

**HARRISBURG CITY
MINIMUM MUNICIPAL
OBLIGATION (MMO)
WORKSHEET
ISSUED 09-27-2017**

**Section No. 3
Exhibit No. 25**

Bureau of Financial Management
City of Harrisburg

Inter-Office Memorandum
September 27, 2017

TO: Wanda Williams, President
Harrisburg City Council

FROM: Bruce Weber
Director of Financial Management 

Pursuant to Section 302(c) of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 – 1984), annually, the Chief Administrative Officer of the Pension Plan(s) shall determine the minimum municipal obligation of the municipality with respect to the pension plan(s) for the following plan year.

In addition, pursuant to Section 304 of the Act, the Chief Administrative Officer of each pension plan shall submit the financial requirements of the pension plan and the minimum obligation of the municipality with respect to the pension plan, with appropriate documenting detail, to the governing body of the municipality on or before the last business day in September, annually.

This correspondence serves to inform Harrisburg City Council of the City's minimum municipal obligation for calendar year 2018, pursuant to the Act. Please refer to Attachment "A" for a signed certification as to the accuracy of the calculations and their conformance with the applicable provisions of Chapter 3 of the Act, as amended. Also attached are worksheets with explanations as to how those numbers were derived.

Should you have any questions regarding this matter, please call me at 255-3040, at your convenience.

CC: Mayor Eric Papenfuse
Council Members
Kirk Petroski
Erika Regalado
Pension Files (2)

ATTACHMENT "A"
MUNICIPAL CERTIFICATION

Pursuant to Section 304 of the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 – 1984), I hereby certify that the calculations to determine the City of Harrisburg's 2018 Minimum Municipal Obligation are accurate and that they conform with the applicable provisions of Chapter 3 of the Act, as amended by Act 189 of 1990.



Bruce Weber
Director of Financial Management

City of Harrisburg 2018 M.M.O. Worksheet
Based on January 1, 2015 Actuarial Valuation Reports

	Non-Uniform Plan	Fire Plan	Police Plan	Totals (Memo Only)
Normal Cost Rate (% of Pay)	(A) 9.75%	25.65%	15.90%	
Projected 2017 Payroll	(B) 8,907,280	6,895,280	9,639,168	25,441,727
2017 Normal Cost (AxB)	(C) 868,460	1,768,639	1,532,628	4,169,727
Administrative Cost	(D) \$9,120	4,280	298,814	312,214
Amort. Of Unfunded Liability	(E) -	-	2,050,652.00	2,050,652
Total Plan Cost (C+D+E)	(F) 877,580	1,772,919	3,882,094	6,532,592
Projected 2017 Payroll	(B) 8,907,280	6,895,280	9,639,168	25,441,727
Employee Contrib. Rate	(G) 5.0%	5.0%	5.0%	
Employee Credit (BxG)	(H) 445,364	344,764	481,958	1,272,087
10% of Actuarial Surplus	(I) 1,586,023	892,432	-	2,478,455
Total Credits (H+I)	(J) 2,031,386	1,237,196	481,958	3,750,542
2018 MMO (F-J) (not<\$0)	-	535,723	3,400,136	3,935,858

**Supporting Detail
City of Harrisburg Pension Plans
2018 Minimum Municipal Obligation**

2017 Projected W-2 Payroll (\$) Projection based on actual year-to-date gross (W-2) payroll through September 21, 2017, of all respective pension plan members plus the payroll projected to be paid during the remainder of 2017.

Pension Plan	(a) YTD W-2 Payroll 9/21/2017	(b) 9/21/2017 W-2 Payroll	(c) Remaining Pay periods in 2017	(d) Subtotal (b x c)	Total 2017 Projected W-2 Payroll (a + d)
Non-Uniform Plan	\$6,379,369	\$361,130	7	\$2,527,910.21	\$8,907,280
Fire Plan	4,735,814	308,495	7	2,159,466	6,895,280
Police Plan	7,056,387	368,969	7	2,582,781	9,639,168

Normal Cost Rate (%)* That portion of the actuarial present value of the pension plan benefits and expenses which was allocated to the plan year by the Entry-age Normal Actuarial Cost Method as calculated by Cheiron, Inc and Conrad M. Siegel, Inc., approved certified actuaries to the Pennsylvania Municipal Retirement System (PMRS) and Police Pension Plan, respectively, pursuant to Section 202 of Act 205 of 1984.

2017 Normal Cost (\$) 2017 Projected W-2 Payroll x Normal Cost Rate

Administrative Cost (\$) \$20 per plan member per year pursuant to City's contract with PMRS and 3.1% of 2017 Projected W-2 Payroll for the Police Plan, calculated as follows:

Pension Plan	Retirees	Active Members	Total Members	2017 Projected W-2 Payroll	Annual Fee (\$/%)	Total Admin. Cost
Non-Uniform Plan	221	235	456	N/A	\$20	\$9,120
Fire Plan	133	81	214	N/A	\$20	4,280
Police Plan	N/A	N/A	N/A	9,639,168	3.1%	298,814

Amortization of Unfunded Liability* Pursuant to Act 205 of 1984, as Amended by Act 44, the City exercised its rights to adopt an asset smoothing method that develops an actuarial value of assets up to 130% of the market value of plan assets effective January 1, 2009. Only the City's Police pension plan had an amortization contribution requirement per their most recent actuarial valuation report utilizing this smoothing method.

* Based on 1/1/2015 Actuarial Valuation Reports

Employee Credit (Contributions) The amount of gross salaries and wages deducted from employees' paychecks each pay period calculated as follows:

Based on 2017-2018 Labor Agreement, Non-Uniform Employees Pension contribution rate will be: 2017-5% and 2018-5%

Pension Plan	2017 Projected W-2 Payroll	Employee Contribution Rate		Total Projected 2017 Employee Contributions
Non-Uniform Plan	\$8,907,280	0.05	=	\$445,364
Fire Plan	6,895,280	0.05	=	344,764
Police Plan	9,639,168	0.05	=	481,958

Amortization of Actuarial Surplus* Pursuant to Act 205 of 1984, the City must amortize (or spread) any gains, such as excess interest earnings, evenly over a 10-year period. The amortization calculations were provided by the actuary to PMRS for the Non-uniform and Fire pension plans and by Conrad M. Siegel, Inc. for the Police pension plan.

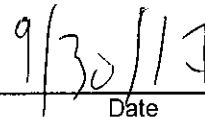
2018 Minimum Municipal Obligation (MMO) Total amount the City must pay to each of the respective pension plans by December 31, 2018, for the 2018 year.

City of Harrisburg Police Pension Plan
2018 Minimum Municipal Obligation

1	Normal Cost Percentage *	<u>15.9%</u>
2	Administrative Expense Percentage *	<u>3.1%</u>
3	Total Percentage (1 + 2)	<u>19.0%</u>
4	Estimated 2017 Total Gross W-2 Payroll:	\$ <u>9,639,168</u>
5	Annual Cost (3 x 4)	\$ <u>1,831,442</u>
6	Amortization Contribution Requirement *	\$ <u>2,050,652</u>
7	Financial Requirements (5 + 6)	\$ <u>3,882,094</u>
8	Member Contributions Anticipated:	\$ <u>481,958</u>
9	10% of Negative Unfunded Accrued Liability *	\$ <u>0</u>
10	Minimum Municipal Obligation (7 - 8 - 9) (Due before 12-31-2017)	\$ <u><u>3,400,136</u></u>



Authorized Signature



Date

* Based on 1/1/2015 Actuarial Valuation Reports

Conrad Siegel *Actuaries*

**The Minimum Municipal Obligation Worksheet (MMO) For:
Harrisburg City-Plan B Pension Plan (22-030-2 N2)**

For Plan Year 2018

CHARGES

Actuarial present value of future benefits

(As of most recent actuarial valuation):

(A)1 67,187,998

Actual value of assets

(As of most recent actuarial valuation):

(B)1 76,204,290

Estimated 2017 W-2 Payroll

For Covered Plan Members:

(A) 8,907,280

Since (A1) is less than (B1), enter (A) and proceed to (MMO) and enter 0"

PMRS Determined Normal Cost

Expressed as a Decimal:

(B) 0.0975

RESULT: (A) * (B) =

(C) 868,460

Administrative Charge (PMRS Determined)

of Plan Members times \$20:

(D) 9,120

Amortization of Unfunded Liability

(PMRS Determined)

(E) 0

TOTAL CHARGES: (C) + (D) + (E) =

(F) 877,580

CREDITS

Repeat Estimated 2017 W-2 Payroll For

For Covered Plan Members:

(A) 8,907,280

Employee Contribution Rate

Expressed as a Decimal:

(G) 0.05

RESULT: (A) * (G) =

(H) 445,364

Amortization of the Actuarial Surplus

(PMRD Determined)

(I) 1,586,023

TOTAL CREDITS: (H) + (I) =

(J) 2,031,387

MINIMUM MUNICIPAL OBLIGATION

* Based on 1/1/2015 Actuarial Valuation Reports

Equals TOTAL CHARGES Minus

(MMO) 0

TOTAL CREDITS (F) - (J) =

Prepared By:

Erika Regalado (Name)

Budget Manager (Title)

(Signature)

(Telephone #)

Please complete the above worksheet with your best estimates and return a copy to the Pennsylvania Municipal Retirement System by October 14. The Official copy must be shared with the plan's governing board by the last business day in September.

The Minimum Municipal Obligation Worksheet (MMO)

For The

Harrisburg Fire-Plan B Pension Plan (22-030-2-F2)

For Plan Year 2018

CHARGES

Estimated 2017 W-2 Payroll

For Covered Plan Members:

(A) 6,895,280

PMRS Determined Normal Cost

Expressed as a Decimal:

(B) 0.2565

RESULT: (A) * (B) =

(C) 1,768,639

Administrative Charge (PMRS Determined)

of Plan Members times \$20:

(D) 4,280

Amortization of Unfunded Liability

(PMRS Determined)

(E) 0

TOTAL CHARGES: (C) + (D) + (E) =

(F) 1,772,919

CREDITS

Repeat Estimated 2017 W-2 Payroll For

Covered Plan Members:

(A) 6,895,280

Employee Contribution Rate

Expressed as a Decimal:

(G) 0.05

RESULT: (A) * (G) =

(H) 344,764

Amortization of the Actuarial Surplus

(PMRS Determined)

(I) 892,432

TOTAL CREDITS: (H) + (I) =

(J) 1,237,196

MINIMUM MUNICIPAL OBLIGATION

* Based on 1/1/2015 Actuarial Valuation Reports

(MMO) 535,723

Equals TOTAL CHARGES Minus

TOTAL CREDITS (F) - (J) = (Please round numbers to dollars)

Prepared By: Erika Regalado (Name)

Budget Manager (Title)

 (Signature)

717-255-7281 (Telephone #)

Please complete the above worksheet with your best estimates and return a copy to the Pennsylvania Municipal Retirement System by October 14. The Official copy must be shared with the plan's governing board by the last business day in September.