

**EAST HEMPFIELD NON-UNIFORMED PENSION PLAN**

**Governmental Accounting Standards Board Statements**

**GASB 68 Information**

for the fiscal year ended

December 31, 2019

Prepared by:

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In Cooperation With:

**GIRARD PENSION SERVICES**

## **Introduction of GASB 68**

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This report includes the GASB 68 Cost Measurement and Financial Reporting Statement to be used for your fiscal year beginning January 1, 2019 and ending on December 31, 2019 for the Plan. GASB Statement No. 68 replaced GASB 27 effective for fiscal years beginning after June 15, 2014.

Statement 68 was issued by GASB in June 2012, requiring public employers to comply with new accounting and financial reporting standards. Statement 68 outlines a different approach to the recognition and calculation of pension obligations. Under the new GASB standards, employers are required to record the net pension liability (NPL) and pension expense (PE) in their financial statements as part of their financial position.

NPL is the plan's total pension liability (TPL) based on entry age normal actuarial funding method less the plan's fiduciary net position (FNP). This may be a negative liability (net pension asset).

Pension expense is the change in net pension liability from the previous fiscal year to the current fiscal year less adjustments. This may be a negative expense (pension income).

This GASB 68 report provides reportable financial and accounting pension information to be used in the employer's financial reports. The pension expense is for the measurement period of January 1, 2019 - December 31, 2019 and the net pension liability is measured as of December 31, 2019. Liabilities are based on the results of the actuarial calculations performed as of January 1, 2019 rolled forward to December 31, 2019. Fiduciary net position is based on fair value of assets as of December 31, 2019.

# EAST HEMPFIELD 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, 2019. This information should be used for the fiscal year beginning January 1, 2019 and ending on December 31, 2019.

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, 2019 funding valuation for the Plan. The census data and benefit provisions underlying the liabilities were prepared as of January 1, 2019. This report also relies on asset information as of December 31, 2019 as supplied by Girard Pension Services.

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.

BEYER-BARBER COMPANY



Lawrence C. Brisman, E.A. #17-04972

Member American Academy Of Actuaries

Member American Society Of Pension Professionals And Actuaries

3/30/2020

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Date

**EAST HEMPFIELD NON-UNIFORMED PENSION PLAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**PENSION LIABILITY**

**Net Pension Liability**

The components of the net pension liability of the Plan as of December 31, 2019 were as follows:

Total Pension Liability (TPL)	\$ 6,212,186
Plan Fiduciary Net Position	\$ 6,453,753
Net Pension Liability (NPL)	\$ (241,567)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.9%

**Actuarial Assumptions**

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2019. Update procedures were used to roll forward to the plan's fiscal year ending December 31, 2019. This report was based upon the plan's actuarial assumptions, asset valuation method, and cost method as described below:

**Discount Rate**

The discount rate used to measure the total pension liability was 7.5%. 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 on those assumptions, the Fund's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

**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 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$247,695	(\$241,567)	(\$670,124)

**EAST HEMPFIELD 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)
<b>Balances at 12/31/2018</b>	\$ 6,421,453	\$ 5,312,725	\$ 1,108,728
<b>Changes for the year:</b>			
Service Cost	58,393	-	58,393
Interest	442,327	-	442,327
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(671,723)	-	(671,723)
Changes of Assumptions	217,396	-	217,396
Contributions - Employer	-	146,641	(146,641)
Contributions - State Aid	-	174,097	(174,097)
Contributions - Member	-	34,351	(34,351)
Net Investment Income	-	1,041,599	(1,041,599)
Benefit Payments	(255,660)	(255,660)	-
Administrative Expense	-	-	-
Other Changes	-	-	-
<b>Net Changes</b>	(209,267)	1,141,028	(1,350,295)
<b>Balances at 12/31/2019</b>	\$ 6,212,186	\$ 6,453,753	\$ (241,567)

**Pension Expense for Fiscal Year Ended December 31, 2019**

Service Cost	\$ 58,393
Interest on Total Pension Liability	442,327
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	(671,723)
Changes of Assumptions	217,396
Employee Contributions	(34,351)
Projected Earnings on Pension Plan Investments	(396,169)
Differences Between Projected and Actual Earnings on Investments	92,530
Administrative Expense	-
Other Changes in Fiduciary Net Position	-
<b>Total Pension Expense</b>	<b>\$ (291,597)</b>

**EAST HEMPFIELD NON-UNIFORMED PENSION PLAN  
GASB 68 SUPPLEMENT**

**Deferred Outflows and Deferred Inflows of Resources**

For the year ended December 31, 2019, the municipality recognized a pension expense of -\$291,597. At December 31, 2019, the municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ -
Changes in Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(101,818)
Total	\$ -	\$ (101,818)

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:	
2020	\$ (463)
2021	(22,499)
2022	50,230
2023	(129,086)
2024	-
Thereafter	-

**EAST HEMPFIELD 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
<b>Total Pension Liability</b>						
Service Cost	\$ 180,729	\$ 144,231	\$ 151,443	\$ 85,247	\$ 89,509	\$ 58,393
Interest	406,502	404,002	431,101	458,213	483,825	442,327
Defined Contribution Balance	-	-	64,168	-	-	-
Changes of Benefit Terms	-	-	-	5,569	-	-
Differences Between Expected and Actual Experience	-	(353,226)	-	(201,359)	-	(671,723)
Changes of Assumptions	-	93,318	-	189,385	-	217,396
Other	-	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(138,428)	(197,767)	(235,640)	(234,786)	(220,363)	(255,660)
<b>Net Change in Total Pension Liability</b>	<b>448,803</b>	<b>90,558</b>	<b>411,072</b>	<b>302,269</b>	<b>352,971</b>	<b>(209,267)</b>
<b>Total Pension Liability - Beginning</b>	<b>4,815,780</b>	<b>5,264,583</b>	<b>5,355,141</b>	<b>5,766,213</b>	<b>6,068,482</b>	<b>6,421,453</b>
<b>Total Pension Liability - Ending</b>	<b>\$ 5,264,583</b>	<b>\$ 5,355,141</b>	<b>\$ 5,766,213</b>	<b>\$ 6,068,482</b>	<b>\$ 6,421,453</b>	<b>\$ 6,212,186</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 95,255	\$ 131,666	\$ 120,785	\$ 75,886	\$ 64,358	\$ 146,641
Contributions - State Aid	120,053	125,467	139,989	142,236	159,269	174,097
Contributions - Member	42,971	39,529	37,099	36,944	36,508	34,351
Net Investment Income	193,023	(88,037)	266,051	765,320	(431,373)	1,041,599
Other	1,835	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(138,428)	(197,767)	(235,640)	(234,786)	(220,363)	(255,660)
Administrative Expense	-	-	-	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>314,709</b>	<b>10,858</b>	<b>328,284</b>	<b>785,600</b>	<b>(391,601)</b>	<b>1,141,028</b>
<b>Plan Net Position - Beginning</b>	<b>4,411,554</b>	<b>4,726,263</b>	<b>4,737,121</b>	<b>5,065,405</b>	<b>5,851,005</b>	<b>5,312,725 **</b>
<b>Plan Net Position - Ending</b>	<b>\$ 4,726,263</b>	<b>\$ 4,737,121</b>	<b>\$ 5,065,405</b>	<b>\$ 5,851,005</b>	<b>\$ 5,459,404</b>	<b>\$ 6,453,753</b>
<b>Plan's Net Pension Liability</b>	<b>\$ 538,320</b>	<b>\$ 618,020</b>	<b>\$ 700,808</b>	<b>\$ 217,477</b>	<b>\$ 962,049</b>	<b>\$ (241,567)</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	89.8%	88.5%	87.8%	96.4%	85.0%	103.9%
<b>Covered Employee Payroll</b>	\$ 1,415,000	\$ 1,400,000	\$ 1,250,000	\$ 1,193,000	\$ 1,218,000	\$ 1,082,000
<b>Plan's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	38.0%	44.1%	56.1%	18.2%	79.0%	-22.3%

**Notes to schedules:**

Assumption Changes - In 2015, the interest rate assumption was lowered from 8.25% to 8.0% per annum and the salary scale was lowered from 5.25% to 5.0%. In 2017, the mortality assumption was changed from the RP-2000 Table to the RP-2000 Table projected to 2017 using Scale AA. In 2019, the interest rate assumption was lowered from 8.0% to 7.5% per annum and the salary scale was lowered from 5.0% to 4.5%.

Benefit Changes - In 2017, the Normal Retirement Age changed from Age 60 with 10 Years of Service to Age 60 with 5 Years of Service; the Vesting schedule changed from 100% after 10 Years of Service to 100% after 5 Years of Service.

\* This schedule will be presented on a prospective basis.

\*\* Beginning of year assets do not match prior end of year assets due to removal of cash balance assets.