overpayment to the Commonwealth. In addition, the plan's actuary may be required to determine the impact, if any, of the excess benefits on the city's future state aid allocations and submit this information to the department.

Management's Response: At our exit conference held on September 14, 2018, management indicated that they would provide a written response to this finding within 10 days; however, as of the date of this report, no such response has been provided.

Auditor's Conclusion: We are concerned municipal officials have not complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Failure To Determine Vested Pension Benefits

Condition: As disclosed in the 4 prior audit reports, the city failed to determine vested pension benefits for plan members who terminated employment with the city during prior audit periods. As of the date of this report, there remains 5 vested plan members who retired prior to the current audit period and still need their vested benefits to be determined by the city.

Criteria: As previously disclosed in prior reports, sound internal control procedures dictate that vested pension benefits should be determined in a timely manner following a plan member's termination of employment and that the city should maintain adequate supporting documentation to substantiate the accuracy of vested pension benefit determinations to avoid discrepancies occurring in the future when the former employees are eligible to begin receiving their pension benefits.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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

Effect: The continued failure by plan officials to properly and timely determine vested pension benefits, as previously recommended by this department, could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We again recommend that plan officials provide vested pension benefit calculations for the 5 plan members who terminated employment with the city prior to the current audit period and establish adequate internal control procedures to ensure that all future vested pension benefits are determined timely, supported by adequate documentation and maintained by the city.

Management's Response: At our exit conference held on September 14, 2018, management indicated that they would provide a written response to this finding within 10 days; however, as of the date of this report, no such response has been provided.

Auditor's Conclusion: We are concerned municipal officials have not complied with the prior audit recommendation and encourage compliance at the earliest opportunity to do so.

Finding No. 3 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: The city certified 1 ineligible firefighter (2 units) and overstated payroll by \$43,712 on the Certification Form AG 385 filed in 2017. In addition, subsequent to the current audit period, the city certified 9 ineligible non-uniformed employees (9 units) and overstated payroll by \$285,492 on the Certification Form AG 385 filed in 2018. The data contained on these certification forms is based on prior calendar year information.

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.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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 city’s state aid allocation for 2017 was based on unit value, the incorrect certification of pension data affected the city’s state aid allocation, as identified below:

<u>Year</u>	<u>Type Of Plan</u>	<u>Units Overstated</u>	<u>Unit Value</u>	<u>State Aid Overpayment</u>
2017	Firefighters’	2	\$ 4,588.25	\$ 9,177

In addition, the city used the overpayment of state aid received in 2017 to pay the minimum municipal obligations (MMO’s) due to the city’s pension plans; therefore, if the reimbursement to the Commonwealth is made from the pension plans, the plans’ MMO’s will not be fully paid.

Furthermore, subsequent to the current audit period, the city again, received its state aid allocation for 2018 based on unit value, and therefore; the incorrect certification of pension data affected the city’s state aid allocation, as follows:

<u>Year</u>	<u>Type Of Plan</u>	<u>Units Overstated</u>	<u>Unit Value</u>	<u>State Aid Overpayment</u>
2018	Non-Uniformed	9	\$ 4,684.39	\$ 42,160

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

Recommendation: We recommend that the total excess state aid, in the amount of \$51,337, plus interest, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

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

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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

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

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 plan.

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 3 contained in this audit report may lead to a total withholding of state aid in the future unless that finding is 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 COATESVILLE NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 14 and 15 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, AND 2017

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 47,380	\$ 84,238	\$ 88,029	\$ 43,881
Interest	135,534	180,709	193,481	201,745
Change of benefit terms	-	186,588	-	-
Difference between expected and actual experience	-	80,532	-	(12,515)
Changes of assumptions	-	66,398	-	-
Benefit payments, including refunds of member contributions	(69,924)	(90,139)	(106,753)	(122,566)
Net Change in Total Pension Liability	112,990	508,326	174,757	110,545
Total Pension Liability - Beginning	1,923,782	2,036,772	2,545,098	2,719,855
Total Pension Liability - Ending (a)	<u>\$ 2,036,772</u>	<u>\$ 2,545,098</u>	<u>\$ 2,719,855</u>	<u>\$ 2,830,400</u>
Plan Fiduciary Net Position				
Contributions – employer	\$ 102,503	\$ 108,929	\$ 84,277	\$ 154,520
Contribution – member	8,608	9,062	7,678	5,895
Net investment income	127,816	(28,926)	148,800	339,851
Benefit payments, including refunds of member contributions	(69,924)	(90,139)	(106,753)	(122,566)
Administrative expense	(34,277)	(23,051)	(11,368)	(26,126)
Net Change in Plan Fiduciary Net Position	134,726	(24,125)	122,634	351,574
Plan Fiduciary Net Position – Beginning	1,825,808	1,960,534	1,936,409	2,059,043
Plan Fiduciary Net Position – Ending (b)	<u>\$ 1,960,534</u>	<u>\$ 1,936,409</u>	<u>\$ 2,059,043</u>	<u>\$ 2,410,617</u>
Net Pension Liability – Ending (a-b)	<u>\$ 76,238</u>	<u>\$ 608,689</u>	<u>\$ 660,812</u>	<u>\$ 419,783</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.26%	76.08%	75.70%	85.17%
Estimated Covered Employee Payroll	\$ 1,301,110	\$ 1,197,791	\$ 1,257,681	\$ 971,023
Net Pension Liability as a Percentage of Covered Employee Payroll	5.86%	50.82%	52.54%	43.23%

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

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

The following presents the net pension liability of the city as of December 31, 2014 calculated using the discount rate of 7.0%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability- 12/31/14	\$ 407,810	\$ 76,238	\$ (65,098)

In addition, the following presents the net pension liability of the city as of December 31, 2015, 2016, and 2017 calculated using the discount rate of 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability - 12/31/15	\$ 891,983	\$ 608,689	\$ 366,655
Net Pension Liability – 12/31/16	\$ 954,413	\$ 660,812	\$ 409,235
Net Pension Liability – 12/31/17	\$ 648,584	\$ 419,783	\$ 99,286

SCHEDULE OF INVESTMENT RETURNS

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

2017	16.68%
2016	7.91%
2015	(1.51%)
2014	6.28%

CITY OF COATESVILLE NON-UNIFORMED 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	\$ 1,496,953	\$ 1,794,615	\$ 297,662	83.4%
01-01-15	1,960,534	2,370,290	409,756	82.7%
01-01-17	2,059,043	2,707,340	648,297	76.1%

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

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

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	\$ 95,574	100.0%
2013	85,154	100.0%
2014	102,184	100.3%
2015	108,929	100.0%
2016	84,277	100.0%
2017	154,520	100.0%

CITY OF COATESVILLE NON-UNIFORMED 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	7 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5%
Cost-of-living adjustments	None assumed

CITY OF COATESVILLE NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
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Commonwealth of Pennsylvania

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