

LIMITED PROCEDURES ENGAGEMENT

Rochester Borough Non-Uniformed Pension Plan Beaver County, Pennsylvania For the Period January 1, 2015 to December 31, 2018

January 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Mayor and Borough Council
Rochester Borough
Beaver County
Rochester, PA 15074

We conducted a Limited Procedures Engagement (LPE) of the Rochester Borough Non-Uniformed Pension Plan for the period January 1, 2015 to December 31, 2018 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 annual employee contributions were required during the engagement period and, if so, 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 engagement period and examining documents evidencing the deposit of these employee contributions into the pension plan.

- Whether retirement benefits calculated for the plan member 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 Rochester Borough Non-Uniformed Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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 Rochester 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.

December 19, 2019



EUGENE A. DEPASQUALE
Auditor General

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ROCHESTER BOROUGH NON-UNIFORMED 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, 2014 AND 2015

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 23,619	\$ 23,747
Interest	21,989	24,384
Difference between expected and actual experience	(1,192)	(1)
Benefit payments, including refunds of member contributions	-	(1,187)
Net Change in Total Pension Liability	<u>44,416</u>	<u>46,943</u>
Total Pension Liability – Beginning	390,949	435,365
Total Pension Liability – Ending (a)	<u>\$ 435,365</u>	<u>\$ 482,308</u>
Plan Fiduciary Net Position		
Contributions – employee	\$ 11,809	\$ 11,873
PMRS investment income	26,456	28,493
Market value investment income	(1,587)	(31,224)
Benefit payments, including refunds of member contributions	-	(1,187)
PMRS administrative expense	(160)	(160)
Additional administrative expense	(1,015)	(1,188)
Net Change in Plan Fiduciary Net Position	<u>35,503</u>	<u>6,607</u>
Plan Fiduciary Net Position – Beginning	470,654	506,157
Plan Fiduciary Net Position – Ending (b)	<u>\$ 506,157</u>	<u>\$ 512,764</u>
Net Pension Liability – Ending (a-b)	<u>\$ (70,792)</u>	<u>\$ (30,456)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	116.26%	106.31%
Estimated Covered Employee Payroll	\$ 253,892	\$ 263,850
Net Pension Liability as a Percentage of Covered Employee Payroll	-27.88%	-11.54%

ROCHESTER BOROUGH 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	\$ 21,641	\$ 27,234
Interest	26,919	28,348
Difference between expected and actual experience	1	-
Net Change in Total Pension Liability	<u>48,561</u>	<u>55,582</u>
Total Pension Liability – Beginning	<u>482,308</u>	<u>530,869</u>
Total Pension Liability – Ending (a)	<u><u>\$ 530,869</u></u>	<u><u>\$ 586,451</u></u>
 Plan Fiduciary Net Position		
Contributions – employee	\$ 10,821	\$ 13,864
PMRS investment income	30,647	31,488
Market value investment income	11,578	68,541
PMRS administrative expense	(140)	(160)
Additional administrative expense	<u>(1,501)</u>	<u>(1,448)</u>
Net Change in Plan Fiduciary Net Position	<u>51,405</u>	<u>112,285</u>
Plan Fiduciary Net Position – Beginning	<u>512,764</u>	<u>564,169</u>
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 564,169</u></u>	<u><u>\$ 676,454</u></u>
 Net Pension Liability – Ending (a-b)	<u><u>\$ (33,300)</u></u>	<u><u>\$ (90,003)</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	106.27%	115.35%
 Estimated Covered Employee Payroll	\$ 240,461	\$ 297,108
 Net Pension Liability as a Percentage of Covered Employee Payroll	-13.85%	-30.29%

ROCHESTER BOROUGH NON-UNIFORMED PENSION PLAN
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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 and December 31, 2015, calculated using the discount rate of 5.50%, 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:

	<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	\$ 16,281	\$ (70,792)	\$ (157,865)
Net Pension Liability – 12/31/15	\$ 66,006	\$ (30,456)	\$ (126,917)

The following presents the net pension liability of the borough as of December 31, 2017 and 2018, calculated using the discount rate of 5.25%, 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:

	<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	\$ 72,873	\$ (33,300)	\$ (139,474)
Net Pension Liability – 12/31/17	\$ 27,287	\$ (90,003)	\$ (207,293)

ROCHESTER BOROUGH NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
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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
2014	\$ 11,970	\$ -	\$ 11,970	\$ 253,892	0.00%
2015	12,034	-	12,034	263,850	0.00%
2016	10,960	-	10,960	240,461	0.00%
2017	13,530	-	13,530	297,108	0.00%
2018	13,040	-	13,040	*	

* Due to the timing of this engagement, covered-employee payroll for 2018 was not provided in this schedule.

Note: In 2014, the borough met the plan's \$11,970 funding requirement through the deposit of \$11,970 in terminated employee forfeitures.

In 2015, the borough met the plan's \$12,034 funding requirement through the deposit of \$12,034 in terminated employee forfeitures.

In 2016, the borough met the plan's \$10,960 funding requirement through the deposit of \$10,960 in terminated employee forfeitures.

In 2017, the borough met the plan's \$13,530 funding requirement through the deposit of \$13,530 in terminated employee forfeitures.

In 2018, the borough met the plan's \$13,040 funding requirement through the deposit of \$13,040 in terminated employee forfeitures.

ROCHESTER BOROUGH NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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