

City of Lancaster
Police Pension Fund

Financial Statements and Required
Supplementary Information

Years Ended December 31, 2021 and 2020
with Independent Auditor's Report

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

CITY OF LANCASTER POLICE PENSION FUND

YEARS ENDED DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

**To the Honorable Danene Sorace, Mayor and Members of the Police Pension Fund
City of Lancaster, Pennsylvania**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Police Pension Fund of the City of Lancaster, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Police Pension Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Police Pension Fund of the City of Lancaster, as of December 31, 2021 and 2020, and the respective changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Police Pension Fund and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Police Pension Fund and do not purport to, and do not, present fairly the financial position of the City of Lancaster, as of December 31, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Police Pension Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part

of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Maher Duessel

Harrisburg, Pennsylvania
September 27, 2022

**CITY OF LANCASTER
POLICE PENSION FUND**

STATEMENTS OF PLAN NET POSITION

DECEMBER 31, 2021 AND 2020

| Assets | <u>2021</u> | <u>2020</u> |
|------------------------------------|----------------------|----------------------|
| Investments (at fair value): | | |
| Money market funds | \$ 4,090,301 | \$ 3,293,877 |
| U.S. government obligations | 20,380,952 | 18,916,826 |
| U.S. government agency obligations | 17,569 | 20,783 |
| Corporate bonds | 7,815,494 | 7,191,511 |
| Common stock | 62,078,952 | 53,100,378 |
| Exchange-traded funds | 777,823 | 871,435 |
| Accrued interest | <u>223,113</u> | <u>230,910</u> |
| Total Assets | <u>95,384,204</u> | <u>83,625,720</u> |
| Net Position | | |
| Restricted for pension benefits | <u>\$ 95,384,204</u> | <u>\$ 83,625,720</u> |

The accompanying notes are an integral part of these financial statements.

CITY OF LANCASTER POLICE PENSION FUND

STATEMENTS OF CHANGES IN PLAN NET POSITION YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|-------------------------|------------------------|
| Additions: | | |
| Contributions: | | |
| Employees | \$ 700,490 | \$ 839,680 |
| Employer | 4,306,685 | 3,742,138 |
| Total contributions | 5,007,175 | 4,581,818 |
| Investment income: | | |
| Net appreciation in fair value of investments | 11,753,615 | 6,302,131 |
| Interest and dividends | 1,782,556 | 1,802,691 |
| Less: investment expenses | 13,536,171 (390,578) | 8,104,822 (383,767) |
| Net investment income | 13,145,593 | 7,721,055 |
| Total additions | 18,152,768 | 12,302,873 |
| Deductions: | | |
| Benefits | 6,394,284 | 6,075,280 |
| Total deductions | 6,394,284 | 6,075,280 |
| Change in Plan Net Position | 11,758,484 | 6,227,593 |
| Net Position: | | |
| Beginning of year | 83,625,720 | 77,398,127 |
| End of year | \$ 95,384,204 | \$ 83,625,720 |

The accompanying notes are an integral part of these financial statements.

CITY OF LANCASTER POLICE PENSION FUND

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Summary of Significant Accounting Policies

General

The Police Pension Fund (Fund) is a single-employer public employee retirement system established and administered by the City of Lancaster, Pennsylvania (City), to provide pension benefits for employees of its Bureau of Police. The Fund is considered part of the City's financial reporting entity and is included in the City's financial reports as a pension trust fund. The accompanying financial statements do not include any other funds of the City and, therefore, do not present fairly the financial position and the changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

Basis of Accounting

These financial statements are prepared using the accrual basis of accounting. Police Pension Plan (Plan) member contributions are recognized as revenues in the period in which the contributions are due. Employer contributions are recognized when due and the employer has a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments

Investments are carried at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net appreciation (depreciation) in fair value of investments includes both realized and unrealized gains and losses.

CITY OF LANCASTER POLICE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain amounts and disclosures. Accordingly, actual results may differ from estimated amounts.

2. Plan Description and Contribution Information

Plan Participants

Membership of the Plan consisted of the following at December 31, 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| Inactive plan members or beneficiaries currently receiving benefits | 190 | 188 |
| Inactive plan members entitled to but not yet receiving benefits | 4 | 1 |
| Active plan members | <u>134</u> | <u>137</u> |
| | <u>328</u> | <u>326</u> |

Plan Description and Administration

The Plan is a single-employer defined benefit pension plan that covers all full-time members of the City's Bureau of Police. The Plan provides retirement, disability, and death benefits to Plan members and their beneficiaries. Plan provisions are established and may be amended through the collective bargaining process. The Plan is governed by the City of Lancaster Police Pension Board (Board) which consists of the Mayor, the City Treasurer, the City Controller, three active police officers to be duly elected by a majority of all active police officers for three-year overlapping terms, and one retired police officer on the pension list to be duly elected by a majority of the retired police officers on the pension list for a two-year term.

Normal Retirement

A participant is eligible for normal retirement after completion of 25 years of service. Retirement is mandatory upon the attainment of age 60. The normal retirement pension is payable monthly during the participant's lifetime, with payments continuing after the

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

participants' death to the surviving spouse, or to dependent children under the age of 18 equal to 100% (75% if hired before January 1, 2003) of the initial amount payable to the participant.

The amount of monthly pension is equal to 50% (pro-rated for service less than 25 years if age 60 mandatory retirement) of the final month's salary plus longevity, plus a service increment of 2.5% of the benefit multiplied by years of service in excess of 20, but not more than \$500 additional if hired before January 1, 2011, or \$100 if hired on or after January 1, 2011.

Disability Retirement

In the event of occupational disability, the pension is paid regardless of years of service. In the event of non-occupational disability, the pension is prorated for service less than 25 years. Both occupational and non-occupational pensions are based on 50% of actual salary, plus longevity.

Survivor Benefit

A spouse's pension is payable in the event an active member dies after completing five years of service, or in the event an active member dies in the line of duty, regardless of service. The pension of the spouse of an active member killed in the line of duty is equal to 100% of the pension the member would have received had he/she been retired.

The pension of the spouse of a deceased (not in the line of duty) active member is equal to 2.5% of the pension the member would have received had he/she been retired, multiplied by the number of years of service up to 20 years. If a member with at least 20 years of service is deceased not in the line of duty, the spouse shall receive a pension equal to 100% of the monthly pension the member would have received had he/she been retired.

Contributions

Plan members hired on or before January 1, 2011 are required to contribute 5% of lieutenant's pay (or actual pay, if higher) and longevity, plus \$5 per month for the service increment. Plan members hired on or after January 1, 2011 contribute 5% of base pay and longevity, plus \$1 per month for the service increment. The City is required to make actuarially determined periodic contributions at rates that, for individual employees, increase over time so that sufficient assets will be available to pay benefits when due.

CITY OF LANCASTER POLICE PENSION FUND

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YEARS ENDED DECEMBER 31, 2021 AND 2020

The annual required contribution is determined annually during the budgeting process. The results of actuarial valuations are used in budgeting for future years.

The City made contributions to the Plan of \$4,306,685 and \$3,742,138 for the years ended December 31, 2021 and 2020, respectively.

Administrative Expenses

Administration costs are financed through investment income. For the year ended December 31, 2021 and 2020, administrative expenses are included in investment expenses.

Net Pension Liability

The components of the net pension liability at December 31, 2021 and 2020 were as follows:

| | 2021 | 2020 |
|---|----------------|----------------|
| Total pension liability | \$ 114,186,523 | \$ 106,218,180 |
| Plan fiduciary net position | (95,384,204) | (83,625,720) |
| Net pension liability | \$ 18,802,319 | \$ 22,592,460 |
| Plan fiduciary net position as a percentage of the total pension liability | 83.53% | 78.73% |

The net pension liability was measured as of December 31, 2021 and 2020 and was determined by rolling forward the liabilities from the January 1, 2021 and the January 1, 2019 actuarial valuations, respectively. No significant events or changes occurred between the valuation dates and the fiscal year-ends.

Actuarial Assumptions – The January 1, 2021 actuarial valuation used the entry age normal actuarial cost method and the PubS-2010 mortality table. The actuarial assumptions include: a) 7.75% investment rate of return, b) a projected salary increase of 5.00%, c) 3.00% inflation rate, d) level dollar closed amortization method, and e) 11-year remaining amortization period. The January 1, 2019 actuarial valuation used the entry age normal actuarial cost method and the PubS-2010 mortality table. The actuarial assumptions include: a) 8.00% investment rate of return, b) a projected salary increase of 5.00%, c)

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YEARS ENDED DECEMBER 31, 2021 AND 2020

3.00% inflation rate, d) level dollar closed amortization method, and e) 11-year remaining amortization period. These assumptions were applied to all periods included in the measurement of total pension liability.

Investment Policy – The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Board. The Board seeks to optimize the total return of the Plan’s portfolio through a policy of balanced investments, structured to achieve the maximum returns possible, as measured on the total portfolio, consistent with a policy that emphasizes the prudent management of risk.

Long-Term Expected Rate of Return – The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of December 31, 2021 and 2020 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Domestic equity | 66.0% | 5.5%-7.5% |
| Fixed income | 30.0% | 1.0%-3.0% |
| Cash | 4.0% | 0.0%-1.0% |
| | <u>100.0%</u> | |

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the years ended December 31, 2021 and 2020, the annual money-weighted rate of return on Plan investments, net of investment expense, was 16.09% and 10.23% respectively.

Discount Rate – The discount rate used to measure the total pension liability as of December 31, 2021 and 2020 was 7.75% and 8.00%, respectively. The Plan’s fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the Plan calculated using the discount rate described above, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

December 31, 2021:

| 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|------------------------|----------------------------------|------------------------|
| <u>\$ 32,868,392</u> | <u>\$ 18,802,319</u> | <u>\$ 7,115,289</u> |

December 31, 2020:

| 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% Increase (9.00%) |
|------------------------|----------------------------------|------------------------|
| <u>\$ 35,606,842</u> | <u>\$ 22,592,460</u> | <u>\$ 11,770,664</u> |

CITY OF LANCASTER POLICE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

3. Deposits and Investments

The deposit and investment policy of the Fund is administered by the trustees and the Board. The Fund adheres to state statutes, the Third Class City Code, and prudent business practice.

Investments consist of the following as of December 31:

| | 2021 | | |
|------------------------------------|---------------|--------------|---------------|
| | Level 1 | Level 2 | Total |
| Money market funds | \$ 4,090,301 | \$ - | \$ 4,090,301 |
| U.S. government obligations | 20,380,952 | - | 20,380,952 |
| U.S. government agency obligations | 17,569 | - | 17,569 |
| Corporate bonds: | | | |
| Domestic | - | 6,250,711 | 6,250,711 |
| Foreign | - | 1,564,783 | 1,564,783 |
| Common stock: | | | |
| Energy | 5,966,142 | - | 5,966,142 |
| Information technology | 13,788,545 | - | 13,788,545 |
| Consumer discretionary | 6,259,234 | - | 6,259,234 |
| Consumer staples | 6,978,647 | - | 6,978,647 |
| Industrials | 2,654,400 | - | 2,654,400 |
| Financials | 5,855,585 | - | 5,855,585 |
| Healthcare | 8,679,532 | - | 8,679,532 |
| Utilities | 4,240,695 | - | 4,240,695 |
| Communication services | 7,656,172 | - | 7,656,172 |
| Exchange-traded funds: | | | |
| Equity | 777,823 | - | 777,823 |
| Total investments | \$ 87,345,597 | \$ 7,815,494 | \$ 95,161,091 |

CITY OF LANCASTER POLICE PENSION FUND

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2020 | | |
|------------------------------------|---------------|--------------|---------------|
| | Level 1 | Level 2 | Total |
| Money market funds | \$ 3,293,877 | \$ - | \$ 3,293,877 |
| U.S. government obligations | 18,916,826 | - | 18,916,826 |
| U.S. government agency obligations | 20,783 | - | 20,783 |
| Corporate bonds: | | | |
| Domestic | - | 5,067,657 | 5,067,657 |
| Foreign | - | 2,123,854 | 2,123,854 |
| Common stock: | | | |
| Energy | 3,394,467 | - | 3,394,467 |
| Information technology | 13,923,581 | - | 13,923,581 |
| Consumer discretionary | 4,867,795 | - | 4,867,795 |
| Consumer staples | 6,004,015 | - | 6,004,015 |
| Industrials | 2,170,740 | - | 2,170,740 |
| Financials | 4,205,192 | - | 4,205,192 |
| Healthcare | 8,136,968 | - | 8,136,968 |
| Utilities | 2,711,888 | - | 2,711,888 |
| Communication services | 7,685,732 | - | 7,685,732 |
| Exchange-traded funds: | | | |
| Equity | 871,435 | - | 871,435 |
| Total investments | \$ 76,203,299 | \$ 7,191,511 | \$ 83,394,810 |

Corporate bonds are valued utilizing several points for price calculation, including quantity, bid/ask spread, historical comparisons, pricing models, and matrices. The valuation techniques used reflect market participants' assumptions and maximize the use of relevant observable inputs including quoted prices for similar assets, the issuer, credit rating, coupon rate, time left until maturity, and special redemption features. Due to the valuation process used, corporate bonds are within Level 2 of the fair value hierarchy.

Custodial Credit Risk. Custodial credit risk is the risk that the financial institution or the counterparty to an investment transaction will fail and the government will not recover the value of the investment or collateral securities that are in possession of an outside party. The Fund does not have an investment policy for custodial credit risk. All of the Fund's investments are uninsured, registered investments for which the securities are held by the broker or dealer, or by its trust department or agent, in the Fund's name.

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NOTES TO FINANCIAL STATEMENTS

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Concentration of Credit Risk. The Fund places no limit on the amount the Fund may invest in any one issuer. At December 31, 2021 and 2020, none of the Fund's investments were more than five percent of the Fund's total asset value.

Credit Risk. The Fund does not have a formal policy that would limit its investment choices with regard to credit risk. The Fund's money market funds and fixed income investments had the following level of exposure to credit risk as of December 31, 2021:

| | Fair Value | Rating |
|------------------------------------|------------|---------|
| Money market funds | 4,090,301 | Unrated |
| U.S. Government Agency Obligations | 17,569 | Unrated |
| Corporate Bonds | 1,951,332 | AA- |
| Corporate Bonds | 2,572,473 | A+ |
| Corporate Bonds | 3,291,689 | A- |

Interest Rate Risk. The Fund does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The average maturity of the Fund's money market funds at December 31, 2021 was less than one year. The average maturities for the Fund's fixed income investments as of December 31, 2021 were as follows:

| | Investment Maturity | | | | |
|------------------------------------|---------------------|---------------|---------------|--------------|-------|
| | Fair Value | 2022 | 2023-2027 | 2028-2032 | 2033+ |
| U.S. government obligations | \$ 20,380,952 | \$ 10,239,662 | \$ 9,073,117 | \$ 1,068,173 | \$ - |
| U.S. government agency obligations | 17,569 | - | 6,962 | 10,607 | - |
| Corporate bonds | 7,815,494 | - | 3,927,430 | 3,888,064 | - |
| | \$ 28,214,015 | \$ 10,239,662 | \$ 13,007,509 | \$ 4,966,844 | \$ - |

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LANCASTER POLICE PENSION FUND

SCHEDULE OF CHANGES IN PLAN NET PENSION LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31,

| | 2021* | 2020* | 2019* | 2018* | 2017* | 2016* | 2015* | 2014* |
|---|-----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Total Pension Liability: | | | | | | | | |
| Service cost | \$ 1,942,930 | \$ 1,823,572 | \$ 1,736,735 | \$ 1,782,287 | \$ 1,697,416 | \$ 1,811,305 | \$ 1,725,052 | \$ 1,755,477 |
| Interest | 8,442,909 | 8,093,024 | 7,795,539 | 7,437,735 | 7,156,987 | 6,673,575 | 6,375,804 | 6,117,633 |
| Changes for experience | 945,178 | - | (887,895) | - | 1,124,608 | - | (613,024) | - |
| Changes of assumptions | 3,031,610 | - | 1,846,367 | - | 1,556,000 | - | - | - |
| Benefit payments, including refunds | (6,394,284) | (6,075,280) | (5,725,826) | (5,594,950) | (5,264,907) | (4,752,979) | (4,176,983) | (3,828,043) |
| Net Changes in Total Pension Liability | 7,968,343 | 3,841,316 | 4,764,920 | 3,625,072 | 6,270,104 | 3,731,901 | 3,310,849 | 4,045,067 |
| Total Pension Liability - Beginning | 106,218,180 | 102,376,864 | 97,611,944 | 93,986,872 | 87,716,768 | 83,984,867 | 80,674,018 | 76,628,951 |
| Total Pension Liability - Ending (a) | \$ 114,186,523 | \$ 106,218,180 | \$ 102,376,864 | \$ 97,611,944 | \$ 93,986,872 | \$ 87,716,768 | \$ 83,984,867 | \$ 80,674,018 |
| Plan Fiduciary Net Position: | | | | | | | | |
| Contributions - employer | \$ 4,306,685 | \$ 3,742,138 | \$ 3,674,585 | \$ 3,104,156 | \$ 2,996,610 | \$ 2,814,350 | \$ 2,748,596 | \$ 2,439,350 |
| Contributions - employees | 700,490 | 839,680 | 629,147 | 617,420 | 621,225 | 699,760 | 636,599 | 723,981 |
| Net investment income (loss) | 13,145,593 | 7,721,055 | 13,229,706 | (3,800,159) | 7,547,203 | 4,172,859 | 809,462 | 5,207,899 |
| Benefit payments, including refunds | (6,394,284) | (6,075,280) | (5,725,826) | (5,594,950) | (5,264,907) | (4,752,979) | (4,176,983) | (3,828,043) |
| Administrative expenses | - | - | - | (30,552) | (4,170) | (26,100) | (11,344) | (4,540) |
| Net Change in Plan Fiduciary Net Position | 11,758,484 | 6,227,593 | 11,807,612 | (5,704,085) | 5,895,961 | 2,907,890 | 6,330 | 4,538,647 |
| Plan Fiduciary Net Position - Beginning | 83,625,720 | 77,398,127 | 65,590,515 | 71,294,600 | 65,398,639 | 62,490,749 | 62,484,419 | 57,945,772 |
| Plan Fiduciary Net Position - Ending (b) | \$ 95,384,204 | \$ 83,625,720 | \$ 77,398,127 | \$ 65,590,515 | \$ 71,294,600 | \$ 65,398,639 | \$ 62,490,749 | \$ 62,484,419 |
| Net Pension Liability - Ending (a-b) | \$ 18,802,319 | \$ 22,592,460 | \$ 24,978,737 | \$ 32,021,429 | \$ 22,692,272 | \$ 22,318,129 | \$ 21,494,118 | \$ 18,189,599 |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 83.53% | 78.73% | 75.60% | 67.20% | 75.86% | 74.56% | 74.41% | 77.45% |
| Covered Payroll | \$ 12,556,248 | \$ 12,887,593 | \$ 12,230,601 | \$ 11,716,931 | \$ 11,562,299 | \$ 10,995,284 | \$ 10,972,837 | \$ 10,707,385 |
| Net Pension Liability as a Percentage of Covered Payroll | 149.74% | 175.30% | 204.23% | 273.29% | 196.26% | 202.98% | 195.88% | 169.88% |

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plan.

CITY OF LANCASTER POLICE PENSION FUND

SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS YEARS ENDED DECEMBER 31,

| <u>Schedule of City Contributions</u> | 2021* | 2020* | 2019* | 2018* | 2017* | 2016* | 2015* | 2014* | 2013 | 2012 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------|--------------|
| Actuarially determined contribution under Act 205 | \$ 4,306,685 | \$ 3,742,138 | \$ 3,674,585 | \$ 3,104,156 | \$ 2,996,610 | \$ 2,814,350 | \$ 2,748,596 | \$ 2,439,350 | \$ 2,427,282 | \$ 1,718,841 |
| Contributions in relation to the actuarially determined contribution | 4,306,685 | 3,742,138 | 3,674,585 | 3,104,156 | 2,996,610 | 2,814,350 | 2,748,596 | 2,439,350 | 2,427,282 | 1,718,841 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | <u>\$ 12,556,248</u> | <u>\$ 12,887,593</u> | <u>\$ 12,230,601</u> | <u>\$ 11,716,931</u> | <u>\$ 11,562,299</u> | <u>\$ 10,995,284</u> | <u>\$ 10,972,837</u> | <u>\$ 10,707,385</u> | | |
| Contributions as a percentage of covered payroll | 34.30% | 29.04% | 30.04% | 26.49% | 25.92% | 25.60% | 25.05% | 22.78% | | |
| (1) Includes contribution under the City's retirement incentive program. | | | | | | | | | | |
| <u>Investment Returns</u> | | | | | | | | | | |
| Annual money-weighted rate of return, net of investment expense | 16.09% | 10.23% | 20.60% | -5.47% | 12.04% | 7.10% | 1.22% | 9.29% | | |

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plan.

CITY OF LANCASTER POLICE PENSION FUND

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION PLAN

1. Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates required under Act 205 are as follows:

| Contribution Year | 12/31/2021 | 12/31/2020 |
|-------------------------------|--|--|
| Actuarial valuation date | 1/1/2019 | 1/1/2017 |
| Actuarial cost method | Entry age normal | Entry age normal |
| Amortization method | Level dollar closed | Level dollar closed |
| Remaining amortization period | 10 years | 11 years |
| Asset valuation method | Smoothed value with a corridor of 80% to 120% of market value | Smoothed value with a corridor of 80% to 120% of market value |
| Actuarial assumptions: | | |
| Investment rate of return | 8.00% | 8.00% |
| Projected salary increases | 5.00% | 5.00% |
| Underlying inflation rate | 3.00% | 3.00% |
| Mortality table | PubS-2010 | IRS 2017 Static Compined Table for Small Plans |

Changes in Actuarial Assumptions

In the January 1, 2019 actuarial valuation, the mortality table was changed to the PubS-2010 from the IRS 2017 Static Combined Table for Small Plans and the remaining amortization period was updated from 11 years to 10 years.

In the January 1, 2017 actuarial valuation, the mortality table was changed to the IRS 2017 Static Combined Table for Small Plans from the RP2000 Mortality Table and the remaining amortization period was updated from 12 years to 7 years.

**CITY OF LANCASTER
POLICE PENSION FUND**

**NOTE TO REQUIRED SUPPLEMENTARY
INFORMATION – PENSION PLAN**

In the January 1, 2015 actuarial valuation, the remaining amortization period was updated from 13 years to 12 years.

In the January 1, 2013 actuarial valuation, the asset valuation method was updated from smoothed value with a corridor of 70% to 130% of market value to smoothed value with a corridor of 80% to 120% of market value. The remaining amortization method was also updated from 15 years to 13 years.