

January 13, 2015

Mr. Bruce Weber
City of Harrisburg
10 N. Second St.
Harrisburg, PA 17101

Re: City of Harrisburg Postemployment Benefits Plan

Dear Mr. Weber:

I am attaching a copy of the actuarial valuation as of January 1, 2014, which has been prepared in accordance with Governmental Accounting Standards Board Statement No. 45 (GASB 45) for the City of Harrisburg Postemployment Benefits Plan.

GASB 45 Background

The purpose of GASB 45 is to have entities identify the promises they make with respect to postemployment benefits and to reasonably quantify their cost. In the most general sense, entities must attribute the future cash flow for postemployment benefits over the employee's working lifetime.

GASB 45 does not have any impact on the City's annual operating budget unless a decision is made to separately fund the liability. The key accounting figures are:

- The "Annual OPEB Cost", which is the expense reported on the income statement.
- The "Net OPEB Obligation", which is the liability reported on the year-end balance sheet.

Actuarial Valuation

The results presented in the actuarial valuation will be used in preparation of the City's financial statements. At the beginning of the actuarial valuation you will find a Summary of Plan Provisions outlining the benefits valued in the report, as well as a section describing the Actuarial Assumptions and Methods used.

Section 1, pages 1-2 provide a Summary of Key Results.

Section 1, pages 3-4 develop the "Annual Required Contribution (ARC)" which serves as the basis for the accounting figures. The ARC consists of two pieces: the cost of benefits accruing during the year for active employees plus a piece to amortize the existing unfunded accrued liability.

Section 1, page 5 contains the Annual OPEB Cost and Net OPEB Obligation calculations.

Section 1, page 6 shows the schedule of Required Supplementary Information.

Mr. Bruce Weber
January 13, 2015
Page 2

Results

Unless a material change is made to the Plan, this valuation report may be used for purposes of preparing financial statements for 2014 and 2015.

The Annual OPEB Cost and Net OPEB Obligation figures that are provided in the valuation are based on estimated contributions as shown on Section 1, page 5. Because your plan is unfunded, the estimated contributions are simply equal to the estimated benefit payments. Your accountant will likely accept our estimates as the best available figures for these determinations; however, there are three instances when you may need to adjust the accounting numbers for use in your financial statements:

You choose to fund the benefit: If you choose to formally fund the benefit in an irrevocable trust or equivalent arrangement under GASB 45, you will need to reflect both contributions and benefits paid from general accounts.

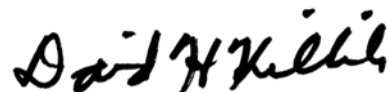
You prefer to use actual benefit payments for an unfunded plan: You may reflect actual benefit payments rather than our estimate. However, in order to use actual benefit payments, we believe retiree claim experience would need to be tracked separately from active employee claim experience. Simply totaling premiums paid on behalf of retirees would not be appropriate because the premiums do not reflect the hidden rate subsidies.

You prefer to use an updated estimate: The estimates in this valuation are based upon plan participation as of the valuation date, reflecting retirements and other status changes expected to occur after the valuation date. You may prefer to revise the estimated benefit payments based on actual plan participation as of a date after the valuation date, for example, based on the number of actual retirees during a later fiscal year.

In any of the above cases, the actuarial components of the valuation report remain intact and there is no need to have another valuation prepared. This is simply an accounting adjustment that you or your accountant can make.

Please do not hesitate to contact me to discuss the report or any questions you or your accountant might have.

Yours sincerely,



David H. Killick, F.S.A.
Consulting Actuary

DHK:smf
Encl.