

City of Lancaster
Police Pension Fund

Financial Statements and Required
Supplementary Information

Years Ended December 31, 2019 and 2018 with
Independent Auditor's Report

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CITY OF LANCASTER POLICE PENSION FUND

YEARS ENDED DECEMBER 31, 2019 AND 2018

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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**

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, 2019 and 2018, 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 Fund of the City of Lancaster as of December 31, 2019 and 2018, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 historical pension plan information on pages 12 through 15 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.

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, 2019 and 2018, 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.

Maher Duessel

Harrisburg, Pennsylvania
August 27, 2020

**CITY OF LANCASTER
POLICE PENSION FUND**

STATEMENTS OF PLAN NET POSITION
DECEMBER 31, 2019 AND 2018

Assets	<u>2019</u>	<u>2018</u>
Investments (at fair value):		
Money market funds	\$ 3,858,534	\$ 2,814,338
U.S. government obligations	15,380,365	6,835,765
U.S. government agency obligations	29,794	32,549
Corporate bonds	6,860,460	14,981,908
Common stock	49,726,033	39,190,400
Exchange-traded funds	1,312,829	1,493,777
Accrued interest	<u>230,112</u>	<u>241,778</u>
Total Assets	<u>77,398,127</u>	<u>65,590,515</u>
Net Position		
Restricted for pension benefits	<u><u>\$ 77,398,127</u></u>	<u><u>\$ 65,590,515</u></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, 2019 AND 2018

	2019	2018
Additions:		
Contributions:		
Employees	\$ 629,147	\$ 617,420
Employer	3,674,585	3,104,156
Total contributions	4,303,732	3,721,576
Investment income (loss):		
Net appreciation (depreciation) in fair value of investments	11,486,162	(5,331,414)
Interest and dividends	2,054,825	1,824,955
Less: investment expenses	13,540,987 (311,281)	(3,506,459) (293,700)
Net investment income (loss)	13,229,706	(3,800,159)
Total additions (loss)	17,533,438	(78,583)
Deductions:		
Benefits	5,725,826	5,594,950
Administrative expenses	-	30,552
Total deductions	5,725,826	5,625,502
Change in Plan Net Position	11,807,612	(5,704,085)
Net Position:		
Beginning of year	65,590,515	71,294,600
End of year	\$ 77,398,127	\$ 65,590,515

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, 2019 AND 2018

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.

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NOTES TO FINANCIAL STATEMENTS

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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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Inactive plan members or beneficiaries currently receiving benefits	185	188
Inactive plan members entitled to but not yet receiving benefits	2	1
Active plan members	<u>138</u>	<u>138</u>
	<u>325</u>	<u>327</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, 2019 AND 2018

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.

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NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2019 AND 2018

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 \$3,674,585 and \$3,104,156 for the years ended December 31, 2019 and 2018, respectively.

Administrative Expenses

Administration costs are financed through investment income. For the year ended December 31, 2019 administrative expenses are included in investment expenses and for year ended December 31, 2018 were included in administrative expenses.

Net Pension Liability

The components of the net pension liability at December 31, 2019 and 2018 were as follows:

	2019	2018
Total pension liability	\$ 102,376,864	\$ 97,611,944
Plan fiduciary net position	(77,398,127)	(65,590,515)
Net pension liability	\$ 24,978,737	\$ 32,021,429
 Plan fiduciary net position as a percentage of the total pension liability	75.60%	67.20%

The net pension liability was measured as of December 31, 2019 and 2018 and was determined by rolling forward the liabilities from the January 1, 2019 and January 1, 2017 actuarial valuations, respectively. No significant events or changes occurred between the valuation dates and the fiscal year-ends.

Actuarial Assumptions – 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) 3.00% inflation rate, d) level dollar closed amortization method, and e) 11-year remaining amortization period. The January 1, 2017 actuarial valuation used the entry age normal actuarial cost method and IRS 2017 Static Combined Table for Small Plans mortality table. The actuarial assumptions include: a) 8.00% investment rate of return, b) a projected salary

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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 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, 2019 and 2018 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, 2019 and 2018, the annual money-weighted rate of return on Plan investments, net of investment expense, were 20.60% and -5.47% respectively.

Discount Rate – The discount rate used to measure the total pension liability as of December 31, 2019 and 2018 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.

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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, 2019:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
<u>\$ 37,589,617</u>	<u>\$ 24,978,737</u>	<u>\$ 14,500,881</u>

December 31, 2018:

1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
<u>\$ 43,815,482</u>	<u>\$ 32,021,429</u>	<u>\$ 22,143,389</u>

CITY OF LANCASTER POLICE PENSION FUND

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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:

	2019		
	Level 1	Level 2	Total
Money market funds	\$ 3,858,534	\$ -	\$ 3,858,534
U.S. government obligations	15,380,365	-	15,380,365
U.S. government agency obligations	29,794	-	29,794
Corporate bonds:			
Domestic	-	5,544,851	5,544,851
Foreign	-	1,315,609	1,315,609
Common stock:			
Materials	977,272	-	977,272
Energy	4,657,372	-	4,657,372
Information technology	9,864,589	-	9,864,589
Consumer discretionary	3,727,496	-	3,727,496
Consumer staples	3,814,430	-	3,814,430
Industrials	3,918,958	-	3,918,958
Financials	5,877,439	-	5,877,439
Healthcare	7,029,622	-	7,029,622
Utilities	3,009,039	-	3,009,039
Communication services	6,849,816	-	6,849,816
Exchange-traded funds:			
Equity	1,312,829	-	1,312,829
Total investments	<u>\$ 70,307,555</u>	<u>\$ 6,860,460</u>	<u>\$ 77,168,015</u>

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	2018		
	Level 1	Level 2	Total
Money market funds	\$ 2,814,338	\$ -	\$ 2,814,338
U.S. government obligations	6,835,765	-	6,835,765
U.S. government agency obligations	32,549	-	32,549
Corporate bonds:			
Domestic	-	9,573,959	9,573,959
Foreign	-	5,407,949	5,407,949
Common stock:			
Materials	256,290	-	256,290
Energy	3,521,358	-	3,521,358
Information technology	8,091,875	-	8,091,875
Consumer discretionary	1,958,514	-	1,958,514
Consumer staples	6,505,922	-	6,505,922
Industrials	2,979,165	-	2,979,165
Financials	5,124,075	-	5,124,075
Healthcare	4,904,113	-	4,904,113
Utilities	2,715,026	-	2,715,026
Communication services	3,134,062	-	3,134,062
Exchange-traded funds:			
Equity	1,493,777	-	1,493,777
Total investments	<u>\$ 50,366,829</u>	<u>\$ 14,981,908</u>	<u>\$ 65,348,737</u>

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

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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.

Concentration of Credit Risk. The Fund places no limit on the amount the Fund may invest in any one issuer. At December 31, 2019, 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, 2019:

	Fair Value	Rating
Money market funds	\$ 3,858,534	Unrated
U.S. government agency obligations	29,794	Unrated
Corporate bonds	1,880,925	AAA
Corporate bonds	843,041	AA+
Corporate bonds	798,149	AA
Corporate bonds	739,279	A+
Corporate bonds	2,599,066	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, 2019 was less than one year. The average maturities for the Fund's fixed income investments as of December 31, 2019 were as follows:

	Fair Value	Investment Maturity		
		2020	2021-2025	2026-2030
U.S. government obligations	\$ 15,380,365	\$ -	\$ 14,357,321	\$ 1,023,044
U.S. government agency obligations	29,794	-	1,180	28,614
Corporate bonds	6,860,460	-	4,539,735	2,320,725
	\$ 22,270,619	\$ -	\$ 18,898,236	\$ 3,372,383

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LANCASTER POLICE PENSION FUND

SCHEDULE OF CHANGES IN PLAN NET PENSION LIABILITY AND RELATED RATIOS

	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:						
Service cost	\$ 1,736,735	\$ 1,782,287	\$ 1,697,416	\$ 1,811,305	\$ 1,725,052	\$ 1,755,477
Interest	7,795,539	7,437,735	7,156,987	6,673,575	6,375,804	6,117,633
Changes for experience	(887,895)	-	1,124,608	-	(613,024)	-
Changes of assumptions	1,846,367	-	1,556,000	-	-	-
Benefit payments, including refunds	(5,725,826)	(5,594,950)	(5,264,907)	(4,752,979)	(4,176,983)	(3,828,043)
Net Changes in Total Pension Liability	4,764,920	3,625,072	6,270,104	3,731,901	3,310,849	4,045,067
Total Pension Liability - Beginning	97,611,944	93,986,872	87,716,768	83,984,867	80,674,018	76,628,951
Total Pension Liability - Ending (a)	\$ 102,376,864	\$ 97,611,944	\$ 93,986,872	\$ 87,716,768	\$ 83,984,867	\$ 80,674,018
Plan Fiduciary Net Position:						
Contributions - employer	\$ 3,674,585	\$ 3,104,156	\$ 2,996,610	\$ 2,814,350	\$ 2,748,596	\$ 2,439,350
Contributions - employees	629,147	617,420	621,225	699,760	636,599	723,981
Net investment income (loss)	13,229,706	(3,800,159)	7,547,203	4,172,859	809,462	5,207,899
Benefit payments, including refunds	(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	11,807,612	(5,704,085)	5,895,961	2,907,890	6,330	4,538,647
Plan Fiduciary Net Position - Beginning	65,590,515	71,294,600	65,398,639	62,490,749	62,484,419	57,945,772
Plan Fiduciary Net Position - Ending (b)	\$ 77,398,127	\$ 65,590,515	\$ 71,294,600	\$ 65,398,639	\$ 62,490,749	\$ 62,484,419
Net Pension Liability - Ending (a-b)	\$ 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	75.60%	67.20%	75.86%	74.56%	74.41%	77.45%
Covered Payroll	\$ 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	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

<u>Schedule of City Contributions</u>	2019*	2018*	2017*	2016*	2015*	2014*	2013	2012	2011	2010
Actuarially determined contribution under Act 205	\$ 3,674,585	\$ 3,104,156	\$ 2,996,610	\$ 2,814,350	\$ 2,748,596	\$ 2,439,350	\$ 2,427,282	\$ 1,718,841	\$ 1,732,970	\$ 1,618,199
Contributions in relation to the actuarially determined contribution	<u>3,674,585</u>	<u>3,104,156</u>	<u>2,996,610</u>	<u>2,814,350</u>	<u>2,748,596</u>	<u>2,439,350</u>	<u>2,427,282</u>	<u>1,718,841</u>	<u>1,732,970</u>	<u>2,588,199 (1)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (970,000)</u>
Covered payroll	<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	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	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	12/31/2019	12/31/2018
Actuarial valuation date	1/1/2017	1/1/2015
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	7 years	12 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	8.0%	8.0%
Projected salary increases	5.0%	5.0%
Underlying inflation rate	3.0%	3.0%
Mortality table	IRS 2017 Static Combind Table for Small Plans	RP2000 mortality table

Changes in Actuarial Assumptions

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.