

# COMPLIANCE AUDIT

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## City of Allentown Aggregate Pension Fund Lehigh County, Pennsylvania For the Period January 1, 2021 to December 31, 2022

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February 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

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

We have conducted a compliance audit of the City of Allentown Aggregate Pension Fund for the period January 1, 2021 to December 31, 2022. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

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

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension fund 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 plans' governing document and applicable laws and regulations by examining the municipality's calculation of the plans' annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plans as evidenced by supporting documentation.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plans in accordance with the plans' governing documents and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plans' governing documents in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plans.
- We determined whether retirement benefits calculated for 9 of the 25 police pension plan members who retired or elected to vest, 7 of the 14 firemen's pension plan members who retired<sup>1</sup>, and the officers' and employees' pension plan member 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 plans' governing documents, applicable laws, and regulations by recalculating the amount of the pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid or payable to the recipients.
- We determined whether the January 1, 2019 and January 1, 2021 actuarial valuation reports were prepared and submitted by March 31, 2020 and 2022, 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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<sup>1</sup> For the police and firemen's pension plans, we selected plan members randomly from the population of plan members who retired or elected to vest 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 pension fund is in compliance with Act 205 for distressed municipalities through inquiry of plan officials and evaluation of the recovery remedies implemented during the audit period.
- 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.

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.

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

The results of our procedures indicated that, in all significant respects, the City of Allentown Aggregate Pension Fund was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:

#### Police Pension Plan

- Finding No. 1 – Noncompliance With Prior Audit Recommendation – Plan Provisions Not In Compliance With The Third Class City Code
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Incorrect Pension Benefit Calculations/Incorrect Payments

Firemen's Pension Plan

- Finding No. 3 – Noncompliance With Prior Audit Recommendation – Plan Provision Not In Compliance With The Third Class City Code
- Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefit
- Finding No. 5 – Noncompliance With Prior Audit Recommendation – Cost Of Living Adjustment Not In Accordance With The Third Class City Code

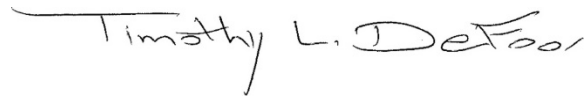
Aggregate Pension Fund

- Finding No. 6 – Noncompliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In A Net Overpayment Of State Aid
- Finding No. 7 – Failure To Fund The City's Pension Plans In Accordance With Special Tax Provisions Of Act 205

Finding Nos. 1, 2, 3, 4, 5, and 6 contained in this audit report repeat conditions that were cited in our previous audit report that have not been corrected by city officials. We are concerned by the city's failure to correct those previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this audit report.

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

The contents of this report were discussed with officials of 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.



Timothy L. DeFoor  
Auditor General  
January 11, 2024

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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.

Annual state aid allocations are provided from a two 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 Aggregate Pension Fund is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

- Act 67 - The Third Class City Code, Act of November 24, 2015 (P.L. 242, No. 67), as amended, 11 Pa. C.S. § 10101 et seq.
- Act 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 362 - The Third Class City Code, Act of May 23, 1945 (P.L. 903, No. 362), Article XLIII-A, Optional Retirement System for Officers and Employees, as amended, 53 P.S. § 42001 et seq.

The City of Allentown Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Article 143 of the city's codified ordinances, adopted pursuant to the Third Class City Code. The plan is also affected by the provisions of collective bargaining agreements between the city and its police officers, as well as Act 111 interest arbitration awards. The plan was established March 9, 1926. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2022, the plan had 214 active members, 4 terminated members eligible for vested benefits in the future, and 310 retirees receiving pension benefits from the plan.

## **BACKGROUND – (Continued)**

The City of Allentown Firemen’s Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Article 145 of the city’s codified ordinances, adopted pursuant to the Third Class City Code. The plan is also affected by the provisions of collective bargaining agreements between the city and its firefighters, as well as Act 111 interest arbitration awards. The plan was established December 8, 1927. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2022, the plan had 127 active members, no terminated members eligible for vested benefits in the future, and 190 retirees receiving pension benefits from the plan.

The City of Allentown Officers’ and Employees’ Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Article 141 of the city’s codified ordinances, adopted pursuant to the Third Class City Code. The plan is also affected by the provisions of collective bargaining agreements between the city and its non-uniformed employees. Non-uniformed employees hired prior to August 5, 1981 are members of the officers’ and employees’ pension plan. The plan was established May 1, 1946. Active members are required to contribute 5.5 percent of compensation to the plan. As of December 31, 2022, the plan had 1 active member, no terminated members eligible for vested benefits in the future, and 83 retirees receiving pension benefits from the plan.



CITY OF ALLENTOWN AGGREGATE PENSION FUND  
STATUS OF PRIOR FINDINGS

Noncompliance With Prior Audit Recommendations

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

Police Pension Plan

- Plan Provisions Not In Compliance With The Third Class City Code
- Incorrect Pension Benefit Calculations

Firemen's Pension Plan

- Plan Provisions Not In Compliance With The Third Class City Code
- Inconsistent Pension Benefit
- Cost of Living Adjustment Not In Accordance With The Third Class City Code

Aggregate Pension Fund

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

Although the city received reimbursement for the prior state aid underpayment, the city again failed to comply with the instructions that accompany Certification Form AG 385 in accurately reporting the required pension data, as further discussed in Finding No. 6 of this report.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Plan Provisions Not In Compliance With The Third Class City Code**

Condition: The city adopted a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2901 et seq. (previously 53 P.S. § 1-101 et seq.). As disclosed in the six most recent audit reports, the plan’s governing document contains provisions that are not in compliance with the Third Class City Code, as noted below:

<u>Provision</u>	<u>Plan Governing Document</u>	<u>Third Class City Code</u>
Survivor benefits for a surviving spouse of a retiree	In case there is no surviving spouse, or after the death of the surviving spouse, or in case of her or his remarriage, the pension and service increment shall be paid to the guardian of the deceased officer’s dependent children, if any, without abatement until the youngest child reaches the age of eighteen (18) years, after which all pension and service increment rights shall cease, with the exception that after the last child has reached the age of eighteen (18) years, then the surviving spouse who has since remarried, at this time will once again have his or her pension rights as a surviving spouse reinstated for the remainder of his/her life.	<p>The spouse of a member of the police force or a member who retires on pension who dies or, if no spouse survives or if the spouse survives and subsequently dies or remarries, the child or children under 18 years of age of a member of the police force or a member who retires on pension who dies on or after August 1, 1963, shall, during the lifetime of the surviving spouse, even if the surviving spouse remarries, or until reaching 18 years of age in the case of a child or children, be entitled to receive a pension calculated at the rate of 50% of the pension the member was receiving or would have been receiving if the member was retired at the time of the member’s death and may receive the pension the member was receiving or would have been receiving had the member been retired at the time of the member’s death.</p> <p>The payments under paragraph (2) shall be made to a surviving spouse even if the spouse remarries or, if no spouse survives or if the individual survives and subsequently dies, to the children under 18 years of age of:</p> <ul style="list-style-type: none"> <li>(i) a member of the police force;</li> <li>(ii) a member retired on pension; or</li> <li>(iii) a member who died in service.</li> </ul>

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

**Finding No. 1 – (Continued)**

<u>Provision</u>	<u>Plan Governing Document</u>	<u>Third Class City Code</u>
Refund of service increment contributions	Not provided.	Service increment contributions shall be paid at the same time and in the same manner as retirement contributions, and may be withdrawn in full, without interest, by persons who leave the employment of such city, subject to the same conditions by which retirement contributions may be withdrawn, or by persons who retire before becoming entitled to any service increment.
Nonservice-related disability benefit with more than 10 years of service	50.5% of salary and any service increment in effect on the date which the officer may be entitled to at the time of retirement.	Benefit may be 50% of annual compensation.
Credit for police cadet/para police service	Every current member of the Police Pension Fund who served as a City of Allentown Police “Cadet” or “Para Police” Officer prior to their appointment as a police officer shall be entitled to have full credit for each year or fraction thereof, not to exceed four (4) years of such service, upon payment to the Police Pension Fund of an amount equal to that which they would have paid had they been a member of the Police Pension Fund during the period of Allentown “Cadet” or “Para Police” service. All purchased Allentown “Cadet” or “Para Police” service shall be credited as “active service” for pension purposes.	Not provided.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

**Finding No. 1 – (Continued)**

Criteria: As previously disclosed, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee* on January 24, 2001. Therein, the court held that Section 2962(c)(5) of the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2962(c)(5), “clearly precludes home rule municipalities from providing pension benefits different from those prescribed in general law.” The court’s holding was in accordance with the position taken by this Department since at least January 1995.

Cause: Municipal officials again failed to take appropriate corrective action to comply with the prior audit recommendation.

Effect: The provision of benefits that are not in compliance with the Third Class City Code could increase the plan’s pension costs and reduce the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses. Since the city received its state aid allocations based on unit value during the current audit period, it did not receive excess state aid allocations attributable to the benefits not in compliance with the Third Class City Code. However, providing benefits not in compliance with the Third Class City Code could result in the receipt of excess state aid in the future, and increased required contributions to the plan by the city.

In addition, the failure to provide benefits mandated by the Third Class City Code could result in plan members or their beneficiaries being denied benefits to which they are statutorily entitled.

Recommendation: As noted in the prior audit report, until *Monroeville*, there was no definitive decision as to whether home rule municipalities were obliged to comply with applicable pension law. The Department seeks, therefore, to implement the decision in as equitable a fashion as possible, while paying necessary deference to the court’s ruling. Accordingly, the Department will not penalize a home rule municipality for granting benefits not authorized by the Third Class City Code to existing retirees or to individuals who began full-time employment before January 24, 2001 (the date *Monroeville* was issued). However, to the extent that the city is providing pension benefits in excess of those authorized by the Third Class City Code to employees who began full-time employment on or after that date, the unauthorized benefits will be deemed ineligible for funding with state pension aid. In such case, the plan’s actuary may be required to determine the impact, if any, of the unauthorized benefits on the city’s future state aid allocations and submit this information to the Department.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

**Finding No. 1 – (Continued)**

Furthermore, we again caution city officials that the Department’s application of *Monroeville* only to employees hired on or after January 24, 2001, does not sanction (1) a municipality’s granting excess benefits to existing or future employees when none had been granted as of January 24, 2001, or (2) a municipality’s increasing excess benefits for existing or future employees beyond those that had been granted as of that date.

Finally, to the extent that the city is not providing benefits mandated by the Third Class City Code, we recommend that those benefits be adopted at the city’s earliest opportunity to do so.

Management’s Response: Management is aware of this ongoing finding and will continue to aim to harmonize the collective bargaining agreement plan provisions with those of the Third Class City Code. Until such changes can be made, the City will continue to abide by the provisions of its existing collective bargaining agreement.

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

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

**Finding No. 2 – Noncompliance With Prior Audit Recommendation – Incorrect Pension Benefit Calculations/Incorrect Payments**

Condition: As disclosed in the two most recent audit reports, the city incorrectly calculated the pension benefits for five retired police officers during prior audit periods. A similar condition occurred during the current audit period. During the current audit period, the city paid an additional retired police officer an amount greater than the amount correctly calculated. The discrepancies are noted as follows:

Terminated/ Retired Individual	Discrepancy	Monthly Benefit Overpaid (Underpaid)
Officer 1	Incorrect 2009 and 2010 compensation used in calculation.	\$ (47)
Officer 2*	Calculation contains mathematical error.	\$ (198)
Officer 3	Calculation based on the incorrect eligible pension percentage and contains incorrect payroll.	\$ 863
Officer 4	Calculation contains inaccurate payroll.	\$ 140
Officer 5	Calculation contains excess shift differential, incorrect military buyback.	\$ 1,295
Officer 6**	Member was 95% vested; however, city is paying 100% benefit.	\$ 338

\* Officer terminated employment during 2016 and began receiving a vested benefit during 2020.

\*\* Officer terminated employment during 2021 and began receiving a vested benefit also in 2021.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

**Finding No. 2 – (Continued)**

Criteria: Section 143.14.5 (C) of Article 143 of the Codified Ordinances states, in part:

Effective January 1, 2005, the basis of the amount of the pension shall be determined by the rate of the monthly pay of the employee at the time of retirement, or the highest average annual salary which the Covered Employee received during any five (5) years of service preceding retirement, whichever is higher. During the final thirty (30) days of employment, a retiring employee shall not artificially contrive or manipulate his regular or overtime hours so as to increase the rate of pension to which he would otherwise be entitled. When the Covered Employee submits his/her letter of retirement to the City, the City shall provide the employee with an itemized list of salary for each and all years of service. Salary will include base pay, longevity, holiday pay, shift differential and overtime....

Section 143.16 of Article 143 of the Codified Ordinances states, in part:

Effective August 23, 1999, every covered employee who has served for a period of at least twenty (20) years of continuous service, regardless of age, shall be permitted to retire and receive a pension at the rate of fifty and one half (50.5%) percent of his/her salary on the date of retirement.

Section 143.18 (B) of Article 143 of the Codified Ordinances states:

Effective January 1, 2005, the total of pension and service increments shall represent the following percentages of salary:

21 years of service	58%
22 years of service	61%
23 years of service	64%
24 years of service	67%
25 years of service	70%

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

**Finding No. 2 – (Continued)**

Section 14302 (c) of Act 67 states:

Military service.--With the approval of council, a member of the police pension fund shall be entitled to have full credit for each year or fraction of a year, not to exceed five years of the service upon the member's payment to:

- (1) the police pension fund of an amount equal to that which the member would have paid had the member been a member during the period for which credit is desired; and
- (2) the fund of an additional amount as the equivalent of the contributions of the city on account of the military service.

To be eligible under this subsection, the member must be a contributor who served in the armed forces of the United States after September 1, 1940, and was not a member of the police pension fund prior to the military service.

Section 143.21 of Article 143 of the Codified Ordinances states, in part:

Every covered employee who served in the Armed Forces of the United States subsequent to September 1, 1940, and who was not a member of the covered Police Department prior to such military service, shall be entitled to have full credit for each year or fraction thereof, not to exceed five (5) years of such service, upon his/her payment to the Police Pension Fund of an amount equal to that which he/she would have paid had he/she been a member during the period for which he/she desires credit, and his/her payment to such fund of an additional amount as the equivalent of the contributions of the CITY OF ALLENTOWN on account of such military service. All purchased military time shall be credited as "active service" for pension purposes.



CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Police Pension Plan – (Continued)

**Finding No. 2 – (Continued)**

Section 143.08 C (4) of Article 143 of the Codified Ordinances states, in part:

Any police officer who has less than ten (10) years of service and who is totally disabled due to injuries or mental incapacities not in the line of duty and is unable to perform the duties of a police officer, shall be entitled to a pension of twenty-five (25%) percent of his or her annual compensation. For injuries received after ten (10) years of service, the compensation shall be fifty (50%) percent of his or her annual compensation. If such retirement occurs on or after January 1, 1995, such pension shall be equivalent to fifty and one-half (50-1/2%) percent of such salary and any service increment in effect on that date which the officer may have been entitled to at the time of retirement.

Cause: Municipal officials again failed to take appropriate corrective action to comply with the prior audit recommendation.

Effect: The plan is not paying the proper amount of pension benefits to retirees as authorized by the plan's governing document.

Recommendation: We again recommend that municipal officials adjust the retirees' pension benefits in accordance with the provisions contained in the plan's governing document.

Management's Response: Management acknowledged these discrepancies and will take proactive steps to correct and adjust the benefits being paid to the identified individuals.

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

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Firemen’s Pension Plan

**Finding No. 3 – Noncompliance With Prior Audit Recommendation – Plan Provision Not In Compliance With The Third Class City Code**

Condition: The city adopted a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2901 et seq. (previously 53 P.S. § 1-101 et seq.). As disclosed in the six most recent audit reports, the following plan provision is not in compliance with the Third Class City Code:

<u>Provision</u>	<u>Plan Governing Document</u>	<u>Third Class City Code</u>
Survivor benefits for minor children of members not killed in service.	Upon the death of the surviving spouse, pension benefits shall be paid to the guardian of the deceased officer’s dependent children, if any, without abatement until the youngest child reaches the age of 18 or up to 23 if enrolled in and attending a post-secondary certified education institution on a full time basis.	Not provided.

Criteria: As previously disclosed, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee* on January 24, 2001. Therein, the court held that Section 2962(c)(5) of the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2962(c)(5), “clearly precludes home rule municipalities from providing pension benefits different from those prescribed in general law.” The court’s holding was in accordance with the position taken by this Department since at least January 1995.

Cause: Municipal officials again failed to take appropriate corrective action to comply with the prior audit recommendation.

Effect: The provision of benefits that are not in compliance with the Third Class City Code could increase the plan’s pension costs and reduce the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses. Since the city received its state aid allocations based on unit value during the current audit period, it did not receive excess state aid allocations attributable to the benefits not in compliance with the Third Class City Code. However, providing benefits not in compliance with the Third Class City Code could result in the receipt of excess state aid in the future, and increased required contributions to the plan by the city.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Firemen's Pension Plan – (Continued)

**Finding No. 3 – (Continued)**

Recommendation: As noted in the prior audit report, until *Monroeville*, there was no definitive decision as to whether home rule municipalities were obliged to comply with applicable pension law. The Department seeks, therefore, to implement the decision in as equitable a fashion as possible, while paying necessary deference to the court's ruling. Accordingly, the Department will not penalize a home rule municipality for granting benefits not authorized by Third Class City Code to existing retirees or to individuals who began full-time employment before January 24, 2001 (the date *Monroeville* was issued). However, to the extent that the city is providing pension benefits in excess of those authorized by the Third Class City Code to employees who began full-time employment on or after that date, the unauthorized benefits will be deemed ineligible for funding with state pension aid. In such case, the plan's actuary may be required to determine the impact, if any, of the unauthorized benefits on the city's future state aid allocations and submit this information to the Department.

Furthermore, we again caution city officials that the Department's application of *Monroeville* only to employees hired on or after January 24, 2001, does not sanction (1) a municipality's granting excess benefits to existing or future employees when none had been granted as of January 24, 2001, or (2) a municipality's increasing excess benefits for existing or future employees beyond those that had been granted as of that date.

Management's Response: Management is aware of this ongoing finding and will continue to aim to harmonize the collective bargaining agreement plan provisions with those of the Third Class City Code. Until such changes can be made, the City will continue to abide by the provisions of its existing collective bargaining agreement.

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

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Firemen’s Pension Plan – (Continued)

**Finding No. 4 – Noncompliance With Prior Audit Recommendation – Inconsistent Pension Benefit**

Condition: As disclosed in the three most recent audit reports, the pension plan’s governing document, Article 145 of the city’s codified ordinance, contains a benefit provision that conflicts with the collective bargaining agreement between the firefighters and the city, as follows:

<u>Benefit Provision</u>	<u>Governing Document</u>	<u>Collective Bargaining Agreement</u>
Service increment	21 years of service – 3%; 22-25 years of service – 3.5%; at least 22 ½ years of service but less than 23 years of service - receive credit of 2.5 service increments.	For all employees hired after 1/1/2012, 1/40 <sup>th</sup> (2.5%) of pension benefit multiplied by the number of whole years in excess of 20 years, not to exceed \$200 per month.

Criteria: A governing document which contains clearly defined and updated benefit provisions is a prerequisite for the consistent, sound administration of retirement benefits. 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 again failed to take appropriate corrective action to comply with the prior audit recommendation.

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 and the collective bargaining agreement contain consistent benefit provisions at their earliest opportunity to do so.

Management’s Response: Management agreed with this finding. The City will update its ordinance to align with the service increment calculations in the collective bargaining agreement.

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

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Firemen's Pension Plan – (Continued)

**Finding No. 5 – Noncompliance With Prior Audit Recommendation – Cost Of Living Adjustment Not In Accordance With The Third Class City Code**

Condition: As disclosed in the prior two audit reports, the pension plan's governing document contains a cost of living adjustment (COLA) provision that is not authorized by the Third Class City Code. Section 145.18.3 of the city's codified ordinance states, in part:

Any covered employee, retiring after January 1, 2005 shall be eligible to receive an annual Cost of Living Adjustment. Such adjustments shall be in conformity with a uniform scale, which shall be based on the cost of living as described below, but the sum total of the employee's pension and such allowances shall not at any time exceed one-half of the current salary being paid to Fire Fighters of the same rank held by the Firefighter prior to retirement.

Pursuant to this provision, COLAs in excess of those authorized by the Third Class City Code were granted to six retired firefighters during prior audit periods. A similar condition occurred during the current audit period. The city granted excess COLAs to five additional retirees and continued to pay all 11 retirees these excess COLAs through completion of our fieldwork procedures.

Criteria: Section 14322.1 (b) of the Third Class City Code states:

Increases made pursuant to this section shall be in conformity with a uniform scale, which may be based on the cost of living, but the total of the allowances shall not, at any time, exceed one-half of the current salary being paid firefighters of the highest pay grade. (Emphasis added.)

Cause: Municipal officials again failed to take appropriate corrective action to comply with the prior audit recommendation.

Effect: The plan is paying pension benefits to 11 retirees in excess of those authorized by the Third Class City Code. The retirees have received total excess benefits totaling approximately \$64,733 through the date of this report.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Firemen's Pension Plan – (Continued)

**Finding No. 5 – (Continued)**

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

Recommendation: We again recommend that the city amend the plan's governing document at its earliest opportunity to do so and ensure that future cost of living adjustments granted are in accordance with the Third Class City Code.

Management's Response: Management is aware of this ongoing finding and will work internally to review the arbitration awards regarding COLA benefits.

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

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Aggregate Pension Fund

**Finding No. 6 – Noncompliance 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, the city again failed to comply with the instructions that accompanied Certification Form AG 385. The city certified three ineligible non-uniformed employees (3 units) on the Certification Form AG 385 filed in 2022. In addition, the city failed to certify an eligible police officer (2 units) and certified seven ineligible non-uniformed employees (7 units) on the Certification Form AG 385 filed in 2023. 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: Although the city has implemented adequate internal control procedures by having two individuals review the data certified prior to submission, they have acknowledged shortcomings with the software system that extracts the data, which contributed to the certification errors.

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>
2022	O&E - PMRS	3	\$ 5,180	\$ 15,540
2023	Police	(2)	5,828	(11,656)
	O&E - PMRS	7	5,828	40,796
2023 Net Overpayment of State Aid				\$ 29,140
Net Overpayment of State Aid				\$ 44,680

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Aggregate Pension Fund – (Continued)

**Finding No. 6 – (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.

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

Recommendation: We recommend that the net overpayment of state aid, in the amount of \$44,680, 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 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 agreed with the finding and will remit payment to the Commonwealth.

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 AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

**Finding No. 7 – Failure To Fund The City’s Pension Plans In Accordance With Special Tax Provisions Of Act 205**

Condition: Under the discretionary remedies available through the distress provisions of Act 205 to provide short-term fiscal relief to local governments operating public pension plans, the city adopted Ordinance No. 14839, effective January 1, 2011, as amended, increasing its Earned Income Tax rate for both residents and non-residents of the city for the sole purpose of defraying the additional costs required to be paid pursuant to Act 205 directly related to the city’s pension plans. Additionally, the city prepared the calculation necessary to determine the appropriate funding level mandated under the distress provisions of Act 205. However, during the current audit period, the city did not reconcile and maintain its level of funding from sources prior to implementation of the special tax as required by the distress provisions of Act 205.

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

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

The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Furthermore, relative to the funding of certain distress pension plans, Section 607(f) of Act 205 states:

**(f) Special municipal taxing authority.**

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

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Aggregate Pension Fund – (Continued)

**Finding No. 7 – (Continued)**

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

Cause: There was turnover of officials responsible for the administration of the city’s pension plans during the current audit period, and current officials were unaware of the required funding level previously determined and the necessity for a reconciliation. Additionally, the city retained the special tax collected in the general fund as reimbursement for contributions made to its pension plans each year; however, the city lacked adequate internal control procedures to ensure that it did not reduce its level of contributions to its pension plans prior to the implementation of the special municipal taxing authority before application of funding available under the special tax provisions of Act 205.

Effect: The failure to properly apply the provisions of Section 607(f) of Act 205 and fund the pension plans, accordingly, resulted in reduced annual funding towards the city’s distressed pension plans than afforded under the provisions of Act 205 during the audit period and could result in the plans not having sufficient resources to meet current and future benefit obligations to its members.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
FINDINGS AND RECOMMENDATIONS

Aggregate Pension Fund – (Continued)

**Finding No. 7 – (Continued)**

Recommendation: We recommend the city reconcile the total contributions made to the pension plans during 2021 and 2022 from sources other than special tax funding with its required level of funding from sources prior to the implementation of the special municipal taxing authority (*i.e., the baseline percentages as previously determined by the city*) in accordance with Act 205 and deposit the additional funds necessary to meet the city’s required funding level for the respective years.

In addition, we recommend that the city implement adequate internal control procedures, such as maintaining appropriate supporting documentation identifying the sources of its annual contributions to its pension plans and performing annual reconciliations evidencing funding requirements made, to ensure that in the future, the city does not reduce its level of contributions to its pension plans from funding sources in existence prior to the implementation of the special municipal taxing authority in accordance with Act 205.

Management’s Response: Management understands this finding and as a result will revise the process on how the City receives Act 205 revenue and closely monitor City calculations to ensure we meet the baseline percentage.

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

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
POTENTIAL WITHHOLD OF STATE AID

Finding No. 6 contained in this audit report cites an overpayment of state aid to the city in the amount of \$44,680, 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 AGGREGATE PENSION FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

POLICE PENSION PLAN

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, 2017, 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)
01-01-17	\$154,217,523	\$ 189,076,712	\$ 34,859,189	81.6%
01-01-18*	159,712,488	196,303,459	36,590,971	81.4%
01-01-19	163,859,683	202,033,321	38,173,638	81.1%
01-01-20*	172,043,392	210,488,281	38,444,889	81.7%
01-01-21	186,545,645	231,507,633	44,961,988	80.6%
01-01-23*	214,824,093	249,207,880	34,383,787	86.2%

\* Data reported on annual actuarial valuation reports (*prepared in even years*) was in addition to the reports filed biennially with the Municipal Pension Reporting Program. An actuarial valuation report for 01-01-22 was not prepared nor required in accordance with Act 205.

Note: The market values of the plan’s assets at 01-01-17, 01-01-18, 01-01-19, 01-01-20, 01-01-2021, and 01-01-23 have been adjusted to reflect five-year smoothing of gains and/or losses. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

FIREMEN'S PENSION PLAN

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, 2017, 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)
01-01-17	\$103,743,077	\$ 123,554,344	\$ 19,811,267	84.0%
01-01-18*	106,397,272	126,055,338	19,658,066	84.4%
01-01-19	107,080,303	127,317,052	20,236,749	84.1%
01-01-20*	110,546,468	129,965,868	19,419,400	85.1%
01-01-21	117,897,805	134,967,566	17,069,761	87.4%
01-01-23*	132,425,581	142,333,301	9,907,720	93.0%

\* Data reported on annual actuarial valuation reports (*prepared in even years*) was in addition to the reports filed biennially with the Municipal Pension Reporting Program. An actuarial valuation report for 01-01-22 was not prepared nor required in accordance with Act 205.

Note: The market values of the plan's assets at 01-01-17, 01-01-18, 01-01-19, 01-01-20, 01-01-21, and 01-01-23 have been adjusted to reflect five-year smoothing of gains and/or losses. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

OFFICERS' AND EMPLOYEES' PENSION PLAN

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, 2017, 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)
01-01-17	\$ 14,124,036	\$ 15,098,812	\$ 974,776	93.5%
01-01-18*	13,100,702	13,877,224	776,522	94.4%
01-01-19	11,728,438	12,913,821	1,185,383	90.8%
01-01-20*	10,554,983	12,078,320	1,523,337	87.4%
01-01-21	9,716,940	10,926,347	1,209,407	88.9%
01-01-23*	8,202,586	9,317,519	1,114,933	88.0%

\* Data reported on annual actuarial valuation reports (*prepared in even years*) was in addition to the reports filed biennially with the Municipal Pension Reporting Program. An actuarial valuation report for 01-01-22 was not prepared nor required in accordance with Act 205.

Note: The market values of the plan's assets at 01-01-17, 01-01-18, 01-01-19, 01-01-20, 01-01-21, and 01-01-23 have been adjusted to reflect five-year smoothing of gains and/or losses. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

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

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



CITY OF ALLENTOWN AGGREGATE PENSION FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

POLICE PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2013	\$ 2,276,774	\$ 86,776,774	\$(84,500,000)*	\$15,293,935	567.39%
2014	2,507,471	2,507,471	-	17,031,352	14.72%
2015	2,669,759	2,669,759	-	17,794,000	15.00%
2016	4,216,537	4,216,537	-	18,931,433	22.27%
2017	4,341,381	4,341,381	-	19,231,733	22.57%
2018	6,924,460	6,924,460	-	19,718,764	35.12%
2019	7,046,609	7,046,609	-	20,904,708	33.71%
2020	7,918,392	7,918,392	-	21,013,019	37.68%
2021	7,884,257	7,884,257	-	22,306,245	35.35%
2022	9,318,319	9,318,319	-	22,097,635	42.17%

\* The 2013 Actual Contributions include the deposit of note proceeds in the amount of \$84,500,000 representing the excess.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

FIREMEN'S PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2013	\$ 1,508,323	\$ 62,708,409	\$(61,200,086)*	\$8,117,293	772.53%
2014	1,345,613	1,355,613	(10,000)	8,968,810	15.11%
2015	1,205,379	1,205,379	-	9,544,000	12.63%
2016	2,965,478	2,965,478	-	9,901,453	29.95%
2017	3,068,607	3,068,607	-	10,408,858	29.48%
2018	3,714,299	3,714,299	-	10,776,923	34.47%
2019	3,779,843	3,779,843	-	11,226,704	33.67%
2020	4,063,701	4,063,701	-	11,979,474	33.92%
2021	4,107,655	4,107,655	-	13,300,238	30.88%
2022	3,841,351	3,841,351	-	13,173,304	29.16%

\* The 2013 Actual Contributions include the deposit of note proceeds in the amount of \$61,200,086 representing the excess.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

OFFICERS' AND EMPLOYEES' PENSION PLAN

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2013	\$ 81,097	\$ 4,381,097	\$(4,300,000)*	\$ 62,491	7,010.76%
2014	103,519	103,519	-	64,960	159.36%
2015	161,022	161,022	-	70,000	230.03%
2016	149,540	149,540	-	71,512	209.11%
2017	149,845	149,845	-	74,062	202.32%
2018	203,427	203,427	-	76,590	265.61%
2019	203,401	203,401	-	78,833	258.02%
2020	230,346	230,346	-	81,552	282.45%
2021	230,757	230,757	-	86,050	268.17%
2022	232,542	232,542	-	85,201	272.93%

\* The 2013 Actual Contributions include the deposit of note proceeds in the amount of \$4,300,000 representing the excess.

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

POLICE PENSION PLAN

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	10 years
Asset valuation method	5-year smoothing method described in Section 3.16 of Revenue Procedure 2000-40.
Actuarial assumptions:	
Investment rate of return	7.4%
Projected salary increases	4.5%

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

FIREMEN’S PENSION PLAN

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	9 years
Asset valuation method	5-year smoothing method described in Section 3.16 of Revenue Procedure 2000-40.
Actuarial assumptions:	
Investment rate of return	7.4%
Projected salary increases	4.5%

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

OFFICERS' AND EMPLOYEES' PENSION PLAN

Actuarial valuation date	January 1, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	2 years
Asset valuation method	5-year smoothing method described in Section 3.16 of Revenue Procedure 2000-40.
Actuarial assumptions:	
Investment rate of return	6.4%
Projected salary increases	4.5%

CITY OF ALLENTOWN AGGREGATE PENSION FUND  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

**The Honorable Matt Tuerk**  
Mayor

**Ms. Cynthia Mota**  
Council President

**Ms. Bina Patel**  
Director of Finance

**Ms. Erika Strohler**  
Treasury and Accounting Manager

**Mr. Jeff Glazier**  
City Controller

**Mr. Michael Hanlon**  
City Clerk

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