

# LIMITED PROCEDURES ENGAGEMENT

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## Aleppo Township Police Pension Plan Allegheny County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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May 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

Board of Township Commissioners  
Aleppo Township  
Allegheny County  
Sewickley, PA 15143

We conducted a Limited Procedures Engagement (LPE) of the Aleppo Township Police Pension Plan for the period January 1, 2014 to December 31, 2017 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. 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. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- 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 for all years within the engagement period.
- 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 supporting documentation.
- Whether the January 1, 2013, January 1, 2015, and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2014, 2016, and 2018, respectively, in accordance with Act 205 and whether selected information provided on these reports 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.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Aleppo Township Police Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our determination to perform a LPE for this engagement period does not preclude the Department from conducting an audit in accordance with *Government Auditing Standards* of the pension plan in subsequent periods. The township should continue to maintain documentation related to this pension plan.

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.

The contents of this report were discussed with officials of Aleppo Township and, where appropriate, their responses have been included in this report. We would like to thank township officials for the cooperation extended to us during the conduct of this LPE.

April 30, 2018



EUGENE A. DEPASQUALE  
Auditor General

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ALEPPO TOWNSHIP POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 1 through 3 reflects the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, AND 2016

|                                                                                | <u>2014</u>        | <u>2015</u>       | <u>2016</u>       |
|--------------------------------------------------------------------------------|--------------------|-------------------|-------------------|
| Total Pension Liability                                                        |                    |                   |                   |
| Interest                                                                       | \$ 49,764          | \$ 52,692         | \$ 54,637         |
| Difference between expected and actual experience                              | -                  | 6,726             | -                 |
| Benefit payments, including refunds of member contributions                    | (13,461)           | (15,868)          | (34,271)          |
| Net Change in Total Pension Liability                                          | <u>36,303</u>      | <u>43,550</u>     | <u>20,366</u>     |
| Total Pension Liability - Beginning                                            | <u>717,519</u>     | <u>753,822</u>    | <u>797,372</u>    |
| Total Pension Liability - Ending (a)                                           | <u>\$ 753,822</u>  | <u>\$ 797,372</u> | <u>\$ 817,738</u> |
| <br>Plan Fiduciary Net Position                                                |                    |                   |                   |
| Contributions - employer                                                       | \$ 16,268          | \$ 9,228          | \$ 9,228          |
| Net investment income                                                          | 35,795             | (9,478)           | 61,244            |
| Benefit payments, including refunds of member contributions                    | (13,461)           | (15,868)          | (34,271)          |
| Administrative expense                                                         | (1,200)            | (7,282)           | (12,105)          |
| Net Change in Plan Fiduciary Net Position                                      | <u>37,402</u>      | <u>(23,400)</u>   | <u>24,096</u>     |
| Plan Fiduciary Net Position - Beginning                                        | <u>776,355</u>     | <u>813,757</u>    | <u>790,357</u>    |
| Plan Fiduciary Net Position - Ending (b)                                       | <u>\$ 813,757</u>  | <u>\$ 790,357</u> | <u>\$ 814,453</u> |
| <br>Net Pension Liability - Ending (a-b)                                       | <u>\$ (59,935)</u> | <u>\$ 7,015</u>   | <u>\$ 3,285</u>   |
| <br>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 108.0%             | 99.1%             | 99.6%             |
| <br>Estimated Covered Employee Payroll                                         | \$ -               | \$ -              | \$ -              |
| <br>Net Pension Liability as a Percentage of Covered Employee Payroll          | N/A                | N/A               | N/A               |

ALEPPO TOWNSHIP POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the township as of December 31, 2015 and 2016 calculated using the discount rate of 7.0%, as well as what the township'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<br>(6.0%) | Current<br>Discount Rate<br>(7.0%) | 1% Increase<br>(8.0%) |
|---------------------------------|-----------------------|------------------------------------|-----------------------|
|                                 | <hr/>                 | <hr/>                              | <hr/>                 |
| Net Pension Liability- 12/31/15 | \$ 98,267             | \$ 7,015                           | \$ (69,319)           |
| Net Pension Liability- 12/31/16 | \$ 92,205             | \$ 3,285                           | \$ (71,347)           |

ALEPPO TOWNSHIP POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

| Year Ended<br>December 31 | Actuarially<br>Determined<br>Contribution | Actual<br>Contributions | Contribution<br>Deficiency<br>(Excess) | Covered-<br>Employee<br>Payroll * | Contributions as<br>a Percentage of<br>Covered-<br>Employee<br>Payroll |
|---------------------------|-------------------------------------------|-------------------------|----------------------------------------|-----------------------------------|------------------------------------------------------------------------|
| 2008                      | \$ -                                      | \$ -                    | \$ -                                   | \$ -                              | N/A                                                                    |
| 2009                      | -                                         | -                       | -                                      | -                                 | N/A                                                                    |
| 2010                      | -                                         | -                       | -                                      | -                                 | N/A                                                                    |
| 2011                      | -                                         | -                       | -                                      | -                                 | N/A                                                                    |
| 2012                      | -                                         | -                       | -                                      | -                                 | N/A                                                                    |
| 2013                      | -                                         | -                       | -                                      | -                                 | N/A                                                                    |
| 2014                      | 16,268                                    | 16,268                  | -                                      | -                                 | N/A                                                                    |
| 2015                      | 9,228                                     | 9,228                   | -                                      | -                                 | N/A                                                                    |
| 2016                      | 9,228                                     | 9,228                   | -                                      | -                                 | N/A                                                                    |
| 2017                      | -                                         | -                       | -                                      | -                                 | N/A                                                                    |

\* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014. However, there have been no active full-time members since 2004.

SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense:

|      |         |
|------|---------|
| 2016 | 7.88%   |
| 2015 | (1.17%) |
| 2014 | 5.52%   |

ALEPPO TOWNSHIP 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, 2013, is as follows:

|                                | (1)                                    | (2)                                                              | (3)                                                                                    | (4)                        |
|--------------------------------|----------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Entry Age<br>(b) | Unfunded<br>(Assets in<br>Excess of)<br>Actuarial<br>Accrued<br>Liability<br>(b) - (a) | Funded<br>Ratio<br>(a)/(b) |
| 01-01-13                       | \$ 667,551                             | \$ 674,591                                                       | \$ 7,040                                                                               | 99.0%                      |
| 01-01-15                       | 773,950                                | 760,548                                                          | (13,402)                                                                               | 101.8%                     |
| 01-01-17                       | 844,614                                | 839,080                                                          | (5,534)                                                                                | 100.7%                     |

Note: The market values of the plan’s assets at 01-01-13, 01-01-15, and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period. 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.



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SUPPLEMENTARY INFORMATION  
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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.

ALEPPO TOWNSHIP 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, 2017              |
| Actuarial cost method         | Entry age normal             |
| Amortization method           | N/A                          |
| Remaining amortization period | N/A                          |
| Asset valuation method        | Fair value, 4-year smoothing |
| Actuarial assumptions:        |                              |
| Investment rate of return *   | 7.0%                         |
| Projected salary increases    | N/A                          |

\* Includes inflation at 2.75%

ALEPPO TOWNSHIP POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Mr. Matthew Doebler**  
President, Board of Township Commissioners

**Mr. George Jones**  
Vice-President, Board of Township Commissioners

**Ms. Gwen M. Patterson**  
Township Manager

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