COMPLIANCE AUDIT

Radnor Township Police Pension Plan

Delaware County, Pennsylvania

For the Period
January 1, 2015 to December 31, 2017

September 2018

Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DEPASQUALE
AUDITOR GENERAL

Board of Township Commissioners
Radnor Township
Delaware County
Wayne, PA 19087

We have conducted a compliance audit of the Radnor Township Police Pension Plan for the period January 1, 2015 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 findings 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 findings 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 whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.

- We determined whether retirement benefits calculated for the plan member 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 the retired individual and comparing this amount to supporting documentation evidencing the amount determined and actually paid to the recipient.

- 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 all annual special ad hoc postretirement reimbursements received by the municipality were authorized and appropriately deposited in accordance with Act 147 by tracing information to supporting documentation maintained by plan officials.

Radnor Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the township's offices. Those 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 Radnor Township Police 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 Radnor Township Police 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 – Noncompliance With Prior Audit Recommendations – Pension Benefits Not In Compliance With Act 600

Finding No. 2 – Noncompliance With Prior Audit Recommendations – Improper Reduction Of Members' Contributions

Finding No. 3 – Noncompliance With Prior Audit Recommendations – Unauthorized Provision For A Killed In Service Benefit

The findings contained in this audit report repeat conditions that were cited in our previous audit report that have not been corrected by township officials. We are concerned by the township's failure to correct those previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this audit report.

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 Radnor Township and, where appropriate, their responses have been included in the report.

August 16, 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 Radnor Township Police 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 147 - Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of December 14, 1988 (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101 et seq.

- Act 177 - General Local Government Code, Act of December 19, 1996 (P.L. 1178, No. 177), as amended, 53 Pa.C.S. § 101 et seq.

- Act 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 761 et seq.

The Radnor Township Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 99-28, as amended, adopted pursuant to Act 600. The plan is also affected by the provisions of collective bargaining agreements between the township and its police officers. The plan was established January 1, 1957. Active members are required to contribute 3 percent of compensation to the plan if hired prior to January 1, 2013, and 5 percent of compensation to the plan if hired on or after January 1, 2013. As of December 31, 2017, the plan had 41 active members, 2 terminated members eligible for vested benefits in the future, and 52 retirees receiving pension benefits from the plan.

BACKGROUND – (Continued)

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

Eligibility Requirements:

Normal Retirement	Age 50 and 25 years of service or age 60 and 20 years, if earlier.
Early Retirement	Eligible with 20 years of service.
Vesting	A member is 100% vested after 12 years of service.

Retirement Benefit:

Benefit equals 50% of final 36 months average salary, plus a service increment of $100 per month for each year of service in excess of 25 years, up to a maximum of $500 per month.

Survivor Benefit:

Before Retirement Eligibility	100% of the member's accrued benefit at the date of death.
After Retirement Eligibility	A monthly benefit equal to 100% of the pension the member was receiving or was entitled to receive on the day of the member's death.

Service Related Disability Benefit:

Benefit equals 70% of the member's salary at the time the disability was incurred.

Non-Service Related Disability Benefit:

For members hired before January 1, 2001, a monthly benefit equal to 50% of the member's salary at the time the disability was incurred, the benefit ceases at age 65.

RADNOR TOWNSHIP POLICE PENSION PLAN
STATUS OF PRIOR FINDINGS

<u>Compliance With Prior Audit Recommendation</u>

Radnor Township has complied with the prior audit recommendation concerning the following:

- <u>Failure To Implement Act 44 Mandatory Distressed Provisions</u>

  During the current audit period, the township implemented the mandatory distress remedies applicable to Level II pursuant to Act 44 of 2009.

<u>Noncompliance With Prior Audit Recommendations</u>

Radnor Township has not complied with the prior audit recommendations concerning the following as further discussed in the Findings and Recommendations section of this report:

- <u>Pension Benefits Not In Compliance With Act 600</u>

- <u>Improper Reduction of Member's Contributions</u>

- <u>Unauthorized Provision For A Killed In Service Benefit</u>

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Pension Benefits Not In Compliance With Act 600

Condition: The township adopted a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2901 et seq. (previously 53 P.S. § 1-101 et seq.). As disclosed in prior audit reports since the 1997-1999 audit period, the township provides retirement benefits to its police officers that are not in compliance with Act 600, as noted below:

Benefit Provision	Ordinance No. 99-28, as amended	Act 600
Normal retirement age and service eligibility	The earlier of 25 years of service and age 50 or 20 years of service and age 60.	25 years of service and age 55 or, if elected and actuarially feasible, age 50.
Intervening military service credit	Requires 18 months of employment prior to the period of military service.	Requires 6 months of employment prior to the period of military service.
Early retirement benefit after the completion of 20 or more years of service	"Act 24 Retirement Date" shall mean the date on which the participant has completed 20 years of service and, for purposes of this plan, has not yet attained age 60.	There is no age restriction for an early retirement benefit.
Member contributions	3% of his/her basic monthly earnings.	Members shall pay an amount equal to not less than 5% of monthly compensation. The governing body of the township may on an annual basis by ordinance or resolution, reduce or eliminate payments into the fund by members.

Finding No. 1 – (Continued)

Criteria: As previously prescribed, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee* on January 24, 2001. Therein, the court held that Section 2962(c)(5) of the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2962(c)(5), "clearly precludes home rule municipalities from providing pension benefits different from those prescribed in general law including Act 600." The court's holding was in accord with the position taken by this Department since at least January 1995.

Cause: The township was unable to effect compliance with the prior audit recommendation through the collective bargaining process.

Effect: The provision of unauthorized benefits could increase the plan's pension costs and reduce the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses. Although the township did not receive excess state aid allocations during the current audit period attributable to benefit provisions not in compliance with Act 600, the provision of benefits not in compliance with Act 600 could result in the receipt of excess state aid in the future or increase required municipal contributions to the plan.

Recommendation: The department acknowledges that its position has changed over the years and that, until *Monroeville*, there was no definitive decision as to whether home rule municipalities were obliged to comply with applicable pension law. The department seeks, therefore, to implement the decision in as equitable a fashion as possible, while paying necessary deference to the court's ruling. Accordingly, the department will not penalize a home rule municipality for granting benefits not authorized by Act 600 to existing retirees or to individuals who began full-time employment before January 24, 2001 (the date *Monroeville* was issued). However, the department expects the township to restrict pension benefits to those authorized by Act 600 for all employees who began full-time employment on or after that date.

To the extent that the benefits provided to employees who began employment on or after January 24, 2001, are not in compliance with Act 600, the excess benefits must be reflected in the Act 205 actuarial valuation reports for the plan and funded in accordance with Act 205 funding standards. Furthermore, the excess benefits will be deemed ineligible for funding with state pension aid. In such case, the 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)

Special note should be taken that the department's application of *Monroeville* only to employees hired on or after January 24, 2001, does not sanction (1) a municipality's granting excess benefits to existing or future employees when none had been granted as of January 24, 2001, or (2) a municipality's increasing excess benefits for existing or future employees beyond those that had been granted as of that date.

Management's Response: The Township respectfully objects to the inclusion of these findings in a final compliance audit. The Draft Police Audit's findings address benefits that the Township agreed to provide prior to the Pennsylvania Supreme Court's decision in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee,* which held that Home Rule municipalities must comply with Act 600. At that time, there was no express prohibition on home rule municipalities providing benefits in excess of Act 600. Since then the Township has worked with FOP, Lodge 27, the bargaining representative for Radnor Township police officers, to restore Act 600-compliant benefits for newly hired officers. As you know, Pennsylvania courts prohibit the Township from reducing or eliminating a retirement benefit for a currently active employee or retiree.

Regardless, the Township has taken these findings seriously and has already scheduled concrete actions to resolve them. The Township anticipates voting on the first reading of an amended pension ordinance at the September 10, 2018 meeting of its Board of Commissioners. The Township will provide your office with notice upon final passage of that ordinance. We look forward to further communications regarding these findings so that they may be resolved.

In the Draft Police Audit, your Office has included a pension finding that cites the Township for noncompliance with recommendations made in previous audit reports released by your office in April 2013 and July 2015. In response to the April 2013 audit, the subsequent collective bargaining agreement, covering 2013 to 2018, between the Township and FOP, Lodge 27 provided that "[t]he parties will work together to correct the four pension Findings identified in the recent audit by the Office of the Auditor General" and that "to the extent that the Finding is not otherwise challengeable, any improper or illegal benefits shall be eliminated for officers hired on or after January 1, 2013." However, as set forth above, the Township cannot by law reduce or otherwise eliminate a retirement benefit for a currently active employee. Therefore, the Township provides the following response to this finding:

Finding No. 1 – (Continued)

(a) Normal Retirement Age and Service Eligibility

The 20 years of service and age 60 superannuation retirement benefit was adopted before the decision in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*, which held that Home Rule municipalities must comply with Act 600. Since Radnor Township was a home rule municipality at the time this "20 and 60" superannuation retirement benefit was negotiated between the Township and its police union, that benefit is not illegal. However, since 2007, the collective bargaining agreement between the Township and Lodge 27 has limited normal retirement to those officers who attain age 50 and complete 25 years of service. As noted above, the Township will amend the Police Pension Ordinance to reflect this provision in the police collective bargaining agreement, and provide written confirmation once the Ordinance has been amended.

(b) Intervening Military Service Credit

This issue falls within the terms of the Township's broad agreement with the FOP to resolve pension findings pursuant to the 2013-2018 Collective Bargaining Agreement. This correction will be reflected in the amended Pension Ordinance.

(c) Early Retirement Benefit After the Completion of 20 or More Years of Service

Previous collective bargaining agreements between the Township and Lodge 27 may have included an age restriction on an Act 24 early retirement to distinguish it from the "20 and 60" benefit discussed at (a) above. The Township will amend its Police Pension Ordinance to reflect this correction.

(d) Member Contributions

The current collective bargaining agreement between the Township and Lodge 27 provides that officers hired prior to January 1, 2013 shall contribute 3.0% of pensionable compensation and that officers hired on or after January 1, 2013 shall contribute 5.0% of pensionable compensation. The Township will amend its Police Pension Ordinance to reflect this collective bargaining agreement and the requirements of Act 600, and provide written confirmation once the Ordinance has been amended.

<u>Auditor's Conclusion</u>: Based on the management response, it appears that municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Improper Reduction Of Members' Contributions

Condition: As noted in the Background section of this report, the Radnor Township Police Pension Plan is locally controlled by the provisions of Ordinance No. 99-28, as amended, adopted pursuant to Act 600. Section 6(a) of Act 600 provides that where police officers are covered by Social Security, members shall pay into the fund 5 percent of total compensation. However, pursuant to Section 6(c) of Act 600, municipalities have the option to annually reduce or eliminate members' contributions through the adoption of an annual ordinance or resolution. The prior two audit reports disclosed that the governing body of the municipality failed to annually reduce members' contributions in accordance with Act 600 provisions, and the municipality again failed to do so during the current audit period.

Criteria: Section 6(c) of Act 600 states, in part:

> The governing body of the borough, town, township or regional police department may, on an annual basis, by ordinance or resolution, reduce or eliminate payments into the fund by members.

Cause: Plan officials failed to adopt adequate internal control procedures to ensure compliance with this department's prior audit recommendation.

Effect: The municipality's intention to have the police officers contribute to the plan at a reduced rate was not formally established pursuant to Act 600 provisions.

Recommendation: We again recommend that the municipality either annually reduce members' contributions in accordance with Act 600, or reinstate the collection of members' contributions in accordance with Act 600 provisions.

Management's Response: The current collective bargaining agreement between the Township and Lodge 27 provides for certain member contributions. The Township anticipates adopting a resolution reducing the applicable members' contributions for 2018 at the September 10, 2018 meeting of its Commissioners. The Township will adopt protocols to ensure that the Township properly reduces member contributions on an annual basis in accordance with Act 600.

Auditor's Conclusion: Based on the management response, it appears municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

Finding No. 3 – Noncompliance With Prior Audit Recommendation – Unauthorized Provision For A Killed in Service Benefit

Condition: As disclosed in the prior audit report, the current collective bargaining agreement for the period January 1, 2013 to December 31, 2018 states that, effective January 1, 2013, the Act 51 killed in service benefit shall replace the existing Act 600 killed in service benefit; however, the plan's governing document continues to provide for a killed in service benefit.

Ordinance No. 2002-21, at Section 5.070C states, in part:

> A pre-retirement survivor benefit equal to 100 percent of the final average salary over the last 12 months of active service ending on the date of death of a Participant who is killed while working on active duty shall be payable to the deceased Participant's survivor...

In addition, the killed in service benefit provision continues to be funded due to its inclusion in the plan's January 1, 2017, actuarial valuation report.

Criteria: Section 1(a) of Act 51 of 2009 states, in part:

> In the event a law enforcement officer, ambulance service or rescue squad member, firefighter, certified hazardous material response team member or National Guard member dies as a result of the performance of his duties, such political subdivision, Commonwealth agency or, in the case of National Guard members, the Adjutant General, or, in the case of a member of a Commonwealth law enforcement agency, the authorized survivor or the agency head, within 90 days from the date of death, shall submit certification of such death to the Commonwealth.

In addition, Section 1(d) of Act 51 of 2009 states, in part:

> . . . the Commonwealth shall, from moneys payable out of the General Fund, pay to the surviving spouse or, if there is no surviving spouse, to the minor children of the paid firefighter, ambulance service or rescue squad member or law enforcement officer who died as a result of the performance of his duty the sum of $100,000, adjusted in accordance with subsection (f) of this section, and an amount equal to the monthly salary, adjusted in accordance with subsection (f) of this section, of the deceased paid firefighter, ambulance service or rescue squad member or law enforcement officer, <u>less any workers' compensation or pension or retirement benefits paid to such survivors</u>, and shall continue such monthly payments until

Finding No. 3 – (Continued)

> there is no eligible beneficiary to receive them. For the purpose of this subsection, the term "eligible beneficiary" means the surviving spouse or the child or children under the age of eighteen years or, if attending college, under the age of twenty-three years, of the firefighter, ambulance service or rescue squad member or law enforcement officer who died as a result of the performance of his duty. When no spouse or minor children survive, a single sum of $100,000, adjusted in accordance with subsection (f) of this section, shall be paid to the parent or parents of such firefighter, ambulance service member, rescue squad member or law enforcement officer. [Emphasis added.]

Furthermore, Section 2 of Act 51 of 2009 states:

> Repeals are as follows:
> (1) The General Assembly declares that the repeals under paragraph (2) are necessary to effectuate the amendment of section 1 of the act.
> (2) The following parts of acts are repealed:
>   (i) Section 5(e)(2) of the act of May 29, 1956 (1955 P.L.1804, No. 600), referred to as the Municipal Police Pension Law.
>   (ii) Section 202(b)(3)(vi) and (4)(vi) of the act of December 18, 1984 (P.L.1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act.

Since Act 51 specifically repealed the killed in service provision of Act 600 and the funding provisions for the killed in service benefit that were contained in Act 205, the provision of a killed in service benefit is no longer authorized.

Cause: Plan officials failed to establish adequate internal control procedures to ensure the plan's governing document was updated to reflect the removal of the killed in service benefit.

Effect: Since Section 1 of Act 51 provides that the Commonwealth is obligated to pay the killed in service benefit less any pension or retirement benefits paid to eligible survivors, the continued provision of a killed in service benefit in the plan's governing document could result in the pension plan being obligated to pay a benefit that is no longer authorized by Act 600, and would have been paid entirely by the Commonwealth absent such provision.

Recommendation: We again recommend that the municipality take appropriate action to remove the killed in service benefit from the plan's governing document at its earliest opportunity to do so.

Finding No. 3 – (Continued)

Management's Response: In response to the 2013 Audit, the Township negotiated with Lodge 27 for the elimination of the now unlawful Act 600 Killed-in-Service benefit. The current collective bargaining agreement provides that "[e]ffective January 1, 2013, the Act 51 Killed in Service Benefit shall replace the existing Act 600 Killed in Service Benefit." The Township will amend its Police Pension Ordinance to reflect this collective bargaining agreement and the requirements of Act 51, and provide written confirmation once the Ordinance has been amended.

Auditor's Conclusion: Based on the management response, it appears municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

RADNOR TOWNSHIP POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 12 through 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, AND 2015

	2014	2015
Total Pension Liability		
Service cost	$ 606,602	$ 764,044
Interest	2,577,970	2,777,216
Difference between expected and actual experience	-	1,339,767
Changes of assumptions	-	159,012
Benefit payments, including refunds of member contributions	(2,106,088)	(2,265,169)
Net Change in Total Pension Liability	1,078,484	2,774,870
Total Pension Liability - Beginning	34,800,343	35,878,827
Total Pension Liability - Ending (a)	$ 35,878,827	$ 38,653,697
Plan Fiduciary Net Position		
Contributions - employer and state aid	$ 2,160,223	$ 2,190,861
Contributions - member	182,981	149,817
Net investment income	1,463,674	(16,863)
Benefit payments, including refunds of member contributions	(2,106,088)	(2,265,169)
Administrative expense	(72,342)	(79,079)
Other	-	250
Net Change in Plan Fiduciary Net Position	1,628,448	(20,183)
Plan Fiduciary Net Position - Beginning	24,670,926	26,299,374
Plan Fiduciary Net Position - Ending (b)	$ 26,299,374	$ 26,279,191
Net Pension Liability - Ending (a-b)	$ 9,579,453	$ 12,374,506
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.3%	68.0%
Estimated Covered Employee Payroll	$ 4,535,114	$ 4,593,099
Net Pension Liability as a Percentage of Covered Employee Payroll	211.2%	269.4%

RADNOR TOWNSHIP POLICE 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

	2016	2017
Total Pension Liability		
Service cost	$ 802,246	$ 895,831
Interest	2,876,638	2,997,932
Difference between expected and actual experience	-	(998,914)
Changes of assumptions	-	2,478,529
Benefit payments, including refunds of member contributions	(2,242,068)	(2,270,060)
Net Change in Total Pension Liability	1,436,816	3,103,318
Total Pension Liability - Beginning	38,653,697	40,090,513
Total Pension Liability - Ending (a)	$ 40,090,513	$ 43,193,831
Plan Fiduciary Net Position		
Contributions - employer and state aid	$ 2,292,575	$ 2,322,459
Contributions - member	165,078	135,856
Net investment income	1,618,766	4,148,892
Benefit payments, including refunds of member contributions	(2,242,068)	(2,270,060)
Administrative expense	(75,281)	(74,649)
Other	250	10,029
Net Change in Plan Fiduciary Net Position	1,759,320	4,272,527
Plan Fiduciary Net Position - Beginning	26,279,191	28,038,511
Plan Fiduciary Net Position - Ending (b)	$ 28,038,511	$ 32,311,038
Net Pension Liability - Ending (a-b)	$ 12,052,002	$ 10,882,793
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.9%	74.8%
Estimated Covered Employee Payroll	$ 5,045,453	$ 5,127,356
Net Pension Liability as a Percentage of Covered Employee Payroll	238.9%	212.2%

RADNOR TOWNSHIP 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 township as of December 31, 2014, 2015, and 2016, calculated using the discount rate of 7.5%, 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability - 12/31/14	$ 13,688,298	$ 9,579,453	$ 6,136,637
Net Pension Liability - 12/31/15	$ 16,822,336	$ 12,374,506	$ 8,648,838
Net Pension Liability - 12/31/16	$ 16,612,854	$ 12,052,002	$ 8,229,487

The following presents the net pension liability of the township as of December 31, 2017, calculated using the discount rate of 7.25%, 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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability - 12/31/17	$ 16,085,697	$ 10,882,793	$ 6,556,927

SCHEDULE OF INVESTMENT RETURNS

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

2017	14.96%
2016	6.14%
2015	(0.07%)
2014	6.01%

RADNOR TOWNSHIP 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	$ 20,409,419	$ 33,776,908	$ 13,367,489	60.4%
01-01-15	25,669,878	37,377,606	11,707,728	68.7%
01-01-17	29,385,556	41,570,128	12,184,572	70.7%

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 over a 4-year averaging period which will be limited to a maximum of 130 percent and minimum of 70 percent of the fair market value of assets. The market values of the plan's assets at 01-01-15 and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period which will be limited to a maximum of 120 percent and minimum of 80 percent of the fair market value of assets. These methods 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.

RADNOR TOWNSHIP 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.

RADNOR TOWNSHIP POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	$ 855,232	118.1%
2013	1,730,673	185.6%
2014	2,160,223	100.0%
2015	2,190,903	100.0%
2016	2,292,574	100.0%
2017	2,322,459	100.0%

RADNOR TOWNSHIP 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	Level dollar
Remaining amortization period	9 years
Asset valuation method	4-year smoothing – the actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the fair market value of assets
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	5.00%
Cost-of-living adjustments	None assumed

RADNOR TOWNSHIP POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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