

# LIMITED PROCEDURES ENGAGEMENT

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## North Franklin Township Non-Uniformed Pension Plan Washington County, Pennsylvania For the Period January 1, 2015 to December 31, 2017

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March 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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Board of Township Supervisors  
North Franklin Township  
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Washington, PA 15301

We conducted a Limited Procedures Engagement (LPE) of the North Franklin Township Non-Uniformed Pension Plan for the period January 1, 2015 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 the pension plan as evidenced by supporting documentation. Employer contributions 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 retirement benefits calculated for plan members who retired during the engagement period 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 pension benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.

- 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.


Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the North Franklin 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 North Franklin 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.

March 12, 2019

  
EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Supplementary Information .....	1
Summary of Deposited State Aid and Employer Contributions .....	4
Report Distribution List .....	5

NORTH FRANKLIN TOWNSHIP NON-UNIFORMED 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 AND 2015

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 4,571	\$ 5,220
Interest	2,566	2,933
Difference between expected and actual experience	170	184
Changes of assumptions	-	184
Benefit payments, including refunds of member contributions	(1,002)	(1,002)
Net Change in Total Pension Liability	<u>6,305</u>	<u>7,519</u>
Total Pension Liability – Beginning	45,440	51,745
Total Pension Liability – Ending (a)	<u>\$ 51,745</u>	<u>\$ 59,264</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 2,312	\$ 1,355
PMRS investment income	2,832	3,016
Market value investment income	(18)	(3,029)
Benefit payments, including refunds of member contributions	(1,002)	(1,002)
PMRS administrative expense	(80)	(60)
Additional administrative expense	(109)	(126)
Net Change in Plan Fiduciary Net Position	<u>3,935</u>	<u>154</u>
Plan Fiduciary Net Position – Beginning	50,599	54,534
Plan Fiduciary Net Position – Ending (b)	<u>\$ 54,534</u>	<u>\$ 54,688</u>
Net Pension Liability – Ending (a-b)	<u>\$ (2,789)</u>	<u>\$ 4,576</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.39%	92.28%
Estimated Covered Employee Payroll	\$ 50,788	\$ 57,998
Net Pension Liability as a Percentage of Covered Employee Payroll	(5.49)%	7.89%

NORTH FRANKLIN TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 5,308	\$ 5,255
Interest	3,345	3,609
Difference between expected and actual experience	189	-
Changes of assumptions	162	-
Benefit payments, including refunds of member contributions	(1,002)	(1,002)
Net Change in Total Pension Liability	<u>8,002</u>	<u>7,862</u>
Total Pension Liability – Beginning	59,264	67,266
Total Pension Liability – Ending (a)	<u>\$ 67,266</u>	<u>\$ 75,128</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 5,308	\$ 5,255
Contributions – PMRS assessment	60	60
PMRS investment income	3,291	3,536
Market value investment income	1,285	7,918
Benefit payments, including refunds of member contributions	(1,002)	(1,002)
PMRS administrative expense	(60)	(60)
Additional administrative expense	(161)	(163)
Net Change in Plan Fiduciary Net Position	<u>8,721</u>	<u>15,544</u>
Plan Fiduciary Net Position – Beginning	54,688	63,409
Plan Fiduciary Net Position – Ending (b)	<u>\$ 63,409</u>	<u>\$ 78,953</u>
Net Pension Liability – Ending (a-b)	<u>\$ 3,857</u>	<u>\$ (3,825)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.27%	105.09%
Estimated Covered Employee Payroll	\$ 58,973	\$ 58,392
Net Pension Liability as a Percentage of Covered Employee Payroll	6.54%	(6.55)%

NORTH FRANKLIN 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 5.50%, 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	\$ 6,333	\$ (2,789)	\$ (11,823)
Net Pension Liability – 12/31/15	\$ 15,205	\$ 4,576	\$ (5,969)

In addition, the following presents the net pension liability of the township as of December 31, 2016 and 2017, 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:

	<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	\$ 16,091	\$ 3,857	\$ (8,296)
Net Pension Liability – 12/31/17	\$ 10,049	\$ (3,825)	\$ (17,621)

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

Year Ended December 31	State Aid	Employer Contributions
2012	None	\$ 5,446
2013	None	6,741
2014	None	2,312
2015	None	1,355
2016	None	5,308
2017	None	5,255

Note: In 2014, the township met the plan's \$4,651 funding requirement through the deposit of \$2,312 in employer contributions and \$2,339 in terminated employee forfeitures.

In 2015, the township met the plan's \$5,220 funding requirement through the deposit of \$1,355 in employer contributions and \$3,865 in terminated employee forfeitures.



NORTH FRANKLIN 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. Ron Junko**  
Chairman, Board of Township Supervisors

**Mr. Silvio Passalacqua**  
Township Supervisor

**Mr. Bob Sabot**  
Township Supervisor

**Ms. Jacqueline Kotchman**  
Secretary/Treasurer

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