

GETTYSBURG BOROUGH
NON-UNIFORMED PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2021

Date Prepared: February 5, 2022

The accompanying financial statements and notes were prepared based upon information provided by the municipality, its financial institution(s), and actuary. The Statement of Fiduciary Net Position was prepared as of December 31, 2021. The Statement of Changes in Fiduciary Net Position was prepared for the year ended December 31, 2021. The financial statements and notes should not be considered an Audit, Review, or Compilation Report as defined by the American Institute of Certified Public Accountants.

James P. Kennedy, President

Thomas J. Anderson & Associates, Inc.

THOMAS J. ANDERSON & ASSOCIATES, INC.
115 Westtown Road, Suite 101
West Chester, PA 19382
(610) 430-3385 Fax (610) 430-3387

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

Statement of Fiduciary Net Position as of December 31, 2021

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GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

**Statement of Changes in Fiduciary Net Position
for the year ended December 31, 2021**

<u>ADDITIONS</u>	<u>2021</u>
Contributions:	
Employer	35,025
Commonwealth	86,351
	<hr/>
Total Contributions	121,376
Investment Income:	
Net appreciation (depreciation) in fair value of investments	454,887
Interest Income	8,799
Dividend Income	37,364
	<hr/>
Total Investment Income	501,050
 TOTAL ADDITIONS	 622,426
 <u>DEDUCTIONS</u>	
Pension Payments	195,129
Administrative Expenses	34,983
	<hr/>
TOTAL DEDUCTIONS	230,112
 Net Increase in Net Position	 392,314
 Net Position Restricted for Pensions:	
Beginning of Year 2021	3,812,817
 End of Year 2021	 4,205,131

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – PLAN DESCRIPTION

Plan Administration

The Borough of Gettysburg Non-Uniformed Pension Plan is a single-employer defined benefit pension plan covering the full-time non-uniformed employees. The Plan was established effective January 1, 1980 and entered into a custodial agreement with the Pennsylvania State Association of Boroughs Municipal Retirement Trust (PSABMRT). The Plan was restated by Ordinance No. 1335-07, as amended, effective January 1, 2006. The Plan is governed by the Borough Council. The Borough Council has delegated the authority to manage Plan assets to the PSABMRT.

Plan Membership

As of December 31, 2021, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	26
Inactive Plan Members Entitled to but not yet Receiving Benefits	8
Active Plan Members	<u>19</u>
 TOTAL	 53

Benefits Provided

The following is a summary of the Plan benefit provisions:

- **Eligibility Requirements:**
 - Normal Retirement: Earlier of age 65 and 5 years or 30 years of service.
 - Early Retirement: Age 55 and 5 years of service.
 - Vesting: 40% after 4 years and 10% additionally for each year thereafter to 100% after 10 years of service.
- **Retirement Benefit:** 1.25% of average monthly compensation over the highest 5 plan years multiplied by years of credited service.
- **Survivor Benefit:** Before retirement: The survivor portion of the immediate benefit which is the actuarial equivalent of the vested portion of the 50% joint & survivor deferred to the participant's normal retirement age. After Retirement: Benefits, if any, are provided by optional benefit form elected at retirement.
- **Disability Benefit Service & Non-Service Related:** A monthly benefit equal to the accrued benefit at disablement reduced for early commencement.

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

-
- Post Retirement Adjustments: None.
 - Members Contributions:
 - Amount or Rate: None.
 - Interest Rate Credited to Member Contributions: 3%

Contributions and Funding Policy

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation, full-time employees are not required to contribute to the Plan. This contribution is governed by the Plan's ordinances. In accordance with Act 205, as amended, the Borough was required to contribute to the Plan for the year 2021 as showed in the exhibit below:

Financial Requirement and Minimum Municipal Obligation Budget for 2021:

Total Annual Payroll	\$822,950
Normal Cost as a Percentage of Payroll	8.74%
Total Normal Cost	\$ 71,926
Estimated Administrative Expenses	\$ 27,767
Amortization Contribution	\$ 21,683
Minimum Municipal Obligation	\$121,376
<Less Actual State Aid Deposited into Plan>	<\$ 86,351>
REQUIRED MUNICIPAL OBLIGATION	\$ 35,025

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Three Year Funding Trend

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2019	157,968	100%	0
2020	122,251	100%	0
2021	121,376	100%	0

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension Plan expenditures in accordance with Act 205 and may be funded with Plan assets.

Adoption of Accounting Standards

GASB Statement 40, Deposit and Investment Risk Disclosures, was effective for periods beginning after June 15, 2004. GASB Statement 67, Financial Reporting for Pension Plans, was effective for fiscal years beginning after June 15, 2013. The Plan has adopted GASB 40 in previous financial statements and GASB 67 beginning with the 2014 financial statements.

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – INVESTMENTS

Deposits and Investments

The deposits and investments of the Plan are held separately from those of the Borough and are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, Section 7302.

Deposits

The Plan held no deposits that were exposed to custodial credit risk or foreign currency risk as of December 31, 2021.

Investments

As of December 31, 2021, the Plan's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
PSABMRT	\$4,205,131	Not Applicable

Investment Policy Summary

The Plan's investment policy has been delegated to the PSABMRT in regards to the allocation of invested Plan assets. The investment policy is established and may be amended by the PSABMRT Board of Trustees. The PSABMRT provides two investment options - the Balanced Fund and the Fixed Income Fund. The investment objective of the Balanced Fund is long-term growth and income expected to earn returns comprised of long-term capital appreciation and substantial current income. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The Plan's formal Investment Policy Statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

The Balanced Fund's investment policy establishes the following target allocation across asset classes:

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Value	12.0%
US Large Core	13.0%
US Large Growth	12.0%
US Mid/Small Equity	8.0%
International Equity	15.0%
Fixed Income	33.0%
Real Estate	7.0%
Cash	<u>0.0%</u>
Total	100.0%

Expected Real Rate of Return - 4.2%. Excludes an inflation expectation of 2.5%.

Long Term Expected Rate of Return Including Inflation - 6.7%

The long-term expected rate of return on the Plan's investments was determined using an asset allocation study conducted by the Plan's investment management consultant in December 2021 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major assets class. These ranges were 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. Best-estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2021 are listed in the table above.

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.14 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk, Concentration of Credit Risk, Foreign Currency Risk

The Plan held no investments that were exposed to custodial credit risk, concentration of credit risk, or foreign currency risk as of December 31, 2021.

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or a deposit. Investments in mutual funds, 2a7 like external investment pools are excluded from this requirement. The PSABMRT's formal investment policy states that the portfolio maintained in the Balanced Fund shall be broadly diversified by maturity with the maximum effective maturity of any single security not to exceed 40 years. For the Fixed Income Fund, the portfolio shall be limited to intermediate maturity instruments with effective maturities not to exceed 15 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PSABMRT is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO) such as Morningstar, Inc. (Morningstar) or Moody's Investor Services (Moody's), however, PSABMRT's formal investment policy requires that any fixed income security maintained within its portfolio should be rated "BBB-" or higher at the time of purchase by a NRSRO. Asset backed securities, mortgage backed securities, and collateralized mortgage obligations (CMOs) should be rated "AAA" (or its equivalent) at the time of purchase by a NRSRO.

NOTE 4 – PENSION LIABILITY

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2021 were as follows:

Total Pension Liability (TPL)	\$	3,712,735
Plan Fiduciary Net Position	\$	4,205,131
Net Pension Liability (NPL)	\$	(492,396)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		113.3%

Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2021. The total pension liability was determined as part of an actuarial valuation at January 1, 2021 and rolled forward to December 31, 2021.

GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. This report was based upon the Plan's actuarial assumptions, asset valuation method, and cost method as described below:

Actuarial Valuation Date	January 1, 2021
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	N/A
Asset Valuation Method	Market Value
Assumptions:	
Inflation	2.25%
Salary Increases	4.25%
Investment Rate of Return	7.00% (Net of pension plan investment expense including inflation)
Retirement Age	See page 4

Mortality rates were based on the PUBS-2010 Mortality projected 5 years past the valuation date using scale MP-2020.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

**GETTYSBURG BOROUGH NON-UNIFORMED PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2021

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	(\$126,856)	(\$492,396)	(\$807,348)

NOTE 5 – RECONCILIATION OF PENSION PAYMENTS

Pensions Paid from Plan for 2021	\$195,129
<Less Pensioner Register>	<u><\$195,129></u>
Irreconcilable	\$ 0

BOROUGH OF GETTYSBURG NON-UNIFORMED PENSION PLAN
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	2014	2015	2016	2017	2018	2019	2020	2021
Total Pension Liability								
Service Cost	\$ 73,822	\$ 67,564	\$ 70,435	\$ 69,575	\$ 72,532	\$ 80,941	\$ 84,381	\$ 81,609
Interest	189,684	211,228	223,438	220,493	232,053	231,763	243,079	249,272
Changes of Benefit Terms	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	145,596	-	(214,271)	-	(164,988)	-	(82,960)
Changes of Assumptions	-	-	-	-	-	-	-	145,924
Benefit Payments, Including Refunds of Member Contributions	(104,098)	(107,282)	(119,215)	(119,498)	(147,650)	(156,371)	(163,750)	(195,129)
Net Change in Total Pension Liability	159,408	317,106	174,658	(43,701)	156,935	(8,655)	163,710	198,716
Total Pension Liability - Beginning	2,594,558	2,753,966	3,071,072	3,245,730	3,202,029	3,358,964	3,350,309	3,514,019
Total Pension Liability - Ending	<u>\$ 2,753,966</u>	<u>\$ 3,071,072</u>	<u>\$ 3,245,730</u>	<u>\$ 3,202,029</u>	<u>\$ 3,358,964</u>	<u>\$ 3,350,309</u>	<u>\$ 3,514,019</u>	<u>\$ 3,712,735</u>
Plan Fiduciary Net Position								
Contributions - Employer	\$ 33,381	\$ 80,319	\$ 66,823	\$ 62,573	\$ 73,474	\$ 65,799	\$ 38,546	\$ 35,025
Contributions - State Aid	69,708	74,496	78,743	78,000	89,003	92,169	83,705	86,351
Contributions - Member	-	-	-	-	-	-	-	-
Net Investment Income	157,797	(18,771)	126,642	373,527	(153,149)	493,850	352,043	501,050
Benefit Payments, Including Refunds of Member Contributions	(104,098)	(107,282)	(119,215)	(119,498)	(147,650)	(156,371)	(163,750)	(195,129)
Administrative Expense	(27,054)	(29,667)	(24,489)	(30,865)	(25,517)	(31,585)	(28,614)	(34,983)
Net Change in Plan Fiduciary Net Position	129,734	(905)	128,504	363,737	(163,839)	463,862	281,930	392,314
Plan Net Position - Beginning	2,609,794	2,739,528	2,738,623	2,867,127	3,230,864	3,067,025	3,530,887	3,812,817
Plan Net Position - Ending	<u>\$ 2,739,528</u>	<u>\$ 2,738,623</u>	<u>\$ 2,867,127</u>	<u>\$ 3,230,864</u>	<u>\$ 3,067,025</u>	<u>\$ 3,530,887</u>	<u>\$ 3,812,817</u>	<u>\$ 4,205,131</u>
Plan's Net Pension Liability	<u>\$ 14,438</u>	<u>\$ 332,449</u>	<u>\$ 378,603</u>	<u>\$ (28,835)</u>	<u>\$ 291,939</u>	<u>\$ (180,578)</u>	<u>\$ (298,798)</u>	<u>\$ (492,396)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.5%	89.2%	88.3%	100.9%	91.3%	105.4%	108.5%	113.3%
Covered Employee Payroll	\$ 744,694	\$ 899,614	\$ 900,000	\$ 832,974	\$ 895,127	\$ 840,000	\$ 832,968	\$ 822,950
Plan's Net Pension Liability as a Percentage of Covered Employee Payroll	1.9%	37.0%	42.1%	-3.5%	32.6%	-21.5%	-35.9%	-59.8%

Notes to schedules:

Assumption Changes - In 2021, the interest rate assumption was lowered from 7.25% to 7.00% per annum and the mortality assumption was changed from the RP-2000 fully generational projected using Scale AA to the PubG-2010 projected 5 years past 2021 valuation date using MP-2020.

Benefit Changes - None.

* This schedule will be presented on a prospective basis.

BOROUGH OF GETTYSBURG NON-UNIFORMED PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Actuarially determined contribution	\$103,089	\$154,815	\$145,566	\$140,573	\$162,477	\$157,968	\$122,251	\$121,376
Contributions made	<u>\$103,089</u>	<u>\$154,815</u>	<u>\$145,566</u>	<u>\$140,573</u>	<u>\$162,477</u>	<u>\$157,968</u>	<u>\$122,251</u>	<u>\$121,376</u>
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered-employee payroll	\$744,694	\$899,614	\$900,000	\$832,974	\$895,127	\$840,000	\$832,968	\$822,950
Contributions as a percentage of covered-employee payroll	13.84%	17.21%	16.17%	16.88%	18.15%	18.81%	14.68%	14.75%

* This schedule will be presented on a prospective basis.

BOROUGH OF GETTYSBURG NON-UNIFORMED PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years*

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expense	6.14%	-0.82%	4.62%	13.03%	-4.74%	16.10%	9.97%	13.14%

* This schedule will be presented on a prospective basis.

BOROUGH OF GETTYSBURG NON-UNIFORMED PENSION PLAN
GASB 68 SUPPLEMENT

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the measurement period.

	Increase/(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 12/31/2020	\$ 3,514,019	\$ 3,812,817	\$ (298,798)
Changes for the year:			
Service Cost	81,609	-	81,609
Interest	249,272	-	249,272
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(82,960)	-	(82,960)
Changes of Assumptions	145,924	-	145,924
Contributions - Employer	-	35,025	(35,025)
Contributions - State Aid	-	86,351	(86,351)
Contributions - Member	-	-	-
Net Investment Income	-	501,050	(501,050)
Benefit Payments	(195,129)	(195,129)	-
Administrative Expense	-	(34,983)	34,983
Other Changes	-	-	-
Net Changes	198,716	392,314	(193,598)
Balances at 12/31/2021	\$ 3,712,735	\$ 4,205,131	\$ (492,396)

Pension Expense for Fiscal Year Ended December 31, 2021

Service Cost	\$ 81,609
Interest on Total Pension Liability	249,272
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(68,925)
Changes of Assumptions	38,810
Employee Contributions	-
Projected Earnings on Pension Plan Investments	(260,967)
Differences Between Projected and Actual Earnings on Investments	(80,167)
Administrative Expense	34,983
Other Changes in Fiduciary Net Position	-
Total Pension Expense	\$ (5,385)

BOROUGH OF GETTYSBURG NON-UNIFORMED PENSION PLAN
GASB 68 SUPPLEMENT

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2021, the municipality recognized a pension expense of -\$5,385. At December 31, 2021, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ (121,682)
Changes in Assumptions	107,114	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	<u>-</u>	<u>(285,920)</u>
Total	\$ 107,114	\$ (407,602)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year Ended December 31:	
2022	\$ (64,445)
2023	(132,574)
2024	(55,454)
2025	(48,015)
2026	-
Thereafter	-

BOROUGH OF GETTYSBURG NON-UNIFORMED PENSION PLAN

ACTUARIAL CERTIFICATION

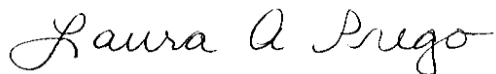
This report provides disclosure and reporting information as required under Government Accounting Standards Board Statement 68 (GASB 68) for the measurement period ending December 31, 2021. This information should be used for the fiscal year beginning January 1, 2021 and ending on December 31, 2021.

Determinations for purposes other than financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This accounting valuation report relies on liabilities calculated as part of the January 1, 2021 funding valuation for the Plan. The census data and benefit provisions underlying the liabilities were prepared as of January 1, 2021. This report also relies on asset information as of December 31, 2021 as supplied by Thomas J. Anderson & Associates, Inc.

With the provided liability and asset information, the total pension liability, net pension liability and pension expense were developed for the measurement period using standard actuarial techniques. In addition, the results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in GASB 68. The information in this report is not intended to supersede the advice and interpretations of the employer's auditor.

The undersigned is familiar with the near-term and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.



Laura A. Prego, EA, MAAA, MSEA
Enrolled Actuary 20-08067
Foster & Foster Consulting Actuaries, Inc.
1136 Hamilton Street
Suite 103
Allentown, PA 18101

2/4/2022

Date