

COMPLIANCE AUDIT

Homestead Borough Police Pension Plan Allegheny County, Pennsylvania

March 2026



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and Borough Council
Homestead Borough
Allegheny County
Homestead, PA 15120

We have conducted a compliance audit of the Homestead Borough Police Pension Plan pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of the audit was to determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the area related to the objective identified above. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- For the period January 1, 2021 to December 31, 2024, we determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt (*refer to Finding No. 1*).

- For the period January 1, 2021 to December 31, 2024, we determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation (*refer to Finding No. 2*).
- For the period January 1, 2024 to December 31, 2024, we determined whether employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions using the rates obtained from the plan's governing document in effect for the period noted and examining documents evidencing the deposit of these employee contributions into the pension plan.
- For the period January 1, 2020 to December 31, 2024, we determined whether retirement benefits calculated for plan members who retired during the period noted represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the monthly pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients (*refer to Finding No. 3*).
- We determined whether the January 1, 2023 actuarial valuation report was prepared and submitted by March 31, 2024 in accordance with Act 205 and whether selected information provided on this report is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.
- We determined whether the pension plan is in compliance with Act 205 for distressed municipalities through inquiry of plan officials and evaluation of the recovery remedies implemented during the period January 1, 2024 to December 31, 2024, and through the completion of our fieldwork procedures (*refer to Finding No. 4*).

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Homestead Borough Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objective.

Because of the significance of the matters described in Finding Nos. 1 and 2 below and discussed later in this report, the Homestead Borough Police Pension Plan was not, in all significant respects, administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above. Therefore, the Homestead Borough Non-Uniformed Pension Plan may be subject to the potential withholding of its state aid, as discussed in the Potential Withhold of State Aid Section of this report.

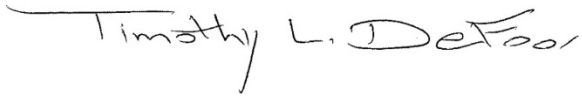
- Finding No. 1 – Failure To Deposit State Aid Into An Eligible Pension Plan
- Finding No. 2 – Failure To Pay The Minimum Municipal Obligation Of The Plan
- Finding No. 3 – Failure To Maintain Pension Benefit Calculations
- Finding No. 4 – Failure To Implement Act 44 Mandatory Distressed Provisions
- Finding No. 5 – Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205
- Finding No. 6 – Failure To Maintain And Monitor An Adequate Record Keeping System

As previously noted, the objective of our audit of the Homestead Borough Police Pension Plan was to determine compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

<u>Level</u>	<u>Indication</u>	<u>Funding Criteria</u>
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it. However, we are extremely concerned about the funded status of the plan contained in the schedule of funding progress included in this report which indicates **the plan’s funded ratio is 60.1% as of January 1, 2023**, which is the most recent data available. **Based on this information, the Municipal Pension Reporting Program (MPRP) issued a notification that the borough is currently in Level II moderate distress status.** We encourage borough officials to monitor the funding of the police pension plan to ensure its long-term financial stability.

The contents of this report were discussed with officials of Homestead Borough and, where appropriate, their responses have been included in the report.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending from the start of the word "Timothy".

Timothy L. DeFoor
Auditor General
December 23, 2025

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). The Act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans.

Annual state aid allocations are provided from a two percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Homestead Borough Police Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

Act 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 767 et seq.

The Homestead Borough Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 883, as amended, adopted pursuant to Act 600. The plan is also affected by the provisions of collective bargaining agreements between the borough and its police officers. The plan was established January 1, 1958. Active members are required to contribute 5 percent of monthly compensation to the plan. As of December 31, 2024, the plan had 13 active members, 1 terminated member eligible for vested benefits in the future, and 14 retirees receiving pension benefits from the plan.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Failure To Deposit State Aid Into An Eligible Pension Plan

Condition: The borough did not deposit its 2024 state aid allocation into an eligible pension plan. The borough received its 2024 state aid allocation in the amount of \$264,245 on September 25, 2024, but, as of the date of our audit’s fieldwork completion, none of the state aid allocation was deposited into an eligible pension plan.

Criteria: Section 402(g) of Act 205 states, in part:

. . . the total amount of the general municipal pension system State aid received by the municipality shall, within 30 days of receipt by the treasurer of the municipality, be deposited in the pension funds or the alternate funding mechanism applicable to the pension plans.

Cause: Effective May 12, 1994, the borough adopted Resolution No. 1291 which appointed its borough manager as the chief administrative officer for the borough’s pension plan. During the period subject to audit, the borough experienced a high rate of turnover in the borough manager position with three different managers and current municipal officials were unaware of the deposit deadline. Furthermore, the borough failed to establish adequate internal control procedures to ensure the deposit of state aid.

Effect: When state aid is not deposited into a pension plan account, the funds are not available to pay operating expenses or for investment and the risk of misapplication is increased. (*See also Finding No. 2.*)

Furthermore, the borough’s future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the borough deposit the borough’s state aid allocation of \$264,245, plus interest earned during the period beyond the 30 day grace period allowed by Act 205, into an eligible pension plan. A copy of the interest calculation must be maintained by the borough for examination during our next audit of the plan.

We also recommend that plan officials develop and implement procedures to ensure that future state aid is deposited into an eligible pension plan within 30 days of receipt by the municipal treasurer.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Management's Response: Municipal officials agreed with the finding without exception.

Auditor's Conclusion: Due to the potential withhold of state aid, the borough's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the plan.

Finding No. 2 – Failure To Pay The Minimum Municipal Obligation Of The Plan

Condition: The borough did not pay the minimum municipal obligation (MMO) that was due to the police pension plan for the year 2024, as required by Act 205. The borough had an unpaid MMO of \$302,243 for the year 2024.

Criteria: With regard to the MMO, Section 302(c) of Act 205 states, in part:

Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Section 302(d) of Act 205 states, in part:

The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Furthermore, Section 302(e) of Act 205 states:

Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid at a rate equal to the interest assumption used for the actuarial valuation report or the discount rate applicable to treasury bills issued by the Department of Treasury of the United States with a six month maturity as of the last business day in December of the plan year in which the obligation was due, whichever is greater, expressed as a monthly rate and compounded monthly.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Effective May 12, 1994, the borough adopted Resolution No. 1291 which appointed its borough manager as the chief administrative officer for the borough’s pension plan. During the period subject to audit, the borough experienced a high rate of turnover in the borough manager position with three different managers and current municipal officials were unaware of the Act 205 requirements. Furthermore, internal control procedures were not in effect to ensure the timely payment of the MMO.

Effect: The failure to pay the MMO could result in the plan not having adequate resources to meet current and future benefit obligations to its members.

Furthermore, the borough’s future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the borough pay the MMO due to the police pension plan for the year 2024, with interest, in accordance with Section 302(e) of Act 205. A copy of the interest calculation must be maintained by the borough for examination during our next audit of the plan.

Furthermore, we recommend that plan officials establish and implement written procedures to assist them in complying with Act 205 funding requirements.

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: Due to the potential withhold of state aid, the borough’s compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the plan.

Finding No. 3 – Failure To Maintain Pension Benefit Calculations

Condition: The borough failed to maintain pension benefit calculations for three police officers who retired on November 1, 2020, August 31, 2022 and July 1, 2024, respectively.

Criteria: The borough should maintain adequate supporting documentation to substantiate the accuracy of pension benefit determinations.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: Effective May 12, 1994, the borough adopted Resolution No. 1291 which appointed its borough manager as the chief administrative officer for the borough’s pension plan. During the period subject to audit, the borough experienced a high rate of turnover in the borough manager position with three different managers and current municipal officials were unable to locate the benefit calculations. Furthermore, plan officials failed to establish adequate internal control procedures to ensure the maintenance of adequate pension plan records (*refer to Finding No. 6*).

Effect: The failure of plan officials to maintain retired pension benefit calculations could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that plan officials obtain adequate supporting documentation to verify the accuracy of pension benefits being paid from the plan to the three retirees referenced above. Furthermore, we recommend that municipal officials establish adequate internal control procedures to ensure that all pension benefit calculations are properly determined and maintained by the borough.

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: Compliance will be evaluated during our next audit of the plan.

Finding No. 4 – Failure To Implement Act 44 Mandatory Distressed Provisions

Condition: Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

<u>Level</u>	<u>Indication</u>	<u>Funding Criteria</u>
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

The borough was first determined to be in Level II moderate distress status based on the January 1, 2011 actuarial valuation reports filed for its police and non-uniformed pension plans and remains in Level II distress based on the January 1, 2023 actuarial valuation reports. The MPRP most recently issued a notification in 2024 that the borough is currently in Level II moderate distress status based on the plans' aggregated funded status. Included with each determination notice, the MPRP sent the borough the Act 205 Recovery Program Election Form outlining the mandatory remedies that must be implemented and the voluntary remedies that the borough could elect to implement.

At the conclusion of the January 1, 2014 to December 31, 2015 audit, a verbal observation was issued to plan officials recommending that the borough implement the remaining mandatory distress remedy applicable to Level II pursuant to Act 44 of 2009, which was to submit a plan for administrative improvement. During the January 1, 2016 to December 31, 2019 audit period, plan officials prepared a draft *Plan For Administrative Improvement* to address the verbal observation, but it was never actually filed with MPRP or implemented. Furthermore, the borough changed custodians for its pension plans in 2023 (*refer to Finding No. 5*) and no longer aggregates its pension plan assets, which is the mandatory distress remedy applicable to Level II that the borough had previously implemented.

Criteria: Act 205, amended by Act 44, at Section 605(a), states:

Recovery program level II.

- (a) Mandatory remedies. Any municipality to which level II of the recovery program applies shall utilize the following remedies:
 - (1) The aggregation of trust funds pursuant to section 607(b).
 - (2) The submission of a plan for administrative improvement pursuant to section 607(i).

Cause: Effective May 12, 1994, the borough adopted Resolution No. 1291 which appointed its borough manager as the chief administrative officer for the borough's pension plan. During the period subject to audit, the borough experienced a high rate of turnover in the borough manager position with three different managers and current municipal officials were unaware of the mandatory distress provisions. Furthermore, plan officials failed to establish adequate internal control procedures to ensure the maintenance of adequate pension plan records (*refer to Finding No. 6*).

Effect: The borough is not in compliance with the Act 44 mandatory distress remedy provisions applicable to Level II which are designed to improve the funding status and administrative efficiency of its pension plans.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Recommendation: We recommend that municipal officials contact MPRP for guidance in the implementation of the mandatory distress remedies applicable to Level II pursuant to Act 44 of 2009.

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: Compliance will be evaluated during our next audit of the plan.

Finding No. 5 – Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205

Condition: In 2023, the borough changed custodian service contractors for its police and non-uniformed pension plans. However, there was no evidence provided to support that the change in custodians was conducted and awarded in accordance with provisions of Act 205 and the borough’s adopted procurement procedures. Furthermore, prior to this custodial change, the borough’s pension plan assets were aggregated due to its Level II Distress status. After changing custodians, the plan’s assets are no longer aggregated (*refer to Finding No. 4*).

Criteria: Section 701-A of Act 205 defines a “Professional Services Contract” as follows:

“Professional services contract.” A contract to which the municipal pension system is a party that is:

- (1) for the purchase or provision of professional services, including investment services, legal services, real estate services and other consulting services; and
- (2) not subject to a requirement that the lowest bid be accepted.

In addition, Section 702-A (a) of Act 205 states, in part:

Each municipal pension system ... shall develop procedures to select the most qualified person to enter into a professional services contract. The procedures shall ensure that the availability of a professional services contract is advertised to potential participants in a timely and efficient manner. Procedures shall include applications and disclosure forms to be used to submit a proposal for review and to receive the award of a professional services contract.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Additionally, Section 702-A (c), (e), (f), and (h) state, in part:

Review. Procedures to select the most qualified person shall include a review of the person’s qualifications, experience and expertise and the compensation to be charged.

Conflict of interest. The municipal pension system shall adopt policies relating to potential conflicts of interest in the review of a proposal or the negotiation of a contract.

Public information. Following the award of a professional services contract, all applications and disclosure forms shall be public except for proprietary information or other information protected by law.

Notice and summary. The relevant factors that resulted in the award of the professional services contract must be summarized in a written statement to be included in or attached to the documents awarding the contract. Within ten days of the award of the professional services contract, the original application, a summary of the basis for the award and all required disclosure forms must be transmitted to all unsuccessful applications and posted on the municipal pension system’s Internet website, if an Internet website is maintained, at least seven days prior to the execution of the professional services contract.

Section 703-A (c) states, in part:

Upon the advertisement for a professional services contract by the municipal pension system, the contractor may not cause or agree to allow a third party to communicate with officials or employees of the municipal pension system except for requests for technical clarification.

Furthermore, Resolution No. 1650, enacted by the borough on May 8, 2014, established procedures for the procurement of professional services for the municipal pension system in accordance with Act 205 provisions.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 5 – (Continued)

Cause: Effective May 12, 1994, the borough adopted Resolution No. 1291 which appointed its borough manager as the chief administrative officer for the borough's pension plan. During the period subject to audit, the borough experienced a high rate of turnover in the borough manager position with three different managers and current municipal officials were unaware of the requirements for the procurement of professional services. In addition, borough officials failed to establish adequate procedures to properly follow and document adherence with each requirement prescribed under the provisions of Act 205 and its own procurement procedures in the awarding of the professional services contract for the investment and advisory services for the borough's pension plans (*refer to Finding No. 6*).

Effect: We were unable to determine whether the borough complied in all respects with the provisions stipulated in Act 205 and its own governing policies and procedures for the procuring of professional investment services for the borough's police and non-uniformed pension plans. Also, by failing to maintain appropriate substantive supporting documentation evidencing adherence with Act 205 and the borough's procedures for the professional services contract, a general lack of transparency exists.

Recommendation: We recommend the borough follow procedures developed and implemented by the borough in Resolution No. 1650 for the procurement of professional services for the borough's pension plans and ensure compliance with Act 205 provisions while maintaining appropriate and sufficient supporting documentation. This documentation should evidence every phase of the process in accordance with Act 205 and the borough's policies and procedures in the awarding of future professional services contracts for the borough's pension plans.

In addition, since we were unable to conclude whether the borough complied in all respects with the provisions stipulated in Act 205 and its own governing policies and procedures relative to the procurement of the investment services for the police and non-uniformed pension plans, we recommend that borough officials collectively review the process and familiarize themselves with the procedures enacted by the borough while closely examining and identifying ways to improve the process as a whole.

Management's Response: Municipal officials agreed with the finding without exception.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – Failure To Maintain And Monitor An Adequate Record Keeping System

Condition: The borough did not maintain adequate records for examination during the course of the audit to monitor activity of the pension plan. The following records were not maintained or provided by the borough:

- Documentation to support the adoption of a Deferred Retirement Option Plan (DROP).
- Internal Revenue Service Form 1099 for the retirees of the plan for the period subject to audit.
- Pension benefit calculations for police officers who retired November 1, 2020, August 31, 2022 and July 1, 2024, to determine eligibility and whether the calculations were prepared in accordance with plan provisions and applicable laws and regulations (*refer to Finding No. 3*).
- Collective bargaining agreement to cover the period January 1, 2021 to December 31, 2024.
- Schedules of Undivided Participation for the years 2020, 2021, 2022, and 2023 (*refer to Finding No. 4*).
- A copy of a fully executed Plan for Administrative Improvement (*refer to Finding No. 4*).

Criteria: An adequate system of accounting and record-keeping is a prerequisite for sound administration of pension plans. In addition, assets held in a pension plan account for the purpose of plan management are to be governed by the terms and provisions of the governing plan document and account contract, provided that the terms and provisions of the contract are within the parameters of all prevailing pension legislation. Although the borough may contract with a trustee to administer the financial management of the plan, the fiduciary responsibility for the plan remains with the borough.

Cause: Effective May 12, 1994, the borough adopted Resolution No. 1291 which outlined the duties, responsibilities and functions of the borough manager which included the responsibility to borough council as the chief administrative officer for the administration of all borough affairs. During the period subject to audit, the borough experienced a high rate of turnover in the borough manager position with three different managers. Accordingly, current plan officials were unaware of their various record-keeping and fiduciary responsibilities of pension plan administration.

HOMESTEAD BOROUGH POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 6 – (Continued)

Effect: The failure of borough officials to maintain adequate records prohibits plan officials from effectively monitoring the plan’s financial operations. Inadequate records and monitoring of the police pension plan account could lead to undetected errors or improprieties in account transactions as well as deficiencies in authorizing and implementing pension plan policies and procedures.

Recommendation: We recommend that borough officials establish accounting procedures, including record-keeping procedures, necessary to allow management to maintain effective awareness of and control over the activity of the plan. Borough officials should refer to the Auditor General’s Bulletin No. 2-88 entitled “Preparation, Maintenance and Auditability of Financial Records,” for further guidance in establishing adequate accounting procedures. We also recommend that plan officials examine all financial transactions of the pension plans to ensure the accuracy, timeliness, and propriety of the transactions.

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: Compliance will be evaluated during our next audit of the plan.

HOMESTEAD BOROUGH POLICE PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

Conditions such as those reported by Finding Nos. 1 and 2 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action will not be considered if sufficient written documentation is provided to verify compliance with this department's recommendation. Such documentation should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

HOMESTEAD BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan’s funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2019, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-19	\$ 2,136,935	\$ 3,493,041	\$ 1,356,106	61.2%
01-01-21	2,591,708	3,958,968	1,367,260	65.5%
01-01-23	2,913,318	4,846,339	1,933,021	60.1%

Note: The market value of the plan’s assets at 01-01-19 has been adjusted to reflect the smoothing of gains and/or losses over a 5-year averaging period. The market value of the plan’s assets at 01-01-21 and 01-01-23 has been adjusted to reflect the smoothing method described in Section 210 of Act 205, as amended. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

HOMESTEAD BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

HOMESTEAD BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2019	\$ 203,366	100.0%
2020	214,471	100.0%
2021	215,613	100.0%
2022	269,118	100.0%
2023	277,656	100.0%
2024	302,243	<i>(See Finding No. 2)</i>

HOMESTEAD BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2023
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	PMRS Asset Smoothing
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%

HOMESTEAD BOROUGH POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable John Burwell
Mayor

Mr. Lloyd Cunningham
Council President

Ms. Amanda Loutitt
Borough Manager

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