

# LIMITED PROCEDURES ENGAGEMENT

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## Pine Township Non-Uniformed Pension Plan

Mercer County, Pennsylvania  
For the Period  
January 1, 2016 to December 31, 2019

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April 2020



Commonwealth of Pennsylvania  
Department of the Auditor General

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AUDITOR GENERAL

Board of Township Supervisors  
Pine Township  
Mercer County  
Grove City, PA 16127

We conducted a Limited Procedures Engagement (LPE) of the Pine Township Non-Uniformed Pension Plan for the period January 1, 2016 to December 31, 2019 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.
- 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 monthly 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 Pine 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 Pine 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 31, 2020



EUGENE A. DEPASQUALE  
Auditor General

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PINE TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 1 through 4 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, 2018, 2017, 2016, 2015, AND 2014

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability					
Service cost	\$ 23,040	\$ 21,931	\$ 22,109	\$ 21,061	\$ 20,008
Interest	41,135	40,090	37,414	35,119	32,244
Difference between expected and actual experience	(5,481)	(23,763)	3,325	-	12,210
Changes of assumptions	41,355	-	-	-	-
Benefit payments, including refunds of member contributions	(24,439)	(24,439)	(24,439)	(24,439)	(24,439)
Net Change in Total Pension Liability	75,610	13,819	38,409	31,741	40,023
Total Pension Liability - Beginning	577,845	564,026	525,617	493,876	453,853
Total Pension Liability - Ending (a)	<u>\$ 653,455</u>	<u>\$ 577,845</u>	<u>\$ 564,026</u>	<u>\$ 525,617</u>	<u>\$ 493,876</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 5,251	\$ 10,157	\$ 75,000	\$ 75,000	\$ 75,000
Contributions - state aid	14,666	22,941	21,873	19,604	19,363
Net investment income	(43,527)	117,052	39,450	535	27,143
Benefit payments, including refunds of member contributions	(24,439)	(24,439)	(24,439)	(24,439)	(24,439)
Administrative expense	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	(48,049)	125,711	111,884	70,700	97,067
Plan Fiduciary Net Position - Beginning	714,458	588,747	476,863	406,163	309,096
Plan Fiduciary Net Position - Ending (b)	<u>\$ 666,409</u>	<u>\$ 714,458</u>	<u>\$ 588,747</u>	<u>\$ 476,863</u>	<u>\$ 406,163</u>
Net Pension Liability - Ending (a-b)	<u>\$ (12,954)</u>	<u>\$ (136,613)</u>	<u>\$ (24,721)</u>	<u>\$ 48,754</u>	<u>\$ 87,713</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.98%	123.64%	104.38%	90.72%	82.24%
Estimated Covered Employee Payroll	\$ 253,020	\$ 239,991	\$ 233,319	\$ 224,770	\$ 213,530
Net Pension Liability as a Percentage of Covered Employee Payroll	(5.12%)	(56.92%)	(10.60%)	21.69%	41.08%

PINE TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012, 2011, 2010, AND 2009

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Pension Liability					
Service cost	\$ 20,029	\$ 16,669	\$ 9,242	\$ 9,238	\$ 12,455
Interest	30,424	27,127	25,877	25,997	25,095
Difference between expected and actual experience	-	24,448	-	(11,978)	-
Changes of assumptions	-	-	-	-	(25,732)
Benefit payments, including refunds of member contributions	(24,439)	(24,570)	(24,832)	(25,136)	(17,109)
Net Change in Total Pension Liability	26,014	43,674	10,287	(1,879)	(5,291)
Total Pension Liability - Beginning	427,839	384,165	373,878	375,757	381,048
Total Pension Liability - Ending (a)	<u>\$ 453,853</u>	<u>\$ 427,839</u>	<u>\$ 384,165</u>	<u>\$ 373,878</u>	<u>\$ 375,757</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 20,570	\$ 22,119	\$ 679	\$ 8,284	\$ 5,779
Contributions - state aid	19,422	17,881	27,982	16,174	21,896
Net investment income	59,410	27,804	(2,549)	18,530	36,589
Benefit payments, including refunds of member contributions	(24,439)	(24,570)	(24,832)	(25,136)	(17,109)
Administrative expense	-	-	-	(4,050)	-
Net Change in Plan Fiduciary Net Position	74,963	43,234	1,280	13,802	47,155
Plan Fiduciary Net Position - Beginning	234,133	190,899	189,619	175,817	128,662
Plan Fiduciary Net Position - Ending (b)	<u>\$ 309,096</u>	<u>\$ 234,133</u>	<u>\$ 190,899</u>	<u>\$ 189,619</u>	<u>\$ 175,817</u>
Net Pension Liability - Ending (a-b)	<u>\$ 144,757</u>	<u>\$ 193,706</u>	<u>\$ 193,266</u>	<u>\$ 184,259</u>	<u>\$ 199,940</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.10%	54.72%	49.69%	50.72%	46.79%
Estimated Covered Employee Payroll	\$ 207,335	\$ 172,562	\$ 135,123	\$ 171,081	\$ 230,643
Net Pension Liability as a Percentage of Covered Employee Payroll	69.82%	112.25%	143.03%	107.70%	86.69%

PINE TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
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 (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, 2015, 2016, 2017, and 2018 calculated using the discount rate of 7.0%, as well as what the township's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability - 12/31/14	\$ 32,991	\$ 87,713	\$ 48,411
Net Pension Liability - 12/31/15	\$ 90,389	\$ 48,754	\$ 3,780
Net Pension Liability - 12/31/16	\$ 24,765	\$ (24,721)	\$ (67,812)
Net Pension Liability - 12/31/17	\$ (85,915)	\$ (136,613)	\$ (180,760)
Net Pension Liability - 12/31/18	\$ 44,376	\$ (12,954)	\$ (62,617)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31 (*)	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2009	\$ 27,675	\$ 27,675	\$ -	\$ 230,643	12.00%
2010	24,458	24,458	-	171,081	14.30%
2011	28,661	28,661	-	135,123	21.21%
2012	36,632	40,000	(3,368)	172,562	23.18%
2013	39,992	39,992	-	207,335	19.29%
2014	43,166	94,363	(51,197)	213,530	44.19%
2015	44,219	94,604	(50,385)	224,770	42.09%
2016	33,276	96,873	(63,597)	233,319	41.52%
2017	33,098	33,098	-	239,991	13.79%
2018	19,917	19,917	-	253,020	7.87%

\* Due to timing of the engagement, the information for 2019 is not available.

PINE TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
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(UNAUDITED)

SCHEDULE OF INVESTMENT RETURNS

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

2018	(6.11%)
2017	19.74%
2016	7.69%
2015	0.12%
2014	7.89%
2013	24.56%
2012	14.00%
2011	(1.33%)
2010	10.68%
2009	27.32%



PINE TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
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 (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	\$ 236,505	\$ 427,839	\$ 191,334	55.3%
01-01-15	406,163	493,876	87,713	82.2%
01-01-17	588,747	540,263	(48,484)	109.0%

Note: The market value of the plan’s assets at 01-01-13 has been adjusted to reflect the smoothing of gains and/or losses at 130 percent of the market value of assets. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

PINE TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
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The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

PINE TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases *	4.0%
Cost-of-living adjustments	None assumed

\* Includes inflation at 4.0%

PINE 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. Richard Stachel**  
Chairman, Board of Township Supervisors

**Mr. William Pritchard**  
Township Supervisor

**Ms. Jeanine L. Thompson**  
Chief Administrative Officer

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