

COMPLIANCE AUDIT

Seven Fields Borough Non-Uniformed Pension Plan Butler County, Pennsylvania For the Period January 1, 2016 to December 31, 2019

December 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
Seven Fields Borough
Butler County
Seven Fields, PA 16046

We have conducted a compliance audit of the Seven Fields Borough Non-Uniformed Pension Plan for the period January 1, 2016 to December 31, 2019. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the 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 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 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 that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.
- We determined whether retirement benefits calculated for the plan member who elected to vest during the current audit period represents 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 benefits due to the retired individual and comparing these amounts to supporting documentation evidencing amounts determined and actually payable to the recipient.
- We determined whether the January 1, 2015, January 1, 2017, and January 1, 2019 actuarial valuation reports were prepared and submitted by March 31, 2016, 2018, and 2020, 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.

The Seven Fields Borough Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Comprehensive Annual Financial Report, copies of which are available from the PMRS accounting office. PMRS's financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Seven Fields Borough Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary 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 Seven Fields Borough Non-Uniformed 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 Recommendation – Incorrect Pension Benefit Calculations
- Finding No. 2 – Noncompliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid
- Finding No. 3 – Partial Compliance With Prior Recommendation – Allocation Of State Aid In Excess Of Entitlement
- Finding No. 4 – Failure To Maintain An Adequate Record-Keeping System To Effectively Monitor Activity Of The Pension Plan

Finding No. 1 contained in this audit report repeats a condition that was cited in our previous report that has not been corrected by borough officials. We are concerned by the borough's failure to correct this previously reported finding 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 Seven Fields Borough and, where appropriate, their responses have been included in the report. We would like to thank borough officials for the cooperation extended to us during the conduct of the audit.

November 23, 2020



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.

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 Seven Fields Borough Non-Uniformed Pension Plan is also governed by implementing regulations 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 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The Seven Fields Borough Non-Uniformed Pension Plan is a single-employer, two-tiered pension plan locally controlled by the provisions of Ordinance No. 79, and a separately executed plan agreement with the Pennsylvania Municipal Retirement System (PMRS) with an effective date of January 1, 2011, adopted pursuant to Act 15. Non-uniformed employees hired prior to January 1, 2011 are entitled to defined benefit plan provisions and non-uniformed employees hired on or after January 1, 2011 are entitled to cash balance provisions. The pension plan was established January 1, 1987. Active members are not required to contribute to the plan. For members hired on or after January 1, 2011, the municipality is required to contribute 5 percent of compensation. As of December 31, 2019, for non-uniformed employees hired prior to January 1, 2011, the plan had 2 active members, 3 terminated members eligible for vested benefits in the future, and 3 retirees receiving pension benefits. As of December 31, 2019, for those non-uniformed employees hired on or after January 1, 2011, the plan had four active members.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDINGS

Noncompliance With Prior Recommendations

Seven Fields Borough has not complied with the prior recommendations concerning the following as further discussed in the Findings and Recommendations section of this report:

- Incorrect Pension Benefit Calculations
- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

Although the additional state aid was allocated to the borough for the state aid underpayment disclosed in the prior report, municipal officials failed to comply with the recommendation in the prior report to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data, as further discussed in the Findings and Recommendations section of this report.

Partial Compliance With Prior Recommendation

Seven Fields Borough has partially complied with the prior recommendation concerning the following:

- Allocation Of State Aid In Excess Of Entitlement

During the current audit period, the borough allocated \$3,847 of 2014 state aid to the non-uniformed defined benefit pension plan; however plan officials failed to reconcile the amount of state aid allocated to the non-uniformed cash balance plan with the plan's annual pension costs in 2017 and 2019, as further discussed in the Findings and Recommendations section of this report.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Recommendation – Incorrect Pension Benefit Calculations

Condition: As disclosed in the prior report, two members of the pension plan who began receiving pension benefits in 2012 and 2013, respectively, had their pension benefits incorrectly determined because municipal officials failed to use accurate wages in calculating the members' final monthly average salaries.

Criteria: Section 6.1(a) of the plan agreement, effective January 1, 2011, states:

For Members hired prior to January 1, 2011, the annual Basic Benefit shall be calculated by multiplying the Member's Final Salary by all years of Credited Service and multiplied by the benefit accrual rate of two and two-tenths percent (2.20%).

Furthermore, Section 2.1 of the plan agreement states, in part:

“Final Salary” means the average annual Compensation earned and paid during the Member's final three (3) consecutive years of employment. . . .

Cause: Municipal officials failed to take action to comply with the recommendation in the prior report and did not contact PMRS to request a recalculation of the pension benefit or provide accurate wages to PMRS.

Effect: Based on the pension calculations initially prepared, one retiree is receiving \$209 and the other retiree is receiving \$113 less in annual pension benefits than the amounts they are entitled to receive pursuant to the plan's governing document.

Recommendation: We again recommend that municipal officials determine the retirees' pension benefits using the correct wages and adjust their monthly benefit payments prospectively. Furthermore, any benefit payments retroactively due should be paid to the retirees with an appropriate amount of interest.

Management's Response: Municipal officials agreed with the finding without exception.

Auditor's Conclusion: We are concerned that the municipality has not complied with the prior recommendation and encourage compliance at the earliest opportunity to do so.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Noncompliance With Prior Recommendation – Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

Condition: As disclosed in the Status of Prior Findings section of this report, the borough failed to comply with the prior recommendation to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data. During the current audit period, the borough certified 2 ineligible non-uniformed employees and overstated payroll by \$58,405 on the Certification Form AG 385 filed in 2017. In addition, the borough certified 1 ineligible non-uniformed employee and overstated payroll by \$20,738 on the Certification Form AG 385 filed in 2018. Furthermore, the borough certified 2 ineligible non-uniformed employees and overstated payroll by \$39,392 on the Certification Form AG 385 filed in 2019.

Criteria: Pursuant to Act 205, at Section 402(e)(2), in order to be eligible for certification, an employee must have been employed on a full-time basis for at least six consecutive months and must have been participating in a pension plan during the certification year.

Additionally, the instructions accompanying Certification Form AG 385 prescribes the following criteria for certification purposes:

Each Non-Uniformed Employee MUST meet each of these conditions anytime between January 1st and December 31st of the prior calendar year:

- a. Be an active, full-time non-uniformed employee employed by the municipality.
- b. Be employed for any six (6) consecutive months during the prior calendar year.
- c. Work not less than 35 hours per week.
- d. Be a member of a non-uniformed employee pension plan and meet all of its requirements.

Furthermore, the PMRS plan agreement defines membership eligibility as the date on which the employee completes twelve months of service.

Cause: The employees in question were certified prior to meeting the eligibility requirements for plan membership stipulated in the plan agreement. Additionally, the borough lacked adequate internal control procedures, such as having another individual review the data certified to ensure compliance with the instructions that accompanied Certification Form AG 385 prior to submission.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Effect: The data submitted on this certification form is used, in part, to calculate the state aid due to the municipality for distribution to its pension plan. Because Seven Fields Borough participates in a regional police pension plan, the borough's state aid allocation for its non-uniformed pension plan is separately calculated by the Department of the Auditor General Comptroller's Office using an alternate method, taking into account the municipality's pension costs and unit value as well as the municipality's percentage of the regional police pension plan's pension costs and unit value. The borough's state aid allocation for 2017 was \$36,706. Based on the corrected information, the borough was entitled to an allocation of \$27,530; therefore, the borough received a \$9,176 overpayment of state aid in 2017. The borough's state aid allocation for 2018 was \$31,569. Based on the corrected information, the borough was entitled to an allocation of \$27,059; therefore, the borough received a \$4,510 overpayment of state aid in 2018. The borough's state aid allocation for 2019 was \$31,863. Based on the corrected information, the borough was entitled to an allocation of \$24,858; therefore, the borough received a \$7,005 overpayment of state aid in 2019. The total overpayment for 2017, 2018, and 2019 was \$20,691.

In addition, the borough used the overpayments of state aid to pay the minimum municipal obligations (MMOs) due to the non-uniformed pension plan; therefore, if the reimbursement to the Commonwealth is made from the pension plan, the plan's MMOs will not be fully paid.

Furthermore, the borough's future state aid allocations may be withheld until the finding recommendation is complied with.

Recommendation: We recommend that the overpayment of state aid, in the amount of \$20,691, plus interest, be returned to the Commonwealth. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with the check.

We also recommend that in the future, plan officials establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

In addition, if the reimbursement to the Commonwealth is made from non-uniformed pension plan funds, we recommend that any resulting MMO deficiencies be paid to the pension plan with interest, at a rate earned by the pension plan.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: Due to the potential withhold of state aid, the borough’s compliance with the finding recommendation will be monitored subsequent to the release of the audit report and through our next audit of the plan.

Finding No. 3 – Partial Compliance With Prior Recommendation – Allocation Of State Aid In Excess Of Entitlement

Condition: As disclosed in the Status of Prior Findings section of this report, the borough partially complied with our prior recommendation by allocating \$3,847 of 2014 state aid to the non-uniformed defined benefit pension plan; however, plan officials again failed to reconcile the amount of state aid allocated to the non-uniformed cash balance pension plan and any available employee forfeitures with the plan’s annual pension costs in 2017 and 2019, as illustrated below:

	<u>2017</u>	<u>2019</u>
Municipal pension costs	\$ 6,102	\$ 6,605
Less: Forfeitures available	<u>(4,737)</u>	<u>(6,603)</u>
Municipal pension costs after forfeitures	1,365	2
Less: State aid applied	<u>(4,735)</u>	<u>(2,933)</u>
Excess state aid	<u>\$ 3,370</u>	<u>\$ 2,931</u>

Criteria: Section 402(f)(2) of Act 205 states:

No municipality shall be entitled to receive an allocation of general municipal pension system state aid in an amount which exceeds the aggregate actual financial requirements of any municipal pension plan for police, officers, paid firefighters or employees other than police officers or paid firefighters maintained by the municipality, less the amount of any aggregate annual member or employee contributions during the next succeeding plan year, as reported in the most recent complete actuarial report filed with the commission.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: Plan officials failed to implement adequate internal control procedures to annually reconcile the amount of state aid allocated to the non-uniformed cash balance pension plan and employee forfeitures available to reduce municipal contributions with the plan's annual pension costs and ensure full compliance with the prior recommendation.

Effect: It is this department's opinion that since the entire proceeds of the insurance premium tax on foreign casualty insurance companies are distributed annually to each eligible recipient municipality, it is inappropriate to use state aid in one year to offset pension costs in other years; however, the borough does have the option to allocate the excess state aid to its defined benefit pension plan.

Recommendation: We recommend that municipal officials allocate the \$6,301 of excess state aid to the non-uniformed defined benefit pension plan. *(Also see Finding No. 2 regarding excess state that is recommended to be returned to the Commonwealth.)*

In addition, we recommend that, in the future, plan officials reconcile the amount of state aid allocated to the borough's non-uniformed cash balance pension plan, any available employee forfeitures, and municipal contributions made to the pension plan, with the plan's annual pension costs and allocate any remaining state aid to the non-uniformed defined benefit plan.

Management's Response: Municipal officials agreed with the finding without exception.

Auditor's Conclusion: Compliance with the finding recommendation will be evaluated during our next audit of the plan.

Finding No. 4 – Failure To Maintain An Adequate Record-Keeping System To Effectively Monitor Activity Of The Pension Plan

Condition: The borough's record-keeping system did not provide effective control over the transactional activity of the non-uniformed pension plan during 2019. Municipal officials were unable to furnish annual financial statements or custodial account transaction statements for the non-uniformed pension plan. These annual financial and account statements have historically been provided by the plan's custodian, PMRS. However, as of the date of this report, annual financial and accounting statements summarizing the pension account activity have not been provided for the year 2019.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Criteria: An adequate system of accounting and record keeping is a prerequisite for sound administration of pension plans. In addition, assets held in a custodial account for the purpose of plan management are to be governed by the terms and provisions of the account contract, provided that the terms and provisions of the contract are within the parameters of all prevailing pension legislation. Although the municipality may contract with a trustee to administer the financial management of the plan, the fiduciary responsibility for the plan remains with the municipality.

Cause: Municipal officials indicated that the plan’s custodian, PMRS, failed to provide copies of the custodial account transaction statements summarizing activity of the pension plan account for the year 2019. In addition, municipal officials did not maintain a separate detailed accounting of pension plan transactions, which, among other things, helps assure the production of proper financial statements to effectively monitor the annual activity of the pension plan.

Effect: Although we were able to obtain alternate documentation from the municipality to evidence the propriety of the individual transactions tested during performance of the audit for the year 2019, the failure to maintain annual financial and/or account transaction statements prohibits municipal officials from effectively monitoring the plan’s financial operations. Additionally, inadequate monitoring of the pension plan account could lead to undetected errors or improprieties in account transactions as well as deficiencies in authorizing and implementing pension plan policies and procedures.

Recommendation: We recommend that municipal officials contact the plan custodian and obtain annual financial statements of the custodial account of the non-uniformed pension plan for the year 2019 to ensure the accuracy and propriety of the transaction activity. In addition, we recommend that municipal officials establish and maintain a financial record-keeping system that allows the municipality to effectively monitor the plan’s financial operations, even in the absence of statements from the plan custodian. Municipal officials should refer to the Auditor General’s Bulletin No. 2-88 entitled “Preparation, Maintenance and Auditability of Financial Records,” for further guidance in establishing adequate accounting and record-keeping procedures.

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: PMRS has indicated that they are in the process of preparing 2019 Year-End Financial Activity Reports and Annual Member Statements for all municipalities. PMRS has also indicated that they recently went through a substantial upgrade to the plan administration software and implemented a new accounting system. This transition in addition to disruptions in normal government operation due to COVID-19 has resulted in a three to four month delay in the 2019 year-end reporting process. Compliance with the finding recommendation will be evaluated during our next audit of the plan.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
POTENTIAL WITHHOLD OF STATE AID

Finding No. 2 contained in this audit report cites an overpayment of state aid to the borough in the amount of \$20,691, plus interest. A condition of this nature may lead to a total withholding of state aid in the future unless that finding is corrected. A check in this amount with interest, at a rate earned by the pension plan, should be made payable to: Commonwealth of Pennsylvania, and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS
 DEFINED BENEFIT

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, 2015, 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)
01-01-15	\$ 734,129	\$ 745,591	\$ 11,462	98.5%
01-01-17	853,710	822,337	(31,373)	103.8%
01-01-19	983,924	916,133	(67,791)	107.4%

SEVEN FIELDS BOROUGH NON-UNIFORMED 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.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS
 DEFINED BENEFIT

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions*	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 17,059	\$ 23,422	\$ (6,363)	\$ 283,926	8.25%
2015	30,353	30,353	-	218,136	13.91%
2016	25,936	25,936	-	201,967	12.84%
2017	23,324	37,950*	(14,626)	167,696	22.63%
2018	19,495	29,612	(10,117)	172,874	17.13%
2019	17,689	27,217	(9,528)	**	**

* Information provided by PMRS. Actual contributions for 2017 were determined on the cash basis and include \$1,584 receivable for the year 2014 and \$4,375 receivable for the year 2016.

** Due to the timing of this audit, covered-employee payroll for 2019 was not provided in this schedule.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS
 CASH BALANCE

Year Ended December 31	Statutorily Required Contribution (SRC)*	Contributions in Relation to the SRC*	Contribution Deficiency (Excess)**	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 2,539	\$ 3,847	\$ (1,308)	\$ 30,273	12.71%
2015	4,569	40	4,529	90,173	0.04%
2016	6,468	1,780	4,688	128,168	1.39%
2017	6,082	4,735	1,347	120,440	3.93%
2018	7,227	1,957	5,270	143,730	1.36%
2019	6,605	6,571	34	***	***

* The Statutorily Required Contribution (SRC) is a contribution amount based upon the payroll and contribution rate as outlined under the terms of the cash balance pension plan.

** The Statutorily Required Contribution and the actual Contribution were provided by PMRS. Deviations between these amounts may be due to or transfers from the municipal reserve account.

In 2015, the borough met the plan’s funding requirement through the allocation of \$4,569 in terminated employee forfeitures.

In 2016, the borough met the plan’s funding requirement through the deposit of \$1,780 in state aid and \$2,432 in employer contributions and the allocation of \$2,277 in terminated employee forfeitures.

In 2017, the borough met the plan’s funding requirement through the deposit of \$4,735 in state aid and the allocation of \$4,737 in terminated employee forfeitures. See Finding No. 3.

In 2018, the borough met the plan’s funding requirement through the deposit of \$3,770 in state aid and \$3,455 in employer contributions and the allocation of \$2 in terminated employee forfeitures.

*** Due to the timing of this audit, covered-employee payroll for 2019 was not provided in this schedule.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
 SUPPLEMENTARY INFORMATION
 NOTES TO SUPPLEMENTARY SCHEDULES
 (UNAUDITED)

DEFINED BENEFIT

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, 2019
Actuarial cost method	Entry age normal
Amortization method	Not applicable
Remaining amortization period	None
Asset valuation method	The Actuarial Value of Assets equal the sum of all audited reserve funds as of the valuation date, including Member, Municipal, Retired, Disability, and DROP Reserves, when applicable, and a one year administration expense reserve, plus the portion of any additional investment income to be distributed as excess interest, based on PMRS Policy Statement 05-2. This asset valuation is based on the unique legislative structure of PMRS and the administrative rules adopted by the PMRS Board in conjunction with Pennsylvania Municipal Retirement Law. ¹

Actuarial assumptions:

Investment rate of return *	5.25%, compounded annually, net of investment and administration expenses.
Projected salary increases *	2.8%-7.05%
* Includes inflation at	2.8%
Cost-of-living adjustments	2.8% per year, subject to plan limitations.

¹ The administrative rules adopted by the PMRS Board, which are not subject to comply with Actuarial Standards of Practice (ASOP), when defining the Actuarial Value of Assets (AVA), does not necessarily meet the requirement of ASOP 44 Selection and Use of Asset Valuation Methods for Pension Valuations. The AVA provided within this report follow the Pennsylvania Municipal Retirement Law and the PMRS policy statement.

SEVEN FIELDS BOROUGH NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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