COMPLIANCE AUDIT

Central Bucks Regional Non-Uniformed Pension Plan

Bucks County, Pennsylvania

For the Period

January 1, 2016 to December 31, 2017

January 2019

Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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AUDITOR GENERAL

Regional Police Commission
Central Bucks Regional
Bucks County
Doylestown, PA 18901

We have conducted a compliance audit of the Central Bucks Regional Non-Uniformed Pension Plan for the period January 1, 2016 to December 31, 2017. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

The objective of the audit was to determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objective identified above. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined 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 period under audit.

- We determined 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.

- We determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.

- We determined that there were no benefit calculations prepared for the years covered by our audit period.

- We determined whether the January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 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.

Central Bucks Regional contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the regional's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Commission officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Central Bucks Regional Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the regional's internal controls as they relate to the regional's compliance with those requirements and that we considered to be significant within the context of our audit objective, and assessed whether those significant controls were properly designed and implemented. Additionally and as previously described, we tested transactions, assessed official actions, performed analytical procedures, and interviewed selected officials to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objective.

The results of our procedures indicated that, in all significant respects, the Central Bucks Regional Non-Uniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:

Finding No. 1 – Receipt of State Aid Questionable Due To Failure To Properly Fund Newly Enacted Employees' Pension Plan In Accordance With Act 205

Finding No. 2 – Failure To Determine And Submit The Financial Requirements And Minimum Municipal Obligation Of The Plan

Finding No. 3 – Failure To Budget And Pay The Minimum Municipal Obligation Of The Plan

As previously noted, one of the objectives of our audit of the Central Bucks Regional Non-Uniformed Pension Plan was to determine compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

Level	Indication	Funding Criteria
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

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. However, we are extremely concerned about the funded status of the plan contained in the schedule of funding progress included in this report which indicates **the plan's funded ratio is 23.3% as of January 1, 2017**, which is the most recent data available. We encourage regional officials to monitor the funding of the non-uniformed pension plan to ensure its long-term financial stability.

The contents of this report were discussed with officials of Central Bucks Regional and, where appropriate, their responses have been included in the report.

Eugene A. DePasquale

December 27, 2018

EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). 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. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Central Bucks Regional Non-Uniformed Pension Plan is also governed by implementing regulations adopted by the former Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Central Bucks Regional Non-Uniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 2014-1, as amended. The plan is also affected by the provisions of collective bargaining agreements between the regional and its non-uniformed employees. The plan was established January 1, 2014. Active members are not required to contribute to the plan. As of December 31, 2017, the plan had 3 active members, no terminated members eligible for vested benefits in the future, and no retirees receiving pension benefits from the plan.

As of December 31, 2017, selected plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement	Age 65 and 5 years of service
Early Retirement	Voluntary at age 62 or with 24 years of service, involuntary after 8 years of service. Benefits will be actuarially reduced for each year prior to normal retirement.
Vesting	None for the first 5 years of service; thereafter, 100%

Retirement Benefit:

The monthly pension shall be 1.25% credit for each year of service times the average monthly compensation over the participant's final 36 months of employment.

Survivor Benefit:

If the participant is eligible to retire at the time of death, the beneficiary receives the present value of the participant's accrued benefit. At retirement, the participant may select a survivor benefit option.

Service Related Disability Benefit:

A 50% disability benefit is provided to a participant who is unable to perform gainful employment regardless of age or service. The benefit shall be offset by available Workers' Compensation benefits.

Non-Service Related Disability Benefit:

Upon attainment of ten years of credited service, a 30% disability benefit is provided to a participant who is unable to perform gainful employment. The benefit shall be offset by available Workers' Compensation benefits.

CENTRAL BUCKS REGIONAL NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Receipt Of State Aid Questionable Due To Failure To Properly Fund Newly Enacted Employees' Pension Plan In Accordance With Act 205

Condition: On December 22, 2014, the regional commission adopted Ordinance No. 2014-1 providing for the establishment and regulation of a pension plan for the benefit of the full-time non-uniformed employees of the Central Bucks Regional Police Department.

Article I of Ordinance No. 2014-1, states the following:

> A pension plan is hereby established for the Commission's full-time, Non-Uniformed Employees pursuant to and in compliance with the Act of February 1st 1966, P.L. 1656 No. 581, as amended. Such plan shall be established under the direction of the Commission and shall be applied under such regulations as the Commission may prescribe. The effective date of this Ordinance shall be January 1, 2014; however, the plan established hereunder shall be deemed a continuation of the previous non-uniformed pension plans as maintained and administered by the individual municipalities that are members of the Commission (currently Doylestown Borough and New Britain Borough) for benefit and state aid purposes. [Emphasis added.]

It was also noted that the initial actuarial valuation report, prepared and submitted for the regional non-uniformed pension plan valued as of January 1, 2015, indicated a plan establishment date of January 1, 1962; however, although the report included an actuarial liability amounting to $212,003, there were no reportable assets for the pension plan. In addition, there was no determination or payment made regarding the annual financial requirements of the plan (FRP) or minimum municipal obligation (MMO) of the plan for the years 2014, 2015 and 2016 as more fully described in Findings No. 2 and 3 of this report.

Although it appears that it is the intention of the regional commission to treat this plan as an extension of the participating municipalities' existing pension plans and forego the 3-year funding requirement prescribed by Act 205 for newly established pension plans prior to receipt of funding available under the General Municipal Pension System State Aid Program, the regional commission did not properly fund the non-uniformed pension plan on an annual basis during the current audit period in accordance with Act 205 for existing/continuing pension plans *(refer to Finding No. 3 of this report)*. In addition, the regional commission did not receive any corresponding transferred funds from the participating municipalities' former pension plans representing the accumulated assets associated with the existing pension liabilities for the service time already accumulated by the three former municipal employees (two former Doylestown Borough and one former New Britain Borough employees based on their plan entry dates into their respective former employers' pension plans) prior to transferring into the service of the regional police department

Finding No. 1 – (Continued)

and becoming eligible participants of the regional commission's newly formed non-uniformed pension plan as of the date of employment with the regional police commission *(Note: with the exception of accumulated members' contributions associated with the two former Doylestown Borough employees which were transferred by the borough during March 2015; New Britain Borough did not require members' contributions)*.

In 2016 and 2017, the commission received allocations of state aid, totaling $161,862 and $234,001, respectively, which were based, in part, on actuarial and payroll data certified for the newly created non-uniformed pension plan; however, it is unclear whether the commission was entitled to receive state aid for the new plan, based on the requirements prescribed under Act 205.

Criteria: Section 402(d) of Act 205 states that pension plans established subsequent to December 18, 1984, must be maintained for at least three plan years before becoming eligible for state aid. Further, Section 102 of Act 205 defines plan year as "a calendar year commencing on January 1 and ending on December 31".

For existing and/or continuing pension plans, Section 302(b) of Act 205 states, in part:

> Annually, the chief administrative officer of the pension plan shall determine the financial requirements of the pension plan for the following plan year.

In addition, Section 302(c) of Act 205 states, in part:

> Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Furthermore, Section 302(d) of Act 205 states:

> Annually, the municipality shall provide for the full amount of the minimum obligation of the municipality in the budget of the municipality. The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Cause: Plan officials believed through consultation with the plan's consultant that this plan was a continuation of already existing non-uniformed pension plans as maintained and administered by the individual participating municipalities and whose employees transferred to the employment of the regional police department. As such, officials were unaware that the plan was not properly funded in accordance with Act 205.

Finding No. 1 – (Continued)

Effect: Since the Commission received its state aid allocations based on unit value, the commission may have improperly received state aid amounting to $13,124 and $13,765 in 2016 and 2017, respectively, prior to meeting the eligibility requirements of Act 205 for the non-uniformed plan.

Based on documentation provided by plan officials, it was noted that the commission's entire 2016 state aid allocation was deposited into its police pension plan and since the commission used the overpayment of 2016 state aid towards the minimum municipal obligation (MMO) due to the police pension plan, if the reimbursement to the Commonwealth is made from the police pension plan, that plan's MMO for 2016 will not be fully paid. Similarly, since the commission used the overpayment of 2017 state aid towards the minimum municipal obligation (MMO) due to the non-uniformed pension plan, if the reimbursement to the Commonwealth is made from the non-uniformed pension plan, the plan's 2017 MMO will not be fully paid.

Furthermore, the Commission's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that plan officials, with assistance from the plan's actuary and/or consultant, fund the plan in accordance with Act 205 *(refer to Finding No. 3 contained in this report)* or return the aforementioned excess 2016 and 2017 state aid allocations in the total amount of $26,889 to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with evidence. It should be noted that if the reimbursement to the Commonwealth is made from police and/or non-uniformed pension plan funds, we recommend that any resulting MMO deficiencies be paid to the pension plans with interest, at a rate earned by the individual plan.

Management's Response: As indicated in the proposed finding, the initial actuarial valuation for this Plan was dated January 1, 2015, the first reporting period after the creation of the plan effective January 1, 2014. As a result, it was not possible to calculate a plan specific 2014 or 2015 MMO using information and cost factors from an Act 205 Report which did not yet exist. Further, the plan establishment date of January 1, 1962 was carried forward from Doylestown Borough Non-Uniformed Pension Plan since this Plan's benefit terms and conditions were copied directly from that plan and as additional support for the Commission's intent for this Plan to be a continuation of the existing Doylestown Plan for those transferred members. It was also determined that additional funding for this Plan should not be necessary since the cost of the transferred members was already funded through the normal MMO process for the Doylestown Borough Plan and that the creation of separate MMO calculations for this Plan would, in effect, be requiring the participating municipalities to fund the same benefits for the same employees twice.

Finding No. 1 – (Continued)

The Boroughs of Doylestown and New Britain did not transfer any assets from the participating municipalities' former pension plans because we were not aware of any legislative authority or other guidelines which would permit such a transfer. As you know, the portability of pension services is not addressed in Act 205, or elsewhere. Unlike the creation of a Regional Police Pension Plan which involves the complete merger of two or more existing police pension plans, the creation of the Central Bucks Regional Non-Uniformed Pension Plan involved only the partial transfer of three existing employees from two different municipalities with pension plans of differing benefit structures. Without specific authority or guidance on such a unique situation, we were advised not to transfer any assets beyond the accumulated members' contributions identified to the three covered employees, until an audit could be conducted.

Once the three transferred employees became employees of the Commission and an Act 205 Report was created and filed, those employees were removed from the MMO calculations for Doylestown Borough and a separate MMO for this plan was prepared and adopted. So, like the merger and creation of a regional police pension plan which does not have to satisfy the new three-year local funding requirement, we believe the ordinance and actions of the Commission support the same conclusion for this Plan, which was also not newly created but a continuation of the previous Doylestown Borough Non-Uniformed Plan for those same individuals.

Now that the Department has conducted an audit, and having laid out this chain of events and our thought process, the Commission is prepared to instruct our actuary to calculate the present value of accrued liabilities as of January 1, 2014 for each of the three transferred employees, and then transfer the amount of assets equal to those liabilities to this plan from the previous pension plans. In addition, we will instruct our consultant to determine the amounts of MMO funding for 2014, 2015, and 2016 that were provided to the Doylestown and New Britain Borough Pension Plans for these three individuals and then also transfer these amounts into this Plan. However, before any such transfers are actually made, we will provide the detailed calculations and other supporting documentation to the Department for its review and concurrence in the amounts and plans affected by such transfers. Following such agreement the transfers will be completed in a timely manner, including any interest component that is deemed appropriate given the timing and components of such transfers.

Finding No. 1 – (Continued)

Auditor's Conclusion: The department acknowledges the commission's position that the commission was unaware of any legislative authority or other guidelines which would permit the portability or transfer of pension services to the newly formed regional non-uniformed pension plan and that such transfer is not addressed in Act 205, or elsewhere. However, since the initial valuation report includes credited service time for the 3 employees that transferred into the newly created regional police department's non-uniformed pension plan back to the date the individual employees first began employment with the participating municipalities, and the actuarial accrued liability of such service time accumulated prior to actual employment with the regional police department was transferred and ultimately became the obligation of the regional police department, it seems logical that the associated plan assets accumulated towards this prior credited service time for these 3 individuals would likewise have been determined and transferred along with their respective liabilities, if indeed it were the regional commission's intent to treat this regional non-uniformed pension plan as a continuation of an existing/continuing plan and moreover, continue funding such plan on an on-going, annual basis in accordance with Act 205. However, the transfer of assets and/or continued funding of the plan did not occur and as mentioned earlier in this report, as a result of only transferring the obligations, the plan's funded ratio is 23.3% as of the January 1, 2017 valuation, which is the most recent data available. Based on the management response provided above, it does appear that commission officials intend to comply with the finding recommendation. Due to the potential withhold of state aid, compliance will be monitored subsequent to the release of the audit report and through our next audit of the plan.

Finding No. 2 – Failure To Determine And Submit The Financial Requirements And Minimum Municipal Obligation Of The Plan

Condition: As disclosed in Finding No. 1 above, the regional commission provided for the establishment and regulation of a pension plan for the benefit of the full-time non-uniformed employees of the regional police department. However, plan officials did not determine the annual financial requirements of the plan (FRP) or the minimum municipal obligation (MMO) of the non-uniformed pension plan for the years 2014, 2015 and 2016, as required by Act 205. In addition, the chief administrative officer (CAO) of the plan failed to submit the FRP and MMO to the governing body, as required by Act 205.

Criteria: With regard to the FRP, Section 302(b) of Act 205 states, in part:

> Annually, the chief administrative officer of the pension plan shall determine the financial requirements of the pension plan for the following plan year.

Finding No. 2 – (Continued)

With regard to the MMO, Section 302(c) of Act 205 states, in part:

> Annually, the chief administrative officer of the pension plan shall determine the minimum obligation of the municipality with respect to the pension plan for the following plan year.

Further, Section 304 of Act 205 states, in part:

> 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.

Cause: Plan officials did not comply with the Act 205 requirements because plan officials believed that it was not possible to calculate the FRP and plan specific MMOs using information and cost factors from an Act 205 Report which did not yet exist and that additional funding would not be necessary for this plan since this was a continuation of one of the participating municipality's non-uniformed pension plans.

Effect: The proper determination and submission of the plan's FRP and MMO ensures plan officials can properly allocate the necessary resources to the pension plan for the upcoming year.

Recommendation: We recommend that the CAO determine the FRP and MMO of the pension plan for the years 2014, 2015 and 2016 and submit these calculations to the governing body, as required by Act 205.

We also recommend plan officials establish adequate internal control procedures, which could include a written procedural manual, to assist them in complying with Act 205 reporting and funding requirements.

Furthermore, in the future, the CAO should determine and submit the FRP and MMO regardless of whether or not a minimum municipal obligation is anticipated.

Finding No. 2 – (Continued)

Management's Response: Plan officials included information and responses in the Management Response found in Finding No. 1 above and will await further communication from the department before proceeding with any additional response to this finding.

Auditor's Conclusion: Compliance with this finding will be evaluated during our next audit of the plan.

Finding No. 3 – Failure To Budget And Pay The Minimum Municipal Obligation Of The Plan

Condition: Because plan officials did not determine and submit the FRP and MMO, as discussed in Finding No. 2, the commission did not budget and pay the MMO that was due to the non-uniformed pension plan for the years 2014, 2015 and 2016, as required by Act 205. In addition, although plan officials determined the FRP and MMO for 2017, the commission did not properly pay the MMO that was due to the non-uniformed pension plan for 2017. It was noted that the commission received a supplemental 2016 state aid distribution during 2017 in the amount of $13,124 from Doylestown Borough and applied a portion of this supplemental 2016 state aid towards the non-uniformed pension plan's 2017 MMO.

Criteria: Section 302(d) of Act 205 states:

> Annually, the municipality shall provide for the full amount of the minimum obligation of the municipality in the budget of the municipality. The minimum obligation of the municipality shall be payable to the pension plan from the revenue of the municipality.

Furthermore, Section 302(e) of Act 205 states:

> Any amount of the minimum obligation of the municipality which remains unpaid as of December 31 of the year in which the minimum obligation is due shall be added to the minimum obligation of the municipality for the following year, with interest from January 1 of the year in which the minimum obligation was first due until the date the payment is paid at a rate equal to the interest assumption used for the actuarial valuation report or the discount rate applicable to treasury bills issued by the Department of Treasury of the United States with a six-month maturity as of the last business day in December of the plan year in which the obligation was due, whichever is greater, expressed as a monthly rate and compounded monthly.

Finding No. 3 – (Continued)

Cause: As also disclosed in Finding No. 2 above, plan officials did not comply with the Act 205 requirements because plan officials believed that it was not possible to calculate the FRP and plan specific MMOs using information and cost factors from an Act 205 Report which did not yet exist and that additional funding would not be necessary for this plan since this was a continuation of one of the participating municipality's non-uniformed pension plans. In addition, plan officials were unaware that the additional supplemental 2016 state aid received from Doylestown Borough during 2017 was used to partially fund the plan's 2017 MMO.

Effect: The failure to properly budget and pay the MMO could result in the plan not having adequate resources to meet current and future benefit obligations to its members.

Due to the commission's failure to pay the 2014, 2015 and 2016 MMO by the December 31, deadlines, the commission must add the unpaid MMO's to the current year's MMO and include interest, as required by Act 205.

It is this department's opinion that because the entire proceeds of the insurance premium tax on foreign casualty insurance companies are distributed annually to each eligible recipient municipality, it is inappropriate to use state aid in one year to offset pension costs in other years. Consequently, the additional supplemental 2016 state aid received during 2017 in the amount of $13,124 may not be used towards funding the non-uniformed pension plan's 2017 MMO and additionally, based on the recommendation contained in Finding No. 1, the commission may be required to either return the entire supplemental 2016 state aid distribution received to Doylestown Borough or reimburse the excess state aid to the Commonwealth for redistribution.

Recommendation: After consultation with the plan's actuary and/or consultant and in conjunction with the recommendations contained in Findings No. 1 and No. 2 above, we recommend that the commission pay the MMOs due to the non-uniformed pension plan for the years 2014, 2015 and 2016, with interest, in accordance with Section 302(e) of Act 205. A copy of the interest calculation must be maintained by the regional commission for examination during our next audit of the plan.

In addition, we recommend that officials provide for the plan's MMO in the regional police department's annual budget and pay future MMOs in accordance with Act 205.

Furthermore, based on the Commission's actions in response to Finding No. 1, we then recommend that plan officials determine whether the 2016 supplemental state aid received during 2017 is eligible to remain in the non-uniformed pension plan or should be returned to Doylestown Borough for deposit into the borough's pension plan or reimbursed to the Commonwealth for redistribution.

Finding No. 3 – (Continued)

Management's Response: Plan officials included information and responses in the Management Response found in Finding No. 1 above and will await further communication from the department before proceeding with any additional response to this finding.

Auditor's Conclusion: Compliance will be monitored subsequent to the release of the audit report and through our next audit of the plan.

CENTRAL BUCKS REGIONAL NON-UNIFORMED PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

A condition such as that reported by Finding No. 1 contained in this audit report may lead to a total withholding of state aid in the future unless those findings are corrected. However, such action will not be considered if sufficient written documentation is provided to verify compliance with this department's recommendation. Such documentation should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

CENTRAL BUCKS REGIONAL NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 13 and 14 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, 2015, 2016, AND 2017

	2015	2016	2017
Total Pension Liability			
Service cost	$ 8,946	$ 9,349	$ 6,610
Interest	16,571	18,515	20,639
Difference between expected and actual experience	-	-	7,501
Changes of assumptions	-	-	5,175
Net Change in Total Pension Liability	25,517	27,864	39,925
Total Pension Liability – Beginning	212,003	237,520	265,384
Total Pension Liability – Ending (a)	$ 237,520	$ 265,384	$ 305,309
Plan Fiduciary Net Position			
Contributions – Commonwealth of Pennsylvania	$ -	$ -	$ 26,889
Contributions – Employer	-	-	24,543
Net investment income	(2,543)	5,091	10,178
Administrative expense	-	-	(1,500)
Net Change in Plan Fiduciary Net Position	(2,543)	5,091	60,110
Plan Fiduciary Net Position – Beginning	62,114	59,571	64,662
Plan Fiduciary Net Position – Ending (b)	$ 59,571	$ 64,662	$ 124,772
Net Pension Liability – Ending (a-b)	$ 177,949	$ 200,722	$ 180,537
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	25.08%	24.37%	40.87%
Estimated Covered Employee Payroll	$ 144,138	$ 155,612	$ 157,135
Net Pension Liability as a Percentage of Covered Employee Payroll	123.46%	128.99%	114.89%

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

The following presents the net pension liability of the regional as of December 31, 2016, calculated using the discount rate of 7.50%, as well as what the regional'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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability	$ 230,901	$ 200,722	$ 174,768

In addition, the following presents the net pension liability of the regional as of December 31, 2017, calculated using the discount rate of 7.25%, as well as what the regional'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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	$ 213,529	$ 180,537	$ 152,126

SCHEDULE OF INVESTMENT RETURNS

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

2017	14.69%
2016	8.55%
2015	(4.11%)

CENTRAL BUCKS REGIONAL NON-UNIFORMED 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, 2015, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-15	$ -	$ 212,003	$ 212,003	0.0%
01-01-17	64,662	278,060	213,398	23.3%

The Department typically presents this data as of the plan's actuarial valuation dates for the past six consecutive fiscal years. Since six years of data were not yet available, this will be done prospectively.

CENTRAL BUCKS REGIONAL NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

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.

CENTRAL BUCKS REGIONAL NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2016	$ 37,659	0.0%*
2017	38,308	134.3%

* See Findings No. 2 and No. 3 contained in the Findings and Recommendations section of this audit report.

The Department typically presents this data for the past six consecutive fiscal years. Since six years of data were not yet available, this will be done prospectively.

CENTRAL BUCKS REGIONAL NON-UNIFORMED 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	Level dollar
Remaining amortization period	9 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.25%
Cost-of-living adjustments	Not to exceed the increase in the CPI from year to year. Total adjustments not to exceed 75% of the retiree's salary for computing retirement benefits or 30% of the retiree's original pension.

CENTRAL BUCKS REGIONAL NON-UNIFORMED PENSION PLAN
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