

COMPLIANCE AUDIT

City of Lancaster Firemen's Pension Plan Lancaster County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

December 2018



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 Members of City Council
City of Lancaster
Lancaster County
Lancaster, PA 17608

We have conducted a compliance audit of the City of Lancaster Firemen's 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 finding contained in our prior audit report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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

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

- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- We determined whether retirement benefits calculated for all 7 plan members who retired during the current audit period represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension 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, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2016 and 2018, respectively, in accordance with Act 205 and whether selected information provided on these reports is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.
- We determined whether all annual special ad hoc postretirement reimbursements received by the municipality were authorized and appropriately deposited in accordance with Act 147 by tracing information to supporting documentation maintained by plan officials.
- We determined whether the terms and methodologies of the issuance of pension obligation bonds by the municipality, and any restrictions were in compliance with plan provisions and Act 205 through inquiry of plan officials and examination of supporting documentation for pension obligation bonds issued during the current audit period and through the completion of our fieldwork procedures.
- 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.

City of Lancaster 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.

City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Lancaster Firemen's 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 Lancaster Firemen's 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 Pension Benefits
- Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid
- Finding No. 3 – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements For Special 1989 Ad Hoc Postretirement Adjustments

Finding No. 1 contained in this audit report repeats a condition that was cited in our previous audit report that has not been corrected by city officials. We are concerned by the city's failure to correct the previously reported audit finding 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 Lancaster 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.



EUGENE A. DEPASQUALE
Auditor General

December 5, 2018

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

- Act 147 - Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of December 14, 1988 (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101 et seq.
- Act 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 Lancaster Firemen's Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Chapter 64 of the Lancaster City Code, adopted as Article 168 of the city's codified ordinances. The plan is also affected by the provisions of collective bargaining agreements between the city and its firefighters. The plan was established January 1, 1966. Active members are required to contribute 5 percent of base rate compensation one rank higher, plus 5 percent of current base rate longevity, plus \$5 per month to the plan. As of December 31, 2017, the plan had 63 active members, 2 terminated members eligible for vested benefits in the future, and 132 retirees receiving pension benefits from the plan.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement 25 years of service, compulsory after attainment of age 60.

Early Retirement None

Vesting A member is 100% vested after 10 years of service.

Retirement Benefit:

Benefit equals 50% of final adjusted salary plus longevity plus an incremental monthly pension (maximum \$500) of 2.5% of base pension benefit for each full year of service over 20. Benefits are based on the pay one rank higher than current rank.

Survivor Benefit:

If retired, killed in service or after 20 years of service – 100% of benefit to surviving spouse. If died other than in line of duty with between 10 and 20 years of service, surviving spouse receives normal retirement benefit multiplied by years of service divided by 20.

Service Related Disability Benefit:

Benefit based on normal retirement formula.

Non-Service Related Disability Benefit:

Benefit based on normal retirement formula after 5 years of service, pro-rated if less than 20 years.

Deferred Retirement Option Program (DROP) Benefit:

An active member who has attained age 51 and completed 25 years of service may elect to participate in the DROP.

CITY OF LANCASTER FIREMEN'S PENSION PLAN
STATUS OF PRIOR FINDING

Noncompliance With Prior Audit Recommendation

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

- Inconsistent Pension Benefits

CITY OF LANCASTER FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

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

Condition: As disclosed in the prior 3 audit reports, the collective bargaining agreement between the city and its firefighters contains a revised service increment benefit provision for plan members entitled to a pension after January 1, 2008; however, the plan's governing document has not been amended to reflect the amended provision contained in the collective bargaining agreement.

Article 35, Section 7 of the collective bargaining agreement states:

Service Increments: Each member entitled to a pension after January 1, 2003 shall be entitled to receive a service increment (in accordance with and subject to the terms described in the Pennsylvania 3rd Class City Code) to the member's monthly pension equal to 2.5% of the basic monthly pension to which the member was entitled times the number of full years of service in excess of twenty (20); provided that no years of service after the member has reached age sixty shall be counted and provided further that the maximum service increment payable hereunder shall be \$300 per month. Member contributions towards service increments shall be \$3.00 per month.

Effective January 1, 2006 the maximum service increment shall be \$400 per month. The member's contribution shall also increase from \$3.00 per month to \$4.00 per month. Effective January 1, 2008 the service increment shall increase from \$400 to \$500 and the member's contribution shall also increase from \$4.00 per month to \$5.00 per month.

In addition, the actuarial valuation reports with valuation dates of January 1, 2009, January 1, 2011, January 1, 2013, January 1, 2015, and January 1, 2017 reported the service increment benefit provision included in the collective bargaining agreement.

Criteria: The plan's governing document and the collective bargaining agreement should contain consistent benefit provisions to ensure the sound administration of retirement benefits.

Cause: Municipal officials were awaiting the completion of the collective bargaining process to make amendments to the plan's governing ordinance.

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

CITY OF LANCASTER FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Recommendation: We again recommend that municipal officials take appropriate action to ensure the plan's governing document contains the service increment provision that is included in the collective bargaining agreement at their earliest opportunity to do so.

Management's Response: Two of the three most recent Collective Bargaining Agreements (CBA) with the Lancaster Professional Firefighters' Association (IAFF Local 319) contained pension benefit modifications. The most recently negotiated CBA, which has an effective date of January 1, 2018, did not include any modifications to pension benefits. Due to an ongoing dispute with the IAFF Local 319 regarding a certain provision of a previous Act 111 arbitration award, a final Collective Bargaining Agreement for January 1, 2015 – December 31, 2017 had not completed by the time the current Auditor General audit commenced. However, this dispute has now been resolved by an Act 111 arbitration award issued on September 10, 2018. With this issue resolved, the City and IAFF Local 319 are actively working to finalize a consolidated CBA that will incorporate contract provisions from all three of these CBAs and have both parties sign the consolidated CBA.

The City has been administering the Fire Pension Plan consistently under the changes to the Plan's provisions as modified by Collective Bargaining and/or Act 111 arbitration awards. However, we agree that the Plan modifications have not been codified in the City's Codified Ordinances. Rather than make changes to the City's Codified Ordinances piecemeal, it was decided that we would wait until all Fire and Police Pension changes were completed through the collective bargaining process in order to write one comprehensive ordinance to cover all Fire and Police Pension changes.

To correct this finding from the prior audit, the City has again engaged Conrad Siegel Actuaries to rewrite the Police and Fire Pension Plan Documents to bring them up to date with all changes to each Plan. On November 9, 2018, Conrad Siegel delivered an updated draft Plan Document for the Fire Pension Plan to the City and this draft has been provided to the IAFF Local 319 for review by their counsel. When finalized (along with the Police Plan Document), the revised Plan Documents will then be incorporated by reference into the City's Codified Ordinances – Chapter 64 Pensions and Retirement.

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

CITY OF LANCASTER FIREMEN’S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

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

Condition: The city failed to certify an eligible police officer (2 units) and understated payroll by \$49,132 on the Certification Form AG 385 filed in 2016. Similarly, the city failed to certify 2 eligible firefighters (4 units) and understated payroll by \$78,988 on the Certification Form AG 385 filed in 2017. Furthermore, subsequent to the current audit period, the city failed to certify 3 eligible firefighters (6 units) and understated payroll by \$244,640, and certified an ineligible non-uniformed employee (1 unit) and overstated payroll by \$19,781 on the Certification Form AG 385 filed in 2018. The data contained on these certification forms is used on prior calendar year information.

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

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 for the current audit period were based on unit value, the city received an underpayment of state aid allocation, as identified below:

<u>Year</u>	<u>Type Of Plan</u>	<u>Unit Value</u>	<u>Units (Understated)</u>	<u>State Aid (Underpayment)</u>
2016	Police	\$ 4,374.64	(2)	\$ (8,749)
2017	Firemen’s	\$ 4,588.25	(4)	<u>(18,353)</u>
			Subtotal	<u>\$ (27,102)</u>

CITY OF LANCASTER FIREMEN’S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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

<u>Year</u>	<u>Type Of Plan</u>	<u>Unit Value</u>	<u>Units Overstated (Understated)</u>	<u>State Aid Overpayment (Underpayment)</u>
2018	Firemen’s	\$ 4,684.39	(6)	\$ (28,106)
2018	Non-Uniformed	\$ 4,684.39	1	<u>4,684</u>
			Subtotal	<u><u>\$ (23,422)</u></u>

The total net underpayment of state aid allocation to the city amounted to \$50,524. Although the city will be reimbursed for the underpayment of state aid due to the city’s certification errors, the full amount of the 2016, 2017, and 2018 state aid allocations were not available to be deposited timely and therefore were not available to pay operating expenses or for investment.

Recommendation: We recommend that in the future, plan officials establish adequate internal control procedures, such as having at least 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: Municipal officials agreed with the finding without exception.

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

CITY OF LANCASTER FIREMEN'S PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Incorrect Data On Certification Form AG 490 Resulting In Excess Reimbursements For Special 1989 Ad Hoc Postretirement Adjustments

Condition: The city improperly certified special ad hoc postretirement adjustments amounting to \$300 attributable to an individual who passed away during 2014 with no survivor benefit payable after his death on the Certification Form AG 490 submitted during 2016, 2017, and 2018.

Criteria: Pursuant to Act 147, Certification Form AG 490 should report only the amount of special ad hoc postretirement adjustments paid in the previous year to eligible retirees and/or their surviving spouses.

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

Effect: Because the city's reimbursement is determined based on amounts reported on the Certification Form AG 490, the city received excess reimbursement in 2016, 2017, and 2018, totaling \$900.

Recommendation: We recommend that the total excess reimbursements in the amount of \$900, 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 490 to assist them in accurately reporting the required pension data.

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

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

CITY OF LANCASTER FIREMEN'S 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, 2014 AND 2015

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 646,693	\$ 668,547
Interest	3,820,058	3,963,234
Difference between expected and actual experience	-	(658,793)
Benefit payments, including refunds of member contributions	(3,163,900)	(3,517,597)
Net Change in Total Pension Liability	<u>1,302,851</u>	<u>455,391</u>
Total Pension Liability - Beginning	50,774,337	52,077,188
Total Pension Liability - Ending (a)	<u><u>\$ 52,077,188</u></u>	<u><u>\$ 52,532,579</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,623,658	\$ 2,059,043
Contribution - member	293,263	290,678
Net investment income	3,312,384	531,376
Benefit payments, including refunds of member contributions	(3,163,900)	(3,517,597)
Administrative expense	(5,690)	(32,701)
Net Change in Plan Fiduciary Net Position	<u>2,059,715</u>	<u>(669,201)</u>
Plan Fiduciary Net Position - Beginning	36,983,707	39,043,422
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 39,043,422</u></u>	<u><u>\$ 38,374,221</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ 13,033,766</u></u>	<u><u>\$ 14,158,358</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.97%	73.05%
Estimated Covered Employee Payroll	\$ 4,122,312	\$ 4,521,715
Net Pension Liability as a Percentage of Covered Employee Payroll	316.18%	313.12%

CITY OF LANCASTER FIREMEN'S PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 701,974	\$ 669,779
Interest	4,093,510	4,010,127
Change for experience	-	(3,048,275)
Changes of assumptions	-	1,004,921
Benefit payments, including refunds of member contributions	<u>(4,162,059)</u>	<u>(3,726,084)</u>
Net Change in Total Pension Liability	633,425	(1,089,532)
Total Pension Liability - Beginning	<u>52,532,579</u>	<u>53,166,004</u>
Total Pension Liability - Ending (a)	<u>\$ 53,166,004</u>	<u>\$ 52,076,472</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 2,153,346	\$ 2,257,853
Contributions - employees	288,150	274,034
Net investment income	2,547,826	4,556,627
Benefit payments, including refunds of member contributions	<u>(4,162,059)</u>	<u>(3,726,084)</u>
Administrative expense	<u>(6,380)</u>	<u>(8,700)</u>
Net Change in Plan Fiduciary Net Position	820,883	3,353,730
Plan Fiduciary Net Position - Beginning	<u>38,374,221</u>	<u>39,195,104</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 39,195,104</u>	<u>\$ 42,548,834</u>
Net Pension Liability - Ending (a-b)	<u>\$ 13,970,900</u>	<u>\$ 9,527,638</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.72%	81.70%
Estimated Covered Employee Payroll	\$ 4,832,626	\$ 4,822,392
Net Pension Liability as a Percentage of Covered Employee Payroll	289.10%	197.57%

CITY OF LANCASTER FIREMEN'S 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, 2015, 2016, and 2017 calculated using the discount rate of 8.0%, 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 (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net Pension Liability - 12/31/14	\$ 18,176,103	\$ 13,033,766	\$ 8,670,077
Net Pension Liability - 12/31/15	\$ 19,333,128	\$ 14,158,358	\$ 9,764,599
Net Pension Liability - 12/31/16	\$ 19,173,177	\$ 13,970,900	\$ 9,494,027
Net Pension Liability - 12/31/17	\$ 14,809,429	\$ 9,527,638	\$ 5,081,776

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
2008	\$ 980,923	\$ 980,923	\$ -	\$ -	\$ -
2009	1,002,631	1,002,631	-	-	-
2010	1,068,751	1,183,751	(115,000)	-	-
2011	1,154,230	1,154,230	-	-	-
2012	1,075,765	1,075,765	-	-	-
2013	1,623,453	1,623,453	-	-	-
2014	1,623,658	1,623,658	-	4,122,312	39.39%
2015	2,059,043	2,059,043	-	4,521,715	45.54%
2016	2,153,346	2,153,346	-	4,832,626	44.56%
2017	2,257,853	2,257,853	-	4,822,392	46.82%

* 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 2014.

CITY OF LANCASTER FIREMEN'S PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF INVESTMENT RETURNS

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

2017	12.22%
2016	7.03%
2015	1.30%
2014	9.42%

CITY OF LANCASTER FIREMEN'S 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	\$ 39,814,691	\$ 49,376,555	\$ 9,561,864	80.6%
01-01-15	42,651,725	51,418,395	8,766,670	83.0%
01-01-17	45,345,315	51,122,650	5,777,335	88.7%

Note: The market value of the plan's assets at 01-01-13 has been adjusted to reflect the smoothing of gains and/or losses at 120 percent of the market value of assets. The market values of the plan's assets at 01-01-15 and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses subject to a corridor between 80 to 120 percent of the market value of assets. These methods 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 LANCASTER FIREMEN'S 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 LANCASTER FIREMEN'S 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	5 years
Asset valuation method	Plan assets are valued using the method described in Section 210 of Act 205, as amended, subject to a corridor between 80-120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Cost-of-living adjustments	None assumed

CITY OF LANCASTER FIREMEN'S PENSION PLAN
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This report was initially distributed to the following:

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