# COMPLIANCE AUDIT

# City of Lancaster
# Police 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 Police 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 9 of 24[1] 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 benefit 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 the plan member 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 individual 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.

- 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.

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[1] We selected plan members randomly from the population of plan members who retired during the current audit period 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 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

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 Police 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 Police 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 | – | Noncompliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Underpayment Of State Aid |

The findings contained in this audit report repeat conditions that were cited in our previous audit report that have not been corrected by city officials. We are concerned by the city's failure to correct these previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this 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.

December 6, 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 Lancaster Police 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 Police 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 165 of the city's codified ordinances. The plan is also affected by the provisions of collective bargaining agreements between the city and its police officers. The plan was established January 1, 1926. Active members are required to contribute 5 percent of Lieutenant rank compensation or own rank if higher, plus 5 percent of longevity, plus $5 per month to the plan. As of December 31, 2017, the plan had 139 active members, 1 terminated member eligible for vested benefits in the future, and 179 retirees receiving pension benefits from the plan.

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

Eligibility Requirements:

| | |
|---|---|
| Normal Retirement | 25 years of service, compulsory upon attainment of age 60. |
| Early Retirement | Eligible with 25 years of service. |
| Vesting | A member is 100% vested with 20 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 for each full year of service over 20 years. Benefits are based on the higher of actual pay level or a lieutenant's pay.

A police officer hired on or after January 1, 2011 contributes at his own base pay level plus longevity and retires on the same basis, with a maximum monthly service increment of $100.

Survivor Benefit:

If retired – 100% of benefit to surviving spouse or child under 18.
If 20 years or killed in service – 100% of benefit to surviving spouse or child under 18.
If after 5 years of service – 2.5% of benefit per year of service maximum 20 years.

Service Related Disability Benefit:

Benefit based on 50% of actual salary plus longevity.

Non-Service Related Disability Benefit:

Benefit based on 50% of actual salary plus longevity, pro-rated for service less than 25 years.

CITY OF LANCASTER POLICE PENSION PLAN
STATUS OF PRIOR FINDINGS

Noncompliance With Prior Audit Recommendations

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

- Inconsistent Pension Benefits

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

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

Condition: As disclosed in the prior 3 audit reports, the pension plan's governing document contains benefit provisions that conflict with the collective bargaining agreement between the city and its police officers, as follows:

| Benefit Provision | Governing Document | Collective Bargaining Agreement |
|---|---|---|
| Retirement benefits for officers hired on or after January 1, 2011 | An active police officer's base rate compensation, as calculated and referenced herein, shall be no less than the lowest base salary for an officer with the rank of Lieutenant. | A retiring Officer's base rate compensation, as calculated and referenced in Chapter 64, Article 1, shall be calculated based on the Officer's actual rank at the time of retirement. |
| Service increments for officers hired on or after January 1, 2011 | Effective January 1, 2007, the maximum service increment payable hereunder shall be $500 per month. | Section 64-7, Service Increments, shall not apply; however, retirees shall be eligible for the service increment contained in 53 PS Section 39303(b)(1) (based on the formula and up to mandatory minimum amount of $100 per month as stated in section 39303(b)(1). |

Criteria: As disclosed in the prior audit reports, 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.

Recommendation: We again recommend that municipal officials take appropriate action to ensure the plan's governing document contains benefit provisions that are consistent with the collective bargaining agreement at their earliest opportunity to do so.

**Finding No. 1 – (Continued)**

Management's Response: Two of the three most recent Collective Bargaining Agreements (CBA) with the Lancaster City Police Officers Association (LCPOA) contained pension benefit modifications. The most recently negotiated CBA, which has an effective date of January 1, 2017, did not include any modifications to pension benefits. The City had also handled a grievance arbitration regarding the longevity portion of the monthly pension calculation in the Police Pension Plan. The City's position on the longevity calculation was upheld in the arbitration, but the longevity language in the City's Codified Ordinances needs to be changed to provide a clearer explanation of how the longevity calculation is done properly.

The City has been administering the Police 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 Police and Fire Pension changes were completed through the collective bargaining or arbitration process in order to write one comprehensive ordinance to cover all Police and Fire Pension changes. An ongoing contract language dispute with the firefighter's union (IAFF Local 319) delayed the entire process for both the Police and Fire Pension changes.

To correct this finding from the prior audits, 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 Police Pension Plan to the City and this draft will be provided to the LCPOA for review by their counsel. When finalized (along with the Fire 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.

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

Condition: As disclosed in the prior audit report, the city failed to certify an eligible police officer (2 units) and understated payroll by $46,837 on the Certification Form AG 385 filed in 2015. A similar condition occurred during the current audit period. 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 and 2 eligible firefighters (4 units) and understated payroll by $78,988 on the Certification Form AG 385 filed in 2017. In addition, 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: As previously disclosed in the prior report, 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 again failed to establish adequate internal control procedures to ensure the accuracy of the data certified and full compliance with the prior audit recommendation.

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:

| Year | Type Of Plan | Unit Value | Units (Understated) | State Aid (Underpayment) |
|---|---|---|---|---|
| 2016 | Police | $ 4,374.64 | (2) | $ (8,749) |
| 2017 | Firemen's | $ 4,588.25 | (4) | (18,353) |
| | | | Subtotal | $ (27,102) |

**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:

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

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

Management's Response: 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 POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 8 through 11 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

| | 2014 | 2015 |
|---|---|---|
| Total Pension Liability | | |
| Service cost | $ 1,755,477 | $ 1,725,052 |
| Interest | 6,117,633 | 6,375,804 |
| Difference between expected and actual experience | - | (613,024) |
| Benefit payments, including refunds of member contributions | (3,828,043) | (4,176,983) |
| Net Change in Total Pension Liability | 4,045,067 | 3,310,849 |
| Total Pension Liability – Beginning | 76,628,951 | 80,674,018 |
| Total Pension Liability – Ending (a) | $ 80,674,018 | $ 83,984,867 |
| Plan Fiduciary Net Position | | |
| Contributions – employer | $ 2,439,350 | $ 2,748,596 |
| Contribution – member | 723,981 | 636,599 |
| Net investment income | 5,207,899 | 809,462 |
| Benefit payments, including refunds of member contributions | (3,828,043) | (4,176,983) |
| Administrative expense | (4,540) | (11,344) |
| Net Change in Plan Fiduciary Net Position | 4,538,647 | 6,330 |
| Plan Fiduciary Net Position – Beginning | 57,945,772 | 62,484,419 |
| Plan Fiduciary Net Position – Ending (b) | $ 62,484,419 | $ 62,490,749 |
| Net Pension Liability – Ending (a-b) | $ 18,189,599 | $ 21,494,118 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 77.45% | 74.41% |
| Estimated Covered Employee Payroll | $ 10,707,385 | $ 10,972,837 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 169.88% | 195.88% |

CITY OF LANCASTER POLICE 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

| | 2016 | 2017 |
|---|---|---|
| Total Pension Liability | | |
| Service cost | $ 1,811,305 | $ 1,697,416 |
| Interest | 6,673,575 | 7,156,987 |
| Change for experience | - | 1,124,608 |
| Changes of assumptions | - | 1,556,000 |
| Benefit payments, including refunds of member contributions | (4,752,979) | (5,264,907) |
| Net Change in Total Pension Liability | 3,731,901 | 6,270,104 |
| Total Pension Liability – Beginning | 83,984,867 | 87,716,768 |
| Total Pension Liability – Ending (a) | $ 87,716,768 | $ 93,986,872 |
| Plan Fiduciary Net Position | | |
| Contributions – employer | $ 2,814,350 | $ 2,996,610 |
| Contributions – employees | 699,760 | 621,225 |
| Net investment income | 4,172,859 | 7,547,203 |
| Benefit payments, including refunds of member contributions | (4,752,979) | (5,264,907) |
| Administrative expense | (26,100) | (4,170) |
| Net Change in Plan Fiduciary Net Position | 2,907,890 | 5,895,961 |
| Plan Fiduciary Net Position – Beginning | 62,490,749 | 65,398,639 |
| Plan Fiduciary Net Position – Ending (b) | $ 65,398,639 | $ 71,294,600 |
| Net Pension Liability – Ending (a-b) | $ 22,318,129 | $ 22,692,272 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.56% | 75.86% |
| Estimated Covered Employee Payroll | $ 10,995,284 | $ 11,562,299 |
| Net Pension Liability as a Percentage of Covered Employee Payroll | 202.98% | 196.26% |

CITY OF LANCASTER POLICE 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 | $ 28,293,476 | $ 18,189,599 | $ 9,731,044 |
| Net Pension Liability – 12/31/15 | $ 31,876,693 | $ 21,494,118 | $ 12,793,482 |
| Net Pension Liability – 12/31/16 | $ 33,090,256 | $ 22,318,129 | $ 13,280,068 |
| Net Pension Liability – 12/31/17 | $ 34,109,814 | $ 22,692,272 | $ 13,140,392 |

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 | $ 1,542,197 | $ 1,542,197 | $ - | $ - | - |
| 2009 | 1,565,272 | 1,565,272 | - | - | - |
| 2010 | 1,618,199 | 2,588,199 | (970,000) | - | - |
| 2011 | 1,732,970 | 1,732,970 | - | - | - |
| 2012 | 1,718,841 | 1,718,841 | - | - | - |
| 2013 | 2,427,282 | 2,427,282 | - | - | - |
| 2014 | 2,439,350 | 2,439,350 | - | 10,707,385 | 22.78% |
| 2015 | 2,748,596 | 2,748,596 | - | 10,972,837 | 25.05% |
| 2016 | 2,814,350 | 2,814,350 | - | 10,995,284 | 25.60% |
| 2017 | 2,996,610 | 2,996,610 | - | 11,562,299 | 25.92% |

* 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 POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

## SCHEDULE OF INVESTMENT RETURNS

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

| | |
|---|---|
| 2017 | 12.04% |
| 2016 | 7.10% |
| 2015 | 1.22% |
| 2014 | 9.29% |

CITY OF LANCASTER POLICE 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 | $ 60,520,074 | $ 72,813,781 | $12,293,707 | 83.1% |
| 01-01-15 | 67,481,143 | 80,060,994 | 12,579,851 | 84.3% |
| 01-01-17 | 74,458,392 | 90,397,376 | 15,938,984 | 82.4% |

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 subject to a corridor between 70 to 130 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.

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 POLICE 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 | 11 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 POLICE PENSION PLAN
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This report was initially distributed to the following:

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CITY OF LANCASTER POLICE PENSION PLAN
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