

**City of Harrisburg  
Police Pension Plan**

Financial Statements and Required  
Supplementary Information

Years Ended December 31, 2014 and 2013 with  
Independent Auditor's Report

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Pittsburgh | Harrisburg | Butler

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# **CITY OF HARRISBURG POLICE PENSION PLAN**

YEARS ENDED DECEMBER 31, 2014 AND 2013

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## Independent Auditor's Report

Police Pension Board  
City of Harrisburg Police Pension Plan

We have audited the accompanying financial statements of the Police Pension Plan of the City of Harrisburg as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Police Pension Plan of the City of Harrisburg as of December 31, 2014 and 2013, and the changes in the financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Police Pension Plan and do not purport to, and do not present fairly the financial position of the City of Harrisburg, as of December 31, 2014 and 2013, 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.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires 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 schedule of changes in plan net pension liability and related ratios, schedule of City contributions and investment returns, schedule of funding progress, and schedule of required employer contributions and other contributing entities on page 14 through 17 be presented to supplement the basic financial statements. Such 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. 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 8, 2015

# CITY OF HARRISBURG POLICE PENSION PLAN

## STATEMENTS OF PLAN NET POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<hr/>		
Receivables:		
Due from the City of Harrisburg	\$ -	\$ 447,925
Plan member contribution receivable	25,221	-
Interest and dividends	<u>35,144</u>	<u>35,511</u>
Total receivables	<u>60,365</u>	<u>483,436</u>
Investments, at fair value:		
Money market funds	1,283,800	950,219
Certificates of deposit	1,439,367	1,541,009
Fixed income funds	19,293,463	18,426,520
U.S. government obligations	448,440	745,716
U.S. government agency obligations	1,122,923	734,456
Corporate bonds	2,374,349	2,071,602
Municipal bonds	96,327	85,023
Equity funds	47,626,083	46,472,471
Common stocks	<u>1,492,130</u>	<u>2,151,483</u>
Total investments	<u>75,176,882</u>	<u>73,178,499</u>
<b>Total Assets</b>	<u>75,237,247</u>	<u>73,661,935</u>
<hr/>		
<b>Net Position</b>		
Restricted for pension benefits	<u>\$ 75,237,247</u>	<u>\$ 73,661,935</u>

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

# CITY OF HARRISBURG POLICE PENSION PLAN

## STATEMENTS OF CHANGES IN PLAN NET POSITION

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Additions:</b>		
Contributions:		
Plan member	\$ 478,549	\$ 476,137
Employer	2,424,298	2,594,752
Total contributions	<u>2,902,847</u>	<u>3,070,889</u>
Investment income:		
Interest and dividend income	2,087,634	2,047,721
Net appreciation in fair value of investments	2,238,617	7,773,711
Total investment income	4,326,251	9,821,432
Less investment expense	<u>(243,548)</u>	<u>(203,522)</u>
Net investment income	<u>4,082,703</u>	<u>9,617,910</u>
Total additions	<u>6,985,550</u>	<u>12,688,799</u>
<b>Deductions:</b>		
Pension benefits	5,351,314	4,809,066
Administrative expenses	58,924	69,182
Total deductions	<u>5,410,238</u>	<u>4,878,248</u>
<b>Change in Net Position</b>	1,575,312	7,810,551
<b>Net Position:</b>		
Beginning of year	<u>73,661,935</u>	<u>65,851,384</u>
End of year	<u>\$ 75,237,247</u>	<u>\$ 73,661,935</u>

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

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Plan Description and Administration*

The City of Harrisburg Police Pension Plan (the “Plan”) is a single-employer defined benefit pension plan covered by the Municipal Pension Plan Funding Standards and Recovery Act, Act 205-1984 of the Pennsylvania Legislature. The Plan was created by Ordinance No. 21 of 1998 and is controlled by the provisions of Ordinance No. 5 of 2001, as amended. The Plan is considered part of the City of Harrisburg’s (City) financial reporting entity and is included in the City’s financial report 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 changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

#### *Basis of Accounting*

The Plan’s policy is to prepare its financial statements on the accrual basis of accounting. Revenues are recognized when earned and certain expenses and purchases of assets are recognized when the obligation is incurred.

#### *Valuation of Investments*

Investments are reported at fair value. Short-term investments are reported at cost, which approximate fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value. All highly liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents.

#### *Use of Estimates*

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Estimates also affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

#### *Adoption of Governmental Accounting Standards Board (GASB) Statement*

The City has adopted GASB Statement No. 67, “*Financial Reporting for Pension Plans.*” This statement enhances note disclosures and required supplementary information (RSI) for the Plan.

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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### 2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

#### Plan Participants

Membership of the Plan consisted of the following at December 31, 2014:

Active members	139
Inactive members or beneficiaries currently receiving benefits	201
Inactive members entitled to but not yet receiving benefits	-
	<u>340</u>

#### *Benefit Provisions*

The Plan is governed by the City of Harrisburg Police Pension Board (the "Board"), which consists of three persons appointed by the City, three persons appointed by the representatives of the Members' collective bargaining unit, and a neutral person appointed by a majority of the first six representatives. The Board is responsible for the management of Plan assets, appointment of the Plan trustee or custodian, and selection of investment advisors and managers.

All full-time members of the police force are eligible to join the Plan upon employment. Members are eligible for normal retirement after attainment of age 50. The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse or, if there is no eligible surviving spouse, to the dependent children of the member under the age of 18, equal to 50% of the amount payable to the member at the time of the member's death.

For members who complete 20 or more years of service, the amount of monthly pension is equal to 50% of the member's average monthly compensation, plus an incremental pension equal to 2.5% of average monthly compensation for each complete year of service in excess of 20 years, up to a maximum of 65% of average monthly compensation for members who complete 26 years of service. An additional 5% of average monthly compensation is added for members who complete 27 years of service, up to a maximum monthly pension of 70% of average monthly compensation. Effective September 2013, the benefit provisions of the Plan were changed to decrease the maximum monthly pension to 50% of average monthly compensation for new hires.

Average monthly compensation is based upon the final annualized basic compensation rate, including longevity payments, or the average monthly compensation, including longevity payments, received during the last five years of employment, if higher.

A member may continue to work after normal retirement date. The member's pension does not commence until the actual date of retirement and the benefit is equal to the benefit accrued to the late retirement date.

A member who has become disabled in the line of duty is eligible for a disability pension. The monthly disability pension is equal to 50% of average monthly compensation, reduced by any Worker's

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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Compensation benefits received by the member. If an active member who had completed four years of service is disabled outside of the line of duty, the member is eligible for a disability pension equal to 50% of average monthly compensation.

If a member who is eligible for retirement dies prior to retirement, a death benefit is payable to the surviving spouse, or if there is no eligible surviving spouse, to dependent children of the member under the age of 18, equal to 50% of the benefits the member would have been receiving had the member been retired at the time of the member's death.

A member's benefits vest upon completion of 20 years of service. The vested benefit is a deferred monthly pension beginning at normal retirement equal to the benefit accrued to the date of termination.

The benefit accrued at any date, other than the normal retirement date, is calculated by multiplying the projected normal retirement benefit by the ratio, not greater than 1, of the number of years of service to date to 20.

As outlined in Ordinance No. 21 of 1998, as amended by Ordinance No. 5 of 2001, the authority to establish and amend benefit provisions rests with the members' collective bargaining unit and the City's administration. It then must be approved by the Board and ratified and enacted by City Council.

### ***Contributions***

During the years ended December 31, 2014 and 2013, Plan members contributed to the Plan at a rate of 5% of compensation, plus \$1 per month. As outlined in Ordinance No. 21 of 1998, as amended, the authority to make amendments to the contribution rates of Plan members rests with the members' collective bargaining unit and the City's administration. It then must be approved by the Board and ratified and enacted by City Council.

The Plan receives annual contributions from the Commonwealth of Pennsylvania in accordance with Act 205 that may be used by the City to meet employer contribution requirements.

The City contributed \$2,424,298 and \$2,594,752 to the Plan for the years ended December 31, 2014 and 2013, respectively.

### ***Administrative Expenses***

Administration costs are financed through investment earnings.

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

### *Net Pension Liability*

The components of the net pension liability at December 31, 2014 and 2013 were as follows:

	2014	2013
Total pension liability	\$ 83,767,036	\$ 81,173,081
Plan fiduciary net position	(75,237,247)	(73,661,935)
Net pension liability	\$ 8,529,789	\$ 7,511,146
Plan fiduciary net position as a percentage of the total pension liability	89.82%	90.75%

The net pension liability was measured as of December 31, 2014 and 2013 and was determined by rolling forward liabilities from the January 1, 2013 actuarial valuation. No significant events or changes in assumptions occurred between the valuation date and the fiscal year-ends.

*Actuarial Assumptions* – The January 1, 2013 actuarial valuation used the entry age normal actuarial cost method and UP1984 mortality table. The actuarial assumptions include: a) 8.00% 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. 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 achieve long-term growth of the Plan’s assets by maximizing long-term rate of return on investments and minimizing risk of loss to fulfill the Plan’s current and long-term pension obligations.

*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, 2014 and 2013 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	47.0%	7.0%
International equity	18.0%	6.0%
Fixed income	33.0%	2.5%
Cash	2.0%	0.0%
	100.0%	

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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*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, 2014 and 2013, the annual money-weighted rate of return on Plan investments, net of investment expense, was 6.05% and 15.30%, respectively.

*Discount Rate* – The discount rate used to measure the total pension liability as of December 31, 2014 and 2013 was 8.00%. 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.

*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 liabilities would be if they were calculated using a discount rate that is one-percentage-point lower or higher than the current rates:

<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current Discount</u> <u>Rate (8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
<u>\$ 17,441,935</u>	<u>\$ 8,529,789</u>	<u>\$ 943,454</u>

### Additional Employer Disclosures Required by GASB Statements No. 27 and 50

The information below is with regard to employer pension activity for the year ended December 31, 2014. Costs and contributions were based upon an actuarial valuation performed as of January 1, 2013, as required by Act 205.

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

The Plan assumptions under Act 205 are as follows:

Actuarial valuation date	1/1/2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	11 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Underlying inflation rate	3.0%

### UP1984 Mortality Table

The City's annual pension cost and net pension asset for the Plan for the years ended December 31, 2014 and 2013 were as follows:

	2014	2013
Annual required contribution	\$ 2,034,070	\$ 2,146,827
Interest on net pension asset	(333,041)	(308,571)
Adjustment to annual required contribution	486,362	450,627
Annual pension cost	2,187,391	2,288,883
Contributions made	2,424,298	2,594,752
Change in net pension asset	(236,907)	(305,869)
Net pension asset, beginning of year	(4,163,013)	(3,857,144)
Net pension asset, end of year	\$ (4,399,920)	\$ (4,163,013)

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Three-year trend information:

Calendar Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2012	\$ 1,626,734	100%+	\$ (3,857,144)
2013	2,288,883	100%+	(4,163,013)
2014	2,187,391	100%+	(4,399,920)

The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
1/1/2013	\$ 64,795,960	\$ 78,322,540	\$ 13,526,580	82.73%	\$ 10,061,424	134.44%

### 3. DEPOSITS AND INVESTMENTS

The deposit and investment policy of the Plan adheres to state statutes. Permissible investments include direct obligations of the U.S. Treasury and U.S. governmental agencies; certificates of deposit issued by insured banks, bank and trust companies, and savings and loan associations; repurchase agreements not exceeding 30 days, secured by U.S. government obligations with collateral to be delivered to a third-party custodian, shares of registered investment companies whose portfolios consist solely of government securities; general obligation bonds of any state, Pennsylvania subdivisions or any of its agencies or instrumentalities backed by the full faith and credit of the issuing entity and saving the highest rating of a recognized bond rating agency; pooled funds of public agencies of the Commonwealth of Pennsylvania; corporate stocks and bonds; real estate; and other investments consistent with sound business practices.

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

The Plan's investments, at fair value, at December 31, 2014 and 2013 are as follows:

<u>Description</u>	<u>2014</u>	<u>2013</u>
Money market funds	\$ 1,283,800	\$ 950,219
Certificates of deposit	1,439,367	1,541,009
Fixed income funds	19,293,463	18,426,520
U.S. government obligations	448,440	745,716
U.S. government agency obligations	1,122,923	734,456
Corporate bonds	2,374,349	2,071,602
Municipal bonds	96,327	85,023
Equity funds	47,626,083	46,472,471
Common stocks	1,492,130	2,151,483
	<u>\$ 75,176,882</u>	<u>\$ 73,178,499</u>

*Custodial Credit Risk.* Custodial credit risk is the risk that 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 Plan's investment policy does not specifically address custodial credit risk. All of the Plan's investments are held by the broker or dealer, or by its trust department or agent, in the Plan's name. The Plan's certificates of deposit are covered by federal depository insurance.

*Concentration of Credit Risk.* The Plan's investment policy places the following limits on the amount the Plan may invest in any one issuer: 1) Not more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation; 2) Not more than 40% of the total stock portfolio valued at market may be held in any one industry sector; 3) Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio; and 4) Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

At December 31, 2014 and 2013, the Plan did not have any investments that exceeded the above concentration policies.

*Credit Risk.* The Plan's investment policy limits the overall rating of the fixed income investments, as calculated by the investment advisor, to investment grade, based on the rating of one nationally recognized statistical rating organization.

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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At December 31, 2014 and 2013, the Plan's investment ratings are as follows:

<u>December 31, 2014</u>	<u>Rating</u>	<u>Fair Value</u>
Money market funds	AAA	\$ 1,283,800
Certificates of deposit	AA+	1,439,367
Fixed income funds	*AA	11,197,598
Fixed income funds	*A	3,212,504
Fixed income funds	*B	2,442,943
Fixed income funds	*BB	2,440,418
U.S. government obligations	AA+	448,440
U.S. government agency obligations	AA+	1,122,923
Corporate bonds	AAA	256,668
Corporate bonds	AA+	69,849
Corporate bonds	AA	268,694
Corporate bonds	AA-	319,145
Corporate bonds	A+	396,787
Corporate bonds	A	419,578
Corporate bonds	A-	405,716
Corporate bonds	BBB+	125,648
Corporate bonds	Unrated	112,264
Municipal bonds	AA	61,036
Municipal bonds	AA-	35,291

\*This is a weighted-average quality rating for a mutual fund made up of fixed income securities.

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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<u>December 31, 2013</u>	<u>Rating</u>	<u>Fair Value</u>
Money market funds	AAA	\$ 950,219
Certificates of deposit	AA+	1,541,009
Fixed income funds	*AA	12,294,614
Fixed income funds	*A	1,529,550
Fixed income funds	*B	4,602,356
U.S. government obligations	AA+	745,716
U.S. government agency obligations	AA+	734,456
Corporate bonds	AAA	183,398
Corporate bonds	AA+	38,136
Corporate bonds	AA	218,415
Corporate bonds	AA-	235,954
Corporate bonds	A+	355,553
Corporate bonds	A	346,936
Corporate bonds	A-	428,241
Corporate bonds	BBB+	209,157
Corporate bonds	Unrated	55,812
Municipal bonds	AA	50,098
Municipal bonds	AA-	34,925

\*This is a weighted-average quality rating for a mutual fund made up of fixed income securities.

# CITY OF HARRISBURG POLICE PENSION PLAN

## NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

*Interest rate risk.* The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of the Plan's money market funds, certificates of deposit, and fixed income investments and their related average maturities:

Investment Type	Fair Value	Investment Maturities			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
<b>December 31, 2014</b>					
Money market funds	\$ 1,283,800	\$ 1,283,800	\$ -	\$ -	\$ -
Certificates of deposit	1,439,367	98,032	1,341,335	-	-
Fixed income funds	19,293,463	-	2,442,943	16,850,520	-
U.S. government obligations	448,440	-	101,090	218,476	128,874
U.S. government agency obligations	1,122,923	-	-	314,797	808,126
Corporate bonds	2,374,349	-	946,467	867,013	560,869
Municipal bonds	96,327	-	35,291	-	61,036
<b>Total</b>	<b>\$ 26,058,669</b>	<b>\$ 1,381,832</b>	<b>\$ 4,867,126</b>	<b>\$18,250,806</b>	<b>\$ 1,558,905</b>

Investment Type	Fair Value	Investment Maturities			
		Less than 1 year	1-5 Years	6-10 Years	More than 10 years
<b>December 31, 2013</b>					
Money market funds	\$ 950,219	\$ 950,219	\$ -	\$ -	\$ -
Certificates of deposit	1,541,009	-	1,541,009	-	-
Fixed income funds	18,426,520	-	2,435,396	15,991,124	-
U.S. government obligations	745,716	-	229,216	516,500	-
U.S. government agency obligations	734,456	-	-	54,401	680,055
Corporate bonds	2,071,602	31,131	895,034	779,670	365,767
Municipal bonds	85,023	-	34,925	-	50,098
<b>Total</b>	<b>\$ 24,554,545</b>	<b>\$ 981,350</b>	<b>\$ 5,135,580</b>	<b>\$17,341,695</b>	<b>\$ 1,095,920</b>

**Required Supplementary  
Information**

**CITY OF HARRISBURG POLICE PENSION FUND**  
**SCHEDULE OF CHANGES IN PLAN NET PENSION LIABILITY AND**  
**RELATED RATIOS (UNAUDITED)**  
**YEAR ENDED DECEMBER 31, 2014**

<b>Total Pension Liability:</b>	
Service cost	\$ 1,542,107
Interest	6,403,162
Benefit payments, including refunds of member contributions	(5,351,314)
	2,593,955
<b>Net Changes in Total Pension Liability</b>	<b>2,593,955</b>
<b>Total Pension Liability - Beginning</b>	<b>81,173,081</b>
	<b>81,173,081</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 83,767,036</b>
	<b>83,767,036</b>
<b>Plan Fiduciary Net Position:</b>	
Contributions - employer	\$ 2,424,298
Contributions - plan member	478,549
Net investment income	4,082,703
Benefit payments, including refunds of member contributions	(5,351,314)
Administrative expense	(58,924)
	1,575,312
<b>Net Change in Plan Fiduciary Net Position</b>	<b>1,575,312</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>73,661,935</b>
	<b>73,661,935</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 75,237,247</b>
	<b>75,237,247</b>
<b>Net Pension Liability - Ending (a-b)</b>	<b>\$ 8,529,789</b>
	<b>8,529,789</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>89.82%</b>
	<b>89.82%</b>
<b>Covered Employee Payroll</b>	<b>\$ 9,363,263</b>
	<b>9,363,263</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>91.10%</b>
	<b>91.10%</b>

See accompanying note to required supplementary information (unaudited).

# CITY OF HARRISBURG POLICE PENSION FUND

## SCHEDULE OF CITY CONTRIBUTIONS AND INVESTMENT RETURNS (UNAUDITED)

YEAR ENDED DECEMBER 31, 2014

<u>Schedule of City Contributions</u>	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution under Act 205	\$ 2,034,070	\$ 2,146,827	\$ 1,517,751	\$ 1,551,579	\$ 314,094	\$ 275,869	\$ 285,274	\$ 523,803	\$ 512,593	\$ 1,303,069
Contributions in relation to the actuarially determined contribution	2,424,298	2,594,752	2,524,734	4,510,723	314,094	275,869	285,274	523,803	512,593	1,303,069
Contribution deficiency (excess)	\$ (390,228)	\$ (447,925)	\$ (1,006,983)	\$ (2,959,144)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 9,363,263	\$ 10,240,017	\$ 10,358,429	\$ 10,250,723	\$ 9,650,596	\$ 9,524,752	\$ 9,137,927	\$ 9,453,063	\$ 9,417,427	\$ 9,566,523
Contributions as a percentage of covered-employee payroll	25.89%	25.34%	24.37%	44.00%	3.25%	2.90%	3.12%	5.54%	5.44%	13.62%
 <u>Investment Returns</u>										
Annual money-weighted rate of return, net of investment expense	6.05%	15.30%								

See accompanying note to required supplementary information (unaudited).

# CITY OF HARRISBURG POLICE PENSION FUND

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

YEARS ENDED DECEMBER 31, 2014 AND 2013

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### 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 for the years ended December 31, 2014 and 2013 are as follows:

Actuarial valuation date	1/1/2013
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	11 years
Asset valuation method	Smoothed value with a corridor of 80% to 120% of market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%
Underlying inflation rate	3.0%
UP 1984 mortality table	

# CITY OF HARRISBURG POLICE PENSION PLAN

## SCHEDULE OF FUNDING PROGRESS (UNAUDITED)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(c) Unfunded AAL (UAAL) (b-a)	(d) Funded Ratio (a/b)	(e) Covered Payroll	UAAL as a Percentage of Covered Payroll (c/e)
01/01/99	\$ 49,828,312	\$ 39,413,195	\$(10,415,117)	126.43%	\$ 8,272,417	(125.90)%
01/01/00	57,143,147	36,876,195	(20,266,952)	154.96%	7,968,452	(254.34)%
01/01/01	57,189,470	39,086,593	(18,102,877)	146.31%	8,008,858	(226.00)%
01/01/02	55,690,061	47,122,954	(8,567,107)	118.18%	8,210,921	(104.34)%
01/01/03	48,588,557	50,541,728	1,953,171	96.14%	9,007,242	21.68%
01/01/05	61,438,353	55,244,375	(6,193,978)	111.20%	9,206,031	(67.30)%
01/01/07	68,875,536	59,874,001	(9,001,535)	115.00%	9,138,604	(98.50)%
01/01/09	63,959,386	65,951,752	1,992,366	97.00%	9,626,150	20.70%
01/01/11	63,759,040	72,302,610	8,543,570	88.20%	10,398,023	82.20%
01/01/13	64,795,960	78,322,540	13,526,580	82.73%	10,061,424	134.44%

## SCHEDULE OF REQUIRED EMPLOYER CONTRIBUTIONS AND OTHER CONTRIBUTING ENTITIES (UNAUDITED)

Year Ended December 31	(f) Annual Required Contribution (ARC) (1)	Actuarial Valuation Date Basis for ARC	(g) Employer Contribution (2)	Percentage Contributed [g/f]
2005	\$1,303,069	01/01/03	\$1,303,069	100.00%
2006	512,593	01/01/05	512,593	100.00%
2007	523,803	01/01/05	523,803	100.00%
2008	285,274	01/01/07	285,274	100.00%
2009	275,869	01/01/07	275,869	100.00%
2010	314,094	01/01/07	314,094	100.00%
2011	1,551,579	01/01/09	4,510,723	100.00%+
2012	1,517,751	01/01/09	2,524,734	100.00%+
2013	2,146,827	01/01/11	2,594,752	100.00%+
2014	2,034,070	01/01/11	2,424,298	100.00%+

(1) 2005 - 2014 – Total contributions were made in accordance with funding requirements established by Act 205 as amended by Act 189-1990, enacted on December 18, 1990, with implementation effective January 1, 1992.

(2) Includes both contributions from the City of Harrisburg and state aid.