COMPLIANCE AUDIT

Lower Yoder Township
Non-Uniformed Pension Plan

Cambria County, Pennsylvania

For the Period
January 1, 2014 to December 31, 2017

February 2019

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 Supervisors
Lower Yoder Township
Cambria County
Johnstown, PA 15906

We have conducted a compliance audit of the Lower Yoder Township Non-Uniformed Pension Plan for the period January 1, 2014 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 our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report; and

2. 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 objectives identified above. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. 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 whether retirement benefits calculated for all 3 of the plan members who retired during the current audit period, and through the completion of our fieldwork procedures, represent payments to all and only those entitled to receive them and were properly determined and disbursed in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.

- We determined 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.

- We determined whether the terms of the contractual agreement with the Pennsylvania Municipal Retirement System were in accordance with the plan's governing document, if separately stated, and applicable laws and regulations by comparing the terms of the contractual agreement with the plan's governing document, if separately stated, and applicable laws and regulations.

- We determined whether the terms and methodologies of the issuance of pension obligation bonds by the municipality, and any restrictions were in compliance with plan provisions and Act 205 through inquiry of plan officials and examination of supporting documentation.

The Lower Yoder Township Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report, copies of which are available from the PMRS accounting office. PMRS's financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Lower Yoder Township 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 township's internal controls as they relate to the township's compliance with those requirements and that we considered to be significant within the context of our audit objectives, 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 objectives.

The results of our procedures indicated that, in all significant respects, the Lower Yoder Township 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 - Pension Plan Benefit Changes For Supervisor-Employee Implemented Without Approval Of Township Auditors

Finding No. 2 - Incorrect Data On Certification Form AG 385 Resulting In An Overpayment of State Aid

Finding No. 3 - Untimely Deposit Of State Aid

Finding No. 4 - Failure To Comply With Act 15 Mandatory Membership Provisions

Finding No. 5 - Failure To Maintain An Adequate Record-Keeping System

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 Lower Yoder Township and, where appropriate, their responses have been included in the report. We would like to thank township officials for the cooperation extended to us during the conduct of the audit.

December 3, 2018

EUGENE A. DEPASQUALE
Auditor General

CONTENTS

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 Lower Yoder Township 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 including, but not limited to, the following:

Act 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974 (P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

Act 69 - The Second Class Township Code, Act of May 1, 1933 (P.L. 103, No. 69), as reenacted and amended, 53 P.S. § 65101 et seq.

The Lower Yoder Township Non-Uniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 128, adopted pursuant to Act 15. Effective January 1, 2016, the plan was amended by Ordinance No. 152, adopted pursuant to Act 15. The plan is also affected by the provisions of collective bargaining agreements between the township and its non-uniformed employees. The plan was established December 31, 1972. Active members are not required to contribute to the plan. As of December 31, 2017, the plan had 4 active members, 1 terminated member eligible for vested benefits in the future, and 3 retirees receiving pension benefits funded through annuities purchased with plan assets.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement	Available upon attainment of age 60.
Early Retirement	A voluntary early retirement is available after 20 years of service. An involuntary early retirement is available after 8 years of service.
Vesting	A member is 100% vested after 8 years of service.

Retirement Benefit:

Effective for plan members who retired after January 1, 2010 and prior to January 1, 2015, the benefit accrual rate was increased from 1.25% to 1.50% times credited service times Final Average Salary (FAS). FAS based upon final 3 years annualized salary.

Effective for plan members who retired after January 1, 2015, the benefit accrual rate equals 2.0% times credited service times Final Average Salary (FAS). FAS based upon final 3 years annualized salary.

Survivor Benefit:

If eligible to retire at the time of death, beneficiary receives present value of accrued benefit. At retirement, member may select a survivor benefit.

Disability Benefit:

Service Related	A 50% disability benefit is provided to a member who is unable to perform gainful employment regardless of age or service, offset by available Workers' Compensation benefits.
Non-service Related	A 30% disability benefit is provided to a member who has at least 10 years of service and who is unable to perform gainful employment.

LOWER YODER TOWNSHIP NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendation

Lower Yoder Township has complied with the prior audit recommendation concerning the following:

- Failure To Update Plan's Governing Document

  The township adopted Ordinance No. 152 on February 17, 2016, effectively amending the plan's governing document to incorporate the benefit change previously included in the January 1, 2010 to December 31, 2014 collective bargaining agreement (CBA). In addition, this amendment also included the additional benefit change appearing in the most recent CBA covering the period January 1, 2015 through December 31, 2019, which again increased the benefit multiplier for members of the pension plan who terminate employment with the township on or after January 1, 2015. However, plan officials failed to provide evidence denoting formal approval by the Board of Township Auditors for this recent benefit change, as well as the previous benefit change, which impacts supervisor-employees also participating in the pension plan, as required by Act 69 and as further disclosed in Finding No. 1 of this report.

Finding No. 1 – Pension Plan Benefit Changes For Supervisor-Employee Implemented Without Approval Of Township Auditors

Condition: As disclosed in the Status of Prior Finding section of this report, the township amended its pension plan on February 17, 2016, with Ordinance No. 152 to reflect increases in pension benefits for members of its pension plan. However, the township failed to provide evidence of the approvals by the Board of Township Auditors for such benefit increases for the township's supervisor-employee who also participates in the pension plan, as required by Act 69.

Criteria: Section 606(b)(3) of Act 69 states:

> No change in the nature or rate of the contributions of a defined contribution plan and no change in the benefit formula of a defined benefit plan shall be initiated by the board of supervisors with respect to a supervisor-employee without auditor approval.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the plan's compliance with applicable Act 69 provisions regarding the amendment of pension plan benefit provisions. In addition, minutes of township auditors' meetings for the years 2014 through 2018 could not be located by plan officials. Furthermore, it was noted that two representatives of the township who negotiated the benefits contained in the CBA had a vested interest as they are also members of the pension plan and the lack of formal documented approval by the township auditors denotes a general lack of overall transparency of the actions taken by municipal officials.

Effect: The amendment of plan benefit provisions without auditor approval could result in unauthorized pension benefits being paid from plan assets. In addition, based on an estimate prepared by the pension plan administrator, the Pennsylvania Municipal Retirement System (PMRS), the increased pension benefit provisions results in an estimated increase in the plan's unfunded liability amounting to $353,596 or an overall cost increase to the township of 1,484% and a projected decline in the plan's overall funding status from 114% to 63%.

Recommendation: We recommend that the express approval of the board of auditors be obtained and/or evidence of the board of auditors' prior approvals be provided to this department to support previous amendments to the plan's benefit provisions for the township's supervisor-employees who participate or participated in the pension plan, as required by Act 69. If such approvals are not provided, we recommend that municipal officials consult with their solicitor regarding whether the increased benefits for supervisor-employees are authorized. If benefits are deemed unauthorized, such benefits will be ineligible for funding with state aid. Accordingly, the pension plan's actuary may be required to determine the impact, if any, of the excess benefits on the township's future state aid allocations and submit this information to the Department.

Finding No. 1 – (Continued)

Furthermore, we recommend that, in the future, plan benefit changes receive prior auditor approval in accordance with Act 69.

Management's Response: Municipal officials agreed with the finding without exception.

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

Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: The township certified 2 ineligible non-uniformed employees (2 units) on the Certification Forms AG 385 filed in 2015 and 2016, respectively, and certified 1 ineligible non-uniformed employee (1 unit) on the Certification Form AG 385 filed in 2017. A similar condition occurred subsequent to the current audit period when the township certified 1 ineligible non-uniformed employee (1 unit) on the Certification Form AG 385 filed in 2018. The data contained on these certification forms is based on prior calendar year information. The employees certified in error were not enrolled in the pension plan (see Finding No. 4).

Criteria: Pursuant to Act 205, at Section 402(e)(2), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the timely enrollment of full-time municipal employees who met the requirements for participation in the non-uniformed pension plan as disclosed in Finding No. 4 of this report and to ensure the accuracy of the data certified.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the township's state aid allocations were based on unit value, the incorrect certification of pension data affected the township's state aid allocations, as identified in the following table:

Finding No. 2 – (Continued)

Year	Units Overstated	Unit Value	State Aid Overpayment
2015	2	$ 3,921	$ 7,842
2016	2	4,375	8,750
2017	1	4,588	4,588
2018	1	4,684	4,684
		Total Overpayment of State Aid	$ 25,864

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

Recommendation: We recommend that the total excess state aid, in the amount of $25,864, be returned 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 pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 320 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

We also recommend that in the future, plan officials establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

Management's Response: Municipal officials agreed with the finding without exception.

Auditor's Conclusion: Due to the potential withhold of state aid, the township's compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the pension plan.

Finding No. 3 – Untimely Deposit Of State Aid

Condition: The municipality did not deposit its 2016 and 2017 state aid allocations into an eligible pension plan within the 30 day grace period allowed by Act 205. The municipality received its 2016 and 2017 state aid allocations in the amounts of $26,248 and $22,941, respectively, on September 27, 2016 and September 27, 2017, respectively, but did not deposit the money into its non-uniformed pension plan until November 22, 2016 and May 16, 2018, respectively.

Criteria: Section 402(g) of Act 205 states, in part:

> . . . the total amount of the general municipal pension system State aid received by the municipality shall, within 30 days of receipt by the treasurer of the municipality, be deposited in the pension fund or the alternate funding mechanism applicable to the respective pension plan.

Cause: The 2016 and 2017 state aid allocations were not deposited timely into the municipality's pension plan because internal control procedures were not in effect to ensure the timely deposit of state aid.

Effect: Although the state aid was eventually deposited into the plan, the interest earned beyond the 30 day grace period was not deposited into the plan. When state aid is not deposited into a pension plan account in a timely manner, the funds are not available to pay operating expenses or for investment and the risk of misapplication is increased.

Recommendation: We recommend that the municipality pay the non-uniformed pension plan the interest earned during the period beyond the 30 day grace period allowed by Act 205, compounded annually. A copy of the interest calculation must be maintained by the township for examination during our next audit of the plan.

We also recommend that plan officials develop and implement adequate internal control procedures to ensure that future state aid allocations are deposited timely in accordance with Act 205 requirements.

Management's Response: Municipal officials agreed with the finding without exception.

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

Finding No. 4 – Failure To Comply With Act 15 Mandatory Membership Provisions

Condition: Township officials failed to enroll six full-time municipal employees who were hired between June 6, 2011 and August 6, 2018, and one part-time municipal employee who was hired on May 22, 2012, as participating members of the non-uniformed pension plan in accordance with Act 15 and the plan's governing document.

Criteria: For employees hired before January 1, 2016, the pension plan's governing document, Ordinance No. 128, at Section 2 states:

> Membership in the Pennsylvania Municipal Retirement System shall be **mandatory** for all permanent, municipal employees of the township. Membership for elected officials and employees hired on a temporary or seasonal basis is prohibited as is membership for individuals paid only on a fee basis. [Emphasis added.]

The pension plan's current governing document, Ordinance No. 152, effective January 1, 2016, at Section 3 states:

> **Section 3.1 Mandatory Membership.** Membership for full-time officers and employees of the Municipality is mandatory.
>
> **Section 3.2 Optional Membership.** Not available.
>
> **Section 3.3 Prohibited Membership.** Membership for elected officials, part-time employees, seasonal employees, and temporary employees is prohibited, as is membership for individuals paid only on a fee basis.

Furthermore, Article IV, Section 402 of Act 15 states, in part:

> When a municipality elects to enroll its municipal employees into the system, then each officer other than elected officers, and each municipal employe thereof, employed on a full-time basis, shall be required to become a member of the system. Each municipality shall determine whether membership in said system for elected officials and employes hired on a temporary, seasonal or part-time basis shall be compulsory, optional or prohibited.

Cause: Municipal officials failed to establish adequate internal control procedures to ensure that all of the township's eligible municipal employees were appropriately enrolled into the pension plan in accordance with Act 15 and the plan's governing document.

Finding No. 4 – (Continued)

Effect: Failure to comply with the mandatory provisions of Act 15 could result in benefits being denied to employees and/or their respective beneficiaries to which they are statutorily entitled. In addition, the township's failure to enroll the eligible municipal employees resulted in certification problems for state aid purposes as disclosed in Finding No. 2 of this report and could result in the future loss of state aid in subsequent years if not timely corrected. Furthermore, by failing to enroll all eligible employees in the plan, the plan's actuary is denied essential information necessary to properly determine the plan's overall pension obligation and the township's related funding requirements.

Recommendation: We recommend that township officials contact PMRS and ensure that all eligible municipal employees are properly enrolled in the pension plan in accordance with the plan's governing document and Act 15.

We also recommend that plan officials develop and implement adequate internal control procedures to ensure that all future municipal employees hired by the township and meeting the eligibility requirements of the pension plan are enrolled in the plan in a timely manner.

Furthermore, we recommend that township officials contact PMRS and determine if a revised actuarial valuation report with a valuation date of January 1, 2017 should be prepared.

Management's Response: Municipal officials agreed with the finding without exception.

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

Finding No. 5 – Failure To Maintain An Adequate Record-Keeping System

Condition: The pension plan's record-keeping system did not establish adequate accounting procedures to allow plan officials to effectively monitor the pension plan's financial operations. The deficiencies are as follows:

- Journals were not maintained to record financial transactions of the pension plan;
- Ledgers were not utilized to record receipts and disbursements;
- The collective bargaining agreement effective January 1, 2015 to December 31, 2019 was not maintained at the township and had to be obtained from the township's solicitor;

Finding No. 5 – (Continued)

- Custodial account statements were not available upon request and copies of missing custodial statements had to be obtained directly from the plan's custodian, PMRS;

- Active members' payroll rosters and supporting documentation of annual payroll amounts reported to the plan's custodian were not maintained;

- Township minutes denoting proper authorizations of increases in employer pension contribution requirements by the township's board of supervisors were not provided upon request of plan officials. (Although copies of executed ordinances were provided for the two pension contribution rate increases, we cannot determine that these increases were authorized appropriately by those charged with governance in a public forum or that the impact of the increases in expected liabilities or the expected decrease in the funding status of the plan due to such changes in benefit provisions were appropriately discussed and considered prior to adoption.);

- Township Auditor's minutes denoting proper authorizations of annual increases in supervisor-employee wages and increases in employer pension contribution rates by the township's board of auditors for supervisor-employees participating in the pension plan were not provided upon request of plan officials (refer to Finding No. 1); and

- Copies of annual Ethics Statements for all individuals having control or influence over pension plan decision-making could not be located at the municipality.

Criteria: An adequate system of accounting and record keeping is a prerequisite for sound administration of pension plans.

Cause: Plan officials were either unaware of their various record-keeping responsibilities or the township lacked proper oversight procedures regarding the duties and responsibilities of the plan official responsible for the day-to-day administrative functions of the pension plan.

Finding No. 5 – (Continued)

Effect: Although we were able to obtain copies of pertinent documents from a third-party source in order to complete our audit procedures, the failure of plan officials to maintain adequate records prohibits municipal officials from effectively monitoring the plan's financial operations. In addition, a lack of oversight procedures by those charged with governance over those tasked with the day to day administrative functions of the pension plan may lead to unapproved or unauthorized consequences to the township's pension plan established for the benefit of the township's hard-working and dedicated employees and unexpected burdens to those hard-working taxpayers residing in the municipality responsible for the overall funding of the township's pension plan.

Recommendation: We recommend that plan officials establish and maintain a financial record-keeping system that allows plan officials to effectively monitor the plan's financial operations. Plan officials should refer to the Auditor General's Bulletin No. 2-88 entitled "Preparation, Maintenance and Auditability of Financial Records," for further guidance in establishing adequate accounting procedures. In addition, we recommend that the township board of supervisors establish adequate oversight procedures such as the proper documentation of approvals in the detailed minutes of official public meetings denoting approvals of any authorized changes to the pension plan be maintained to ensure the transparency of actions taken by officials as they relate specifically to the plan, especially the financial impact to its taxpayers resulting from such changes.

Management's Response: Municipal officials agreed with the finding without exception.

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

LOWER YODER TOWNSHIP NON-UNIFORMED PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

Finding No. 2 contained in this audit report cites an overpayment of state aid to the township in the amount of $25,864, plus interest. A condition of this nature may lead to a total withholding of state aid in the future unless that finding is corrected. A check in this amount with interest, at a rate earned by the pension 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.

LOWER YODER TOWNSHIP 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, 2014, 2015, AND 2016

	2014	2015	2016
Total Pension Liability			
Service cost	$ 17,560	$ 14,321	$ 21,279
Interest	43,510	45,974	69,736
Change of benefit terms	-	395,028	-
Difference between expected and actual experience	12,487	-	(94,356)
Changes of assumptions	-	846	19,826
Benefit payments, including refunds of member contributions	(25,657)	(25,346)	(37,009)
Net Change in Total Pension Liability	47,900	430,823	(20,524)
Total Pension Liability – Beginning	786,181	834,081	1,264,904
Total Pension Liability – Ending (a)	$ 834,081	$ 1,264,904	$ 1,244,380
Plan Fiduciary Net Position			
Contributions – employer*	$ 19,674	$ 23,525	$ 26,248
PMRS investment income	48,361	50,917	52,189
Market value investment income	417	(52,799)	(9,119)
Benefit payments, including refunds of member contributions	(25,657)	(25,346)	(37,009)
Administrative expense	(180)	(180)	(180)
Additional administrative expense	(1,855)	(2,123)	(2,557)
Net Change in Plan Fiduciary Net Position	40,760	(6,006)	29,572
Plan Fiduciary Net Position – Beginning	880,266	921,026	915,020
Plan Fiduciary Net Position – Ending (b)	$ 921,026	$ 915,020	$ 944,592
Net Pension Liability – Ending (a-b)	$ (86,945)	$ 349,884	$ 299,788
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	110.42%	72.34%	75.91%
Estimated Covered Employee Payroll	$ 204,158	$ 165,130	$ 168,223
Net Pension Liability as a Percentage of Covered Employee Payroll	(42.59%)	211.88%	178.21%

* Employer contributions for 2014 include $311 for administrative expenses and allocated insurance premiums paid from actuarial surplus.

LOWER YODER TOWNSHIP NON-UNIFORMED 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, 2014 and 2015, calculated using the discount rate of 5.5%, 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 (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Pension Liability – 12/31/14	$ (6,829)	$ (86,945)	$ (157,142)
Net Pension Liability – 12/31/15	$ 469,158	$ 349,884	$ 245,420

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, 2016, calculated using the discount rate of 5.25%, 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 (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability – 12/31/16	$ 421,399	$ 299,788	$ 192,506

LOWER YODER TOWNSHIP 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, 2013, 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)
01-01-13	$ 840,120	$ 743,233	$ (96,887)	113.0%
01-01-15	939,590	834,081	(105,509)	112.6%
01-01-17	1,005,204	1,244,380	239,176	80.8%

Note: The actuarial data as of 01-01-17 reflects an increased benefit accrual rate from 1.25% to 2.00%, including a retroactive increase of the benefit accrual rate from 1.25% to 1.50%.

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.

LOWER YODER TOWNSHIP 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
2012	$ 14,710	121.6%
2013	9,498	204.5%
2014	9,552	202.7%
2015	None	N/A
2016	None	N/A
2017	None	N/A

LOWER YODER TOWNSHIP 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	4 years
Asset valuation method	The Actuarial Value of Assets equals the plan's member, municipal, DROP (if applicable) reserve accounts plus the retiree actuarial liability. This asset smoothing is based on the unique legislative structure of PMRS and the administrative rules adopted by the PMRS Board in conjunction with Pennsylvania Municipal Retirement Law, all of which are subject to comply with the Actuarial Standards of Practice No. 44, Selection and Use of Asset Valuation Methods when defining the actuarial Value of Assets.
Actuarial assumptions:	
Investment rate of return	5.25%, compounded annually, net of investment and administration expenses
Salary scale	Total rate (including inflation) (e.g. age 25 – 7.05%; age 35 – 4.55%; age 45 – 3.97%; age 55 – 3.44%; age 65 – 2.80%)
Cost-of-living adjustments	2.8% per year, subject to plan limitations

LOWER YODER 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

Ms. Tammy Natta
Chairman, Board of Township Supervisors

Mr. Bob McIlwain
Vice-Chairman, Board of Township Supervisors

Mr. William Heim
Township Supervisor

Ms. Natalie M. Urban
Acting Secretary

Ms. Charity Rosenberry, CPA
Pennsylvania Municipal Retirement System

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.