Note 7: Defined Benefit Pension Plan:

Reporting Entity

Township of Tobyhanna Non-Uniformed Employees' Pension Plan (hereinafter referred to as "the Plan") is a single employer defined benefit plan. The Plan is governed by the Township's Board of Supervisors. The Township Supervisors may amend plan provisions and are responsible for the management of plan assets. The Plan is included in the Township's basic financial statements as a Pension Trust. Stand-alone financial statements are not publicly available.

Basis of Accounting

The Plan's financial statements are prepared using the modified cash basis of accounting. Plan member contributions, if any, are recognized in the period in which the contributions are received. Employer contributions to the plan are recognized when received. Benefits and refunds are recognized when paid in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value.

Funding Policy

Act 205 requires that annual contributions be based upon the Plan's minimum municipal obligation (MMO). The MMO is based upon the Plan's biennial actuarial valuation (the last available is January 1, 2015).

In accordance with the Plan's governing Ordinance, members are not required to contribute to the Plan. Administrative costs, including the investment manager, custodial trustee and actuarial services, are charged to the Plan and funded through investment earnings. The Plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205.

Note 7: Defined Benefit Pension Plan: (Continued):

Summary of Plan Benefits

Eligibility

All full-time non-uniformed employees join the Plan upon employment.

Normal Retirement

A participant is eligible for normal retirement after attainment of age 62 and completion of ten years of service, but no later than age 70.

The normal retirement benefit is payable monthly during the participant's lifetime, with payments ceasing upon death.

The amount of the monthly pension is equal to 1.1% of average monthly pay times years of service (maximum 20 years).

Average monthly pay is based upon the last 36 months of employment. Pay is total pay, except for unused sick time payments.

Early Retirement

A participant is eligible for early retirement after attainment of age 60 and completion of 20 years of service.

Late Retirement

If a participant continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is the benefit accrued to the late retirement date.

Note 7: Defined Benefit Pension Plan: (Continued):

Vesting

A participant's benefits vest according to the following table. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Years of Service	Vesting Percentage
Less than 4 Years	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or More Years	100%

The vesting provisions of the Plan prior to January 1, 2017, shall continue to apply to participants who do not have an hour of service on or after that date.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is determined according to the normal retirement benefit formula, based upon pay and service to date.

Contributions

Participant contributions are credited with 6% interest. Currently, no participant contributions are required.

Plan Membership

Membership of the Plan consisted of the following at December 31, 2017:

Active plan members	13
Retirees and beneficiaries currently receiving benefits	3
Terminated plan members entitled to but not yet receiving benefits	4
Total	20

Note 7: Defined Benefit Pension Plan: (Continued):

Net Pension Liability

The net pension liability was measured as of December 31, 2017 and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

Actuarial Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary Increases	5.00%
Investment Rate of Return	6.75%
Postretirement Cost of Living Increase	0.00%

Mortality rates were based on the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) 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 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	55.00%	5.50% - 7.50%
International Equity	9.00%	4.50% - 6.50%
Fixed Income	26.00%	1.00% - 3.00%
Real Estate	4.00%	4.50% - 6.50%
Cash	6.00%	0.00% - 1.00%

Note 7: Defined Benefit Pension Plan: (Continued):

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The pension 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. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability.

Changes in the Net Pension Liability

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability
Balances at 12/31/16	$999,817	$1,290,088	($290,271)
Service Cost	53,656	0	53,656
Interest Cost	72,216	0	72,216
Changes of Benefit Terms	57,869	0	57,869
Changes for Experience	(103,697)	0	(103,697)
Changes of Assumptions	69,447	0	69,447
Contributions – Employer	0	29,005	(29,005)
Net Investment Income	0	174,103	(174,103)
Benefit Payments, including Refunds of Member Contributions	(14,464)	(14,464)	0
Administrative Expenses	0	(6,860)	(6,860)
Net Changes	135,027	181,784	(46,757)
Balances at 12/31/17	$1,134,844	$1,471,872	($337,028)

Note 7: Defined Benefit Pension Plan: (Continued):

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 of 6.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Plan's Net Pension Liability	($212,694)	($337,028)	($443,109)

Schedule of Employer Contributions

Year	Actuarially Determined Contribution	Contributions From Employer	Contribution Deficiency/ Excess	Covered Employee Payroll	Contributions as a % of Payroll
2010	$48,907	$48,907	$0		
2011	$48,988	$66,515	($17,527)		
2012	$44,358	$48,988	($4,630)		
2013	$42,253	$48,474	($6,221)		
2014	$32,001	$52,598	(20,597)		
2015	$33,381	$33,381	$0	$646,152	5.17%
2016	$23,899	$26,575	($2,676)	$588,430	4.52%
2017	$19,535	$29,005	(9,470)	$680,661	4.26

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

Note 7: Defined Benefit Pension Plan: (Continued):

Methods and assumptions used to determine contribution rates:
Actuarial Valuation Date: 1/1/2015
Actuarial Cost Method: Entry Age Normal
Amortization Method: Level Dollar Open
Remaining Amortization Period: 16 years
Asset Valuation Method: Smoothed value with a corridor of 80% to 120% of market value.
Inflation: 3.00%
Salary Increases: 5.00%
Investment Rate of Return: 7.00%
Retirement Age: Normal Retirement Age
Mortality: RP2000 Table. This table does not include projected mortality improvements.

Changes in benefit terms: None since 1/1/2015.

Investments

Investments are reported at fair value (quoted market prices).

The Plan places no limit on the amount that may be invested with any one organization.

There were no changes in investment policies during 2017.

At December 31, 2017, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations), in any one organization, that represent five percent (5%) or more of net assets available for benefits ($1,463,552 x .05 = $73,178):

Investments	Fair Market Value
iShares S&P Midcap 400 Index	$218,247
iShares SP Smallcap 600 Index	$109,761