

# LIMITED PROCEDURES ENGAGEMENT

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## Center Township Non-Uniformed Pension Plan Greene County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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September 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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We conducted a Limited Procedures Engagement (LPE) of the Center Township Non-Uniformed 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.
- 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. Employer contributions that were deposited into the pension plan for the years ended January 1, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.

- 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 Center Township Non-Uniformed 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 Center 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.

August 27, 2018



EUGENE A. DEPASQUALE  
Auditor General

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CENTER TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

The supplementary information contained on Pages 1 and 2 respectively 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			
Service cost	\$ 25,324	\$ 29,404	\$ 29,629
Interest	27,914	30,496	32,978
Difference between expected and actual experience	1,040	(7,863)	557
Changes of assumptions	-	953	1,885
Benefit payments, including refunds of member contributions	(8,823)	(8,692)	(7,255)
Net Change in Total Pension Liability	<u>45,455</u>	<u>44,298</u>	<u>57,794</u>
Total Pension Liability – Beginning	<u>502,826</u>	<u>548,281</u>	<u>592,579</u>
Total Pension Liability - Ending (a)	<u>\$ 548,281</u>	<u>\$ 592,579</u>	<u>\$ 650,373</u>
Plan Fiduciary Net Position			
Contributions – employer*	\$ 19,414	\$ 22,752	\$ 22,886
Contributions – PMRS assessment	-	240	240
Contributions – member	5,966	6,652	6,743
PMRS investment income	27,924	30,488	32,944
Market value investment income	(872)	(40,755)	12,921
Benefit payments, including refunds of member contributions	(8,823)	(8,692)	(7,255)
PMRS administrative expense	(240)	(240)	(240)
Additional Administrative expense	(1,071)	(1,271)	(1,614)
Net Change in Plan Fiduciary Net Position	<u>42,298</u>	<u>9,174</u>	<u>66,625</u>
Plan Fiduciary Net Position - Beginning	<u>496,132</u>	<u>538,430</u>	<u>547,604</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 538,430</u>	<u>\$ 547,604</u>	<u>\$ 614,229</u>
Net Pension Liability - Ending (a-b)	<u>\$ 9,851</u>	<u>\$ 44,975</u>	<u>\$ 36,144</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.20%	92.41%	94.44%
Estimated Covered Employee Payroll	\$ 241,987	\$ 252,804	\$ 254,291
Net Pension Liability as a Percentage of Covered Employee Payroll	4.07%	17.79%	14.21%

\* Employer contributions for 2014 include administrative expenses paid from surplus funds.

CENTER TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

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, 2014 and 2015, calculated using the discount rate of 5.50% 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:

	<u>1% Decrease (4.50%)</u>	<u>Current Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Net Pension Liability - 12/31/14	\$ 108,557	\$ 9,851	\$ (87,618)
Net Pension Liability - 12/31/15	\$ 153,968	\$ 44,975	\$ (62,857)

In addition, the following presents the net pension liability of the borough as of December 31, 2016, calculated using the discount rate of 5.25%, as well as what the borough'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:

	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net Pension Liability - 12/31/16	\$ 156,600	\$ 36,144	\$ (83,185)

CENTER TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 14,678	\$ 3,394
2013	17,213	978
2014	17,951	1,408
2015	19,359	3,393
2016	20,224	2,662
2017	20,343	3,627

CENTER TOWNSHIP NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Edward A. Deter**  
Chairman, Board of Township Supervisors

**Mr. Paul Cook**  
Township Supervisor

**Mr. Harry D. Gillispie**  
Township Supervisor

**Ms. N. Dawn Horr**  
Secretary/Treasurer

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