

# COMPLIANCE AUDIT

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## City of Allentown Officers' and Employees' - PMRS Pension Plan

Lehigh County, Pennsylvania  
For the Period  
January 1, 2017 to December 31, 2018

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December 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and City Council  
City of Allentown  
Lehigh County  
Allentown, PA 18101

We have conducted a compliance audit of the City of Allentown Officers' and Employees' - PMRS Pension Plan for the period January 1, 2017 to December 31, 2018. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

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

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

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

- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- We determined whether retirement benefits calculated for 10 of 34 of the plan members<sup>1</sup> who retired during the current audit period, and through the completion of our fieldwork procedures, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients. We also determined whether retirement benefits calculated for 2 of 5 of the plan members<sup>2</sup> who 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 in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined.
- We determined whether 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.

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<sup>1</sup> We selected plan members randomly from the population of plan members who retired during the current audit period, and through the completion of our fieldwork procedures, in order to obtain a representative selection for the purpose of our testing to achieve the audit objective. While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

<sup>2</sup> We selected plan members randomly from the population of plan members who vested during the current audit period, and through the completion of our fieldwork procedures, in order to obtain a representative selection for the purpose of our testing to achieve the audit objective. While representative selection is a required factor of audit sampling methodologies, audit sampling methodology was not applied to achieve this test objective; accordingly, the results of this audit procedure are not, and should not be, projected to the population.

- We determined whether the terms of the contractual agreement with the Pennsylvania Municipal Retirement System were in accordance with the plan's governing document, if separately stated, and applicable laws and regulations by comparing the terms of the contractual agreement with the plan's governing document, if separately stated, and applicable laws and regulations.

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

The City of Allentown Officers' and Employees' - PMRS Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report, copies of which are available from the PMRS accounting office. PMRS's 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 Allentown Officers' and Employees' - PMRS 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 Allentown Officers' and Employees' - PMRS 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:

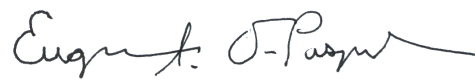
Finding No. 1 – Partial Compliance With Prior Audit Recommendation –  
Incorrect Data On Certification Form AG 385 Resulting In A  
Net Overpayment Of State Aid

Finding No. 2 – Failure To Implement Mandatory Provisions Of Act 205

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 the City of Allentown 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.

December 3, 2019

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

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 Allentown Officers' and Employees' - PMRS 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 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974  
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The City of Allentown Officers' and Employees' - PMRS Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Article 142 of the city's codified ordinances, adopted pursuant to Act 15. The plan is also affected by the provisions of collective bargaining agreements between the city and its non-uniformed employees. The plan was established August 5, 1981. Active members are required to contribute 7.5 percent of compensation to the plan. As of December 31, 2018, the plan had 417 active members, 11 terminated members eligible for vested benefits in the future, and 450 retirees receiving benefits funded through annuities purchased with plan assets.

## **BACKGROUND – (Continued)**

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

### Eligibility Requirements:

Normal Retirement	Available upon attainment of age 55.
Early Retirement	A voluntary early retirement is available after 20 years of service. An involuntary early retirement is available after 8 years of service.
Vesting	A member is 100% vested after 12 years of service.

### Retirement Benefit:

Benefit equals 1.25% times service pre-January 1, 1990 plus 1.75% times service from January 1, 1990 to December 31, 1995 and 2.1% times service from January 1, 1996 to date of retirement times Final Average Salary (FAS). FAS based upon final 5 years annualized salary.

### Survivor Benefit:

If eligible to retire at the time of death, beneficiary receives present value of accrued benefit. At retirement, member may select a survivor benefit.

### Disability Benefit:

Service Related	A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service, offset by available Workers' Compensation benefits.
Non-service Related	A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.



CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
STATUS OF PRIOR FINDING

Partial Compliance With Prior Audit Recommendation

The City of Allentown has partially complied with the prior audit recommendation concerning the following:

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

During the current audit period, the city reimbursed \$55,927 to the Commonwealth for the overpayment of state aid received in 2016 and 2017; however, 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 the years 2018 and 2019, as further discussed in the Findings and Recommendations section of this report.

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Partial Compliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid**

Condition: As disclosed in the Status of Prior Findings section of this report, although the city reimbursed the Commonwealth for the overpayment of state aid received in 2016 and 2017, 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 the years 2018 and 2019. The city certified 2 ineligible non-uniformed employees (2 units) on the Certification Form AG 385 filed in 2018. In addition, subsequent to the current audit period, the city certified 7 ineligible non-uniformed employees (7 units) and failed to certify 1 eligible non-uniformed employee (1 unit) and 1 eligible police officer (2 units) on the Certification Form AG 385 filed in 2019. 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.

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 allocations were based on unit value, the incorrect certification of pension data affected the city's state aid allocations, as identified below:

<u>Year</u>	<u>Type of Plan</u>	<u>Units Overstated (Understated)</u>	<u>Unit Value</u>	<u>State Aid Overpayment (Underpayment)</u>
2018	Non-Uniformed	2	\$4,684	\$ 9,368
2019	Police	(2)	\$5,121	\$ (10,242)
	Non-Uniformed	6	\$5,121	\$ 30,726
			Total	\$ 20,484
			Net Overpayment of State Aid	\$ 29,852

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

In addition, the city used the overpayments of state aid to pay the minimum municipal obligations (MMOs) due to the pension plans; therefore, if the reimbursement to the Commonwealth is made from the pension plans, the plans' MMOs will not be fully paid.

Recommendation: We recommend that the net overpayment of state aid, in the amount of \$29,852, 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 two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

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 plan with interest, at a rate earned by the pension plan.

Management's Response: Management agrees with this finding. The City will strengthen its internal control processes to minimize the likelihood of a recurrence of a calculation error, and the City will not use pension funds to reimburse the Commonwealth for the error detected.

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 ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Failure To Implement Mandatory Provisions Of Act 205**

**Condition:** During the prior audit, a verbal observation was issued to plan officials notifying them of the passage of Act 44 of 2009, which effectively amended Act 205 for the procurement of professional services contracts, and recommending that the city adopt the mandatory provisions, accordingly. However, during the current engagement period, the city again failed to adopt such mandatory provisions.

**Criteria:** Section 701-A of Act 205, as amended by Act 44, defines a “Professional Services Contract”, as follows:

“Professional services contract.” A contract to which the municipal pension system is a party that is:

- (1) for the purchase or provision of professional services, including investment services, legal services, real estate services and other consulting services; and
- (2) not subject to a requirement that the lowest bid be accepted.

In addition, Section 702-A (a) of Act 205 states in part:

Each municipal pension system ... shall develop procedures to select the most qualified person to enter into a professional services contract. The procedures shall ensure that the availability of a professional services contract is advertised to potential participants in a timely and efficient manner. Procedures shall include applications and disclosure forms to be used to submit a proposal for review and to receive the award of a professional services contract.

Additionally, Section 702-A (c), (e), (f) and (h) state, in part:

**Review.** Procedures to select the most qualified person shall include a review of the person’s qualifications, experience and expertise and the compensation to be charged.

**Conflict of interest.** The municipal pension system shall adopt policies relating to potential conflicts of interest in the review of a proposal or the negotiation of a contract.

**Public information.** Following the award of a professional services contract, all applications and disclosure forms shall be public except for proprietary information or other information protected by law.

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

**Notice and summary.** The relevant factors that resulted in the award of the professional services contract must be summarized in a written statement to be included in or attached to the documents awarding the contract. Within ten days of the award of the professional services contract, the original application, a summary of the basis for the award and all required disclosure forms must be transmitted to all unsuccessful applications and posted on the municipal pension system's Internet website, if an Internet website is maintained, at least seven days prior to the execution of the professional services contract.

Section 703-A (c) states in part:

Upon advertisement for a professional services contract by the municipal pension system, the contractor may not cause or agree to allow a third party to communicate with officials or employees of the municipal pension system except for requests for technical clarification.

Cause: Plan officials failed to establish adequate procedures to ensure compliance with provisions of Act 205 as recommended in a verbal observation in the prior audit.

Effect: The city's failure to adopt the required provisions stipulated in Act 205 regarding the procurement of professional investment and advisory services for the city's pension plans could result in a general lack of overall transparency of the proposed actions to be taken by plan officials relative to the awarding of future investment and advisory service contracts for the city's pension plans.

Recommendation: We recommend that municipal officials obtain a comprehensive understanding of Act 205 provisions for the procurement of professional services and develop and implement formal written procedures to ensure compliance with these provisions which should include the maintaining of appropriate and sufficient supporting documentation evidencing every phase of the process to ensure the transparency of the actions taken by plan officials relative to the awarding of any future professional services contracts for its pension plan.

Management's Response: Management agrees with this finding. The City will encourage the pension plan governing boards to adopt written procurement procedures in accordance with the Third Class City Code.

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

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
POTENTIAL WITHHOLD OF STATE AID

Finding No. 1 contained in this audit report cites an overpayment of state aid to the city in the amount of \$29,852, plus interest. A condition 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, 321 Finance Building, Harrisburg, PA 17120.

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 9 through 12 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, 2015 AND 2016

	<u>2015*</u>	<u>2016*</u>
Total Pension Liability		
Service cost	\$ 3,792,600	\$ 3,121,592
Interest	8,298,621	8,484,310
Difference between expected and actual experience	(31,247)	-
Changes of assumptions	-	2,584,899
Transfers	(42,319)	-
Benefit payments, including refunds of member contributions	<u>(7,706,851)</u>	<u>(8,283,599)</u>
Net Change in Total Pension Liability	4,310,804	5,907,202
Total Pension Liability – Beginning	<u>150,914,149</u>	<u>155,224,953</u>
Total Pension Liability – Ending (a)	<u>\$ 155,224,953</u>	<u>\$ 161,132,155</u>
 Plan Fiduciary Net Position		
Contributions – employer	\$ 1,558,888	\$ 2,230,827
Contributions – member	1,672,158	1,710,952
Net investment income	7,201,360	(36,944)
Transfers	(42,319)	-
Benefit payments, including refunds of member contributions	(7,706,851)	(8,283,599)
Administrative expense	<u>(304,806)</u>	<u>(338,130)</u>
Net Change in Plan Fiduciary Net Position	2,378,430	(4,716,894)
Plan Fiduciary Net Position – Beginning	<u>137,975,741</u>	<u>140,354,171</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 140,354,171</u>	<u>\$ 135,637,277</u>
 Net Pension Liability – Ending (a-b)	<u>\$ 14,870,782</u>	<u>\$ 25,494,878</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.42%	84.18%
Estimated Covered Employee Payroll	\$ 22,740,178	\$ 23,067,602
Net Pension Liability as a Percentage of Covered Employee Payroll	65.39%	110.52%

\* The amounts presented for each fiscal year were determined on the measurement date, which is the December 31 of the immediately preceding fiscal year.

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

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

	<u>2017*</u>	<u>2018*</u>
Total Pension Liability		
Service cost	\$ 2,885,308	\$ 3,134,334
Interest	8,772,091	8,808,742
Transfers	1,235,476	79,165
Changes of assumptions	4,474,139	-
Benefit payments, including refunds of member contributions	(9,172,560)	(9,546,663)
Net Change in Total Pension Liability	<u>8,194,454</u>	<u>2,475,578</u>
Total Pension Liability – Beginning	161,132,155	169,326,609
Total Pension Liability – Ending (a)	<u>\$ 169,326,609</u>	<u>\$ 171,802,187</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 2,240,743	\$ 2,630,992
Contributions – member	1,738,658	1,775,180
Net investment income	11,603,111	24,702,348
Transfers	-	79,165
Benefit payments, including refunds of member contributions	(9,172,560)	(9,546,663)
Administrative expense	(397,521)	(367,920)
Net Change in Plan Fiduciary Net Position	<u>6,012,431</u>	<u>19,273,102</u>
Plan Fiduciary Net Position – Beginning	135,637,277	141,649,708
Plan Fiduciary Net Position – Ending (b)	<u>\$ 141,649,708</u>	<u>\$ 160,922,810</u>
Net Pension Liability – Ending (a-b)	<u>\$ 27,676,901</u>	<u>\$ 10,879,377</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.65%	93.67%
Estimated Covered Employee Payroll	\$ 23,169,719	\$ 23,651,715
Net Pension Liability as a Percentage of Covered Employee Payroll	119.45%	46.00%

\* The amounts presented for each fiscal year were determined on the measurement date, which is the December 31 of the immediately preceding fiscal year.



CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS 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, 2015 and 2016, calculated using the discount rate of 5.50%, 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 (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Net Pension Liability – 12/31/15*	\$ 32,642,240	\$ 14,870,782	\$ (197,454)
Net Pension Liability – 12/31/16*	\$ 44,159,333	\$ 25,494,878	\$ 9,749,682

In addition, the following presents the net pension liability of the city as of December 31, 2017 and 2018, calculated using the discount rate of 5.25%, 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 (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability – 12/31/17*	\$ 47,633,996	\$ 27,676,901	\$ 10,858,500
Net Pension Liability – 12/31/18*	\$ 31,128,248	\$ 10,879,377	\$ (6,184,911)

\* The amounts presented for each fiscal year were determined on the measurement date, which is the December 31 of the immediately preceding fiscal year.

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll**	Contributions as a Percentage of Covered- Employee Payroll
2009	\$ 1,374,389	\$ 1,374,389	\$ -		
2010	1,217,945	1,217,945	-		
2011	1,186,454	1,186,454	-		
2012	1,367,093	1,367,093	-		
2013	1,299,757	1,299,757	-		
2014	1,612,483	1,612,483	-		
2015	1,557,908	1,558,888	(980)	\$22,740,178	6.86%
2016	2,229,106	2,230,827	(1,721)	23,067,602	9.67%
2017	2,239,534	2,240,743	(1,209)	23,169,719	9.67%
2018	2,629,868	2,630,992	(1,124)	23,651,715	11.12%

\* The amounts presented for each fiscal year were determined on the measurement date, which is the December 31 of the immediately preceding fiscal year.

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

SCHEDULE OF INVESTMENT RETURNS

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

2017	16.33%
2016	8.37%
2015	(0.03%)
2014	5.17%

\* The amounts presented for each fiscal year were determined on the measurement date, which is the December 31 of the immediately preceding fiscal year.

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS 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	\$139,465,022	\$ 149,064,886	\$ 9,599,864	93.6%
01-01-15	144,191,417	155,224,953	11,033,536	92.9%
01-01-17	153,749,151	169,326,609	15,577,458	90.8%

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS 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 ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS 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	12 years
Asset valuation method	The Actuarial Value of Assets equals the plan's member, municipal, DROP (if applicable) reserve accounts plus the retiree actuarial liability. This asset smoothing is based on the unique legislative structure of PMRS and the administrative rules adopted by the PMRS Board in conjunction with Pennsylvania Municipal Retirement Law, all of which are subject to comply with the Actuarial Standards of Practice No. 44, Selection and Use of Asset Valuation Methods when defining the actuarial Value of Assets.
Actuarial assumptions:	
Investment rate of return	5.25%, compounded annually, net of investment and administration expenses
Salary scale	Total rate (including inflation) (e.g. age 25 – 7.05%; age 35 – 4.55%; age 45 – 3.97%; age 55 – 3.44%; age 65 – 2.80%)
Cost-of-living adjustments	2.8% per year, subject to plan limitations

CITY OF ALLENTOWN OFFICERS' AND EMPLOYEES' - PMRS PENSION PLAN  
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