

# LIMITED PROCEDURES ENGAGEMENT

---

## Port Vue Borough Police Pension Plan Allegheny County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

---

April 2018



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

The Honorable Mayor and Borough Council  
Port Vue Borough  
Allegheny County  
Port Vue, PA 15133

We conducted a Limited Procedures Engagement (LPE) of the Port Vue Borough Police Pension Plan for the period January 1, 2014 to December 31, 2017 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- Whether municipal officials took appropriate corrective action to address the findings contained in our prior audit report, by inquiring of plan officials and evaluating supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken.
- 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, 2013, January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted to the former Public Employee Retirement Commission (PERC) by March 31, 2014, 2016 and 2018, respectively, in accordance with Act 205 and whether selected information provided on these reports is accurate, complete, and in accordance with plan provisions to ensure compliance for participation in the state aid program by comparing selected information to supporting source documentation.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Port Vue Borough Police 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 borough 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 Port Vue Borough and, where appropriate, their responses have been included in this report. We would like to thank borough officials for the cooperation extended to us during the conduct of this LPE.

March 29, 2018



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Status of Prior Findings .....	1
Supplementary Information .....	2
Report Distribution List .....	8

PORT VUE BOROUGH POLICE PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Port Vue Borough has complied with the prior audit recommendations concerning the following:

- Pension Benefits Not In Compliance With Act 600 Provisions

Municipal officials adopted Ordinance No. 2016-608 to ensure that the plan's governing document and the collective bargaining agreement contain consistent benefit provisions in accordance with Act 600, as amended.

- Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Municipal officials reimbursed \$128 to the Commonwealth for the overpayment of state aid, plus interest.

- Unauthorized Provision For A Killed In Service Benefit

Municipal officials adopted Ordinance No. 2015-593 to eliminate the killed in service benefit.

- Untimely Deposit Of State Aid

During the current engagement period, municipal officials deposited the state aid into the pension plan within 30 days upon receipt in accordance with Act 205.

PORT VUE BOROUGH POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 2 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, 2014, 2015, AND 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 23,221	\$ 27,154	\$ 28,512
Interest	34,046	39,519	43,446
Difference between expected and actual experience	-	30,485	-
Benefit payments, including refunds of member contributions	<u>(11,296)</u>	<u>(9,863)</u>	<u>(9,863)</u>
Net Change in Total Pension Liability	45,971	87,295	62,095
Total Pension Liability – Beginning	<u>486,715</u>	<u>532,686</u>	<u>619,981</u>
Total Pension Liability - Ending (a)	<u>\$ 532,686</u>	<u>\$ 619,981</u>	<u>\$ 682,076</u>
Plan Fiduciary Net Position			
Contributions – employer*	\$ 22,014	\$ 13,647	\$ 8,990
Net investment income	38,447	7,457	46,365
Benefit payments, including refunds of member contributions	(11,296)	(9,863)	(9,863)
Administrative expense	(9,114)	(7,873)	(11,680)
Other	<u>(960)</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	39,091	3,368	33,812
Plan Fiduciary Net Position - Beginning	<u>706,314</u>	<u>745,405</u>	<u>748,773</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 745,405</u>	<u>\$ 748,773</u>	<u>\$ 782,585</u>
Net Pension Liability - Ending (a-b)	<u>\$ (212,719)</u>	<u>\$ (128,792)</u>	<u>\$ (100,509)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	139.9%	120.8%	114.7%
Estimated Covered Employee Payroll	\$ 157,886	\$ 116,632	\$ 117,629
Net Pension Liability as a Percentage of Covered Employee Payroll	(134.7%)	(110.4%)	(85.4%)

Employer contributions (2016) include \$3,739 of 2015 contributions deposited in January 2016

PORT VUE BOROUGH POLICE 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 borough as of December 31, 2014, 2015 and 2016, calculated using the then discount rate of 6.75%, as well as what the borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Pension Liability - 12/31/14	\$ (132,165)	\$ (212,719)	\$ (259,749)
Net Pension Liability - 12/31/xx	(49,496)	(128,792)	(196,192)
Net Pension Liability - 12/31/xx	(16,081)	(100,509)	(173,201)

PORT VUE BOROUGH POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

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
2008	\$- -	\$ -	\$ -	\$ 178,3470	0%
2009	-	-	-	-	
2010	-	-	-	183,676	0%
2011	13,256	42,616	(29,360)	-	
2012	15,396	21,374	(5,978)	143,152	14.9%
2013	16,523	21,960	(5,437)	-	
2014	14,564	22,014	(7,450)	157,886	13.9%
2015	13,647	13,647	-	116,632	11.7%
2016	5,251	8,990	(3,739)	117,629	7.6%
2017	6,080	9,941	(3,861)	112,279	8.8%

\* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014. In addition, due to the timing of this audit, covered-employee payroll for 2017 was not provided in this schedule.

SCHEDULE OF INVESTMENT RETURNS

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

2016	6.23%
2015	1.01%
2014	5.54%



PORT VUE BOROUGH POLICE 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	\$ 617,653	\$ 448,917	\$ (168,736)	137.6%
01-01-15	745,405	563,171	(182,234)	132.4%
01-01-17	782,585	561,707	(220,878)	139.3%

PORT VUE BOROUGH POLICE 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.

PORT VUE BOROUGH POLICE 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 *	6.50%
Projected salary increases *	4.75%

\* Includes inflation at 2.75%

PORT VUE BOROUGH POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**The Honorable Brien A. Hranics**  
Mayor

**Mr. Mark D. Tortorice**  
Council President

**Ms. Malisa M. Migliori**  
Borough Manager

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).