

# COMPLIANCE AUDIT

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## Western Berks Regional Police Pension Plan Berks County, Pennsylvania For the Period January 1, 2017 to December 31, 2020

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December 2021



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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AUDITOR GENERAL**

Mr. Harvey Marshall, President  
Robesonia Borough Council  
Western Berks Regional Police Pension Plan  
Berks County  
Robesonia, PA 19551

We have conducted a compliance audit of the Western Berks Regional Police Pension Plan for the period January 1, 2017 to December 31, 2020. 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 finding and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding 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 for the years covered by our audit period due to the fact that employee contributions were waived by the municipality.
- We determined that there were no benefit calculations prepared for the years covered by our audit period.
- We determined whether the January 1, 2017 and January 1, 2019 actuarial valuation reports were prepared and submitted by March 31, 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.
- We determined whether transfers were properly authorized, timely, and appropriately recorded by plan officials by examining supporting documentation for the transfer made during the audit period.
- We determined whether provisions of the Deferred Retirement Option Plan (DROP) were in accordance with the provisions of Act 205 by examining provisions stated in the plan's governing documents.

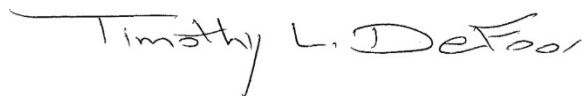
Former commission officials were responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Western Berks Regional Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and 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 Western Berks Regional 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 finding further discussed later in this report:

Finding – Partial Compliance With Prior Audit Recommendation – Failure To  
Appoint A Chief Administrative Officer

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 designated plan officials of the Western Berks Regional Police Pension Plan and, where appropriate, responses have been included in the report. We would like to thank plan officials for the cooperation extended to us during the conduct of the audit.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line above the first name.

Timothy L. DeFoor  
Auditor General  
November 8, 2021

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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 Western Berks Regional Police 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 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 767 et seq.

The Western Berks Regional Police Pension Plan is a defined benefit pension plan locally controlled by the provisions of Resolution No. 1-2019 and a separately executed plan agreement with the Pennsylvania State Association of Boroughs (PSAB), adopted pursuant to Act 600. During the current audit period, Robesonia Borough passed Ordinance No. 2019-5 on January 7, 2019 in favor of dissolving the former Western Berks Regional Police Commission and the Department and subsequently on April 3, 2019, Wernersville Borough passed Ordinance No. 2019-615 effectively dissolving the former Commission and the Department effective December 31, 2019. In a dissolution/separation agreement (the agreement) executed between the two participant boroughs, Section 9(b) of the terms of the agreement designates that the pension plan established by the (*former*) Commission for its uniformed police officers in accordance with Act 600, as amended, shall be continued to be maintained by the PSAB and the parties hereto agree that such action shall comply with Article X of the Charter Agreement (*established between the Borough of Wernersville and the Borough of Robesonia, as the Charter for the Western Berks Regional Police Department for the purpose of providing police services for Wernersville Borough and Robesonia Borough and other municipalities who may subsequently participate under terms of this Charter Agreement*). The plan was established January 1, 1980 and was also affected by the provisions of collective bargaining agreements between the former regional police department and its police officers. Active members were required to contribute 5 percent of compensation to the plan, however, member contributions were waived during the audit period. As of December 31, 2020, the plan had no active members, no terminated members eligible for vested benefits in the future, and 3 retirees receiving pension benefits.

WESTERN BERKS REGIONAL POLICE PENSION PLAN  
STATUS OF PRIOR FINDINGS

Compliance With Prior Recommendation

The former Western Berks Regional Commission complied with the prior recommendation concerning the following:

- Failure To Establish Pension Plan By Ordinance Or Resolution

During the current audit period, former commission officials adopted Resolution No. 1-2019 formally adopting the provisions of the pension plan.

Partial Compliance With Prior Recommendation

The former Western Berks Regional Commission partially complied with the prior recommendation concerning the following:

- Failure To Appoint A Chief Administrative Officer

During the current audit period, a Chief Administrative Officer for the police pension plan was formally appointed by resolution by the former commissioners. However, after dissolution of the former Commission and Police Department as noted in the Background section of the report, the individual previously specified in the resolution is no longer affiliated with the regional police pension plan as disclosed in the finding and recommendation of this report.

WESTERN BERKS REGIONAL POLICE PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Partial Compliance With Prior Audit Recommendation – Failure To Appoint A Chief Administrative Officer**

Condition: As disclosed in the Status of Prior Finding section of this report, the former regional commission partially complied with the prior recommendation by formally appointing a Chief Administrative Officer (CAO) for the pension plan. However, the individual specifically designated by the adopting resolution is no longer affiliated with the regional police pension plan. And although the participating boroughs agreed to continue the regional police pension plan for the benefits of its former police officers through a dissolution/separation agreement (agreement), the agreement did not formally designate a new CAO for the continuing pension plan by formal ordinance, resolution or motion in municipal meeting minutes.

Criteria: Section 102 of Act 205 defines the CAO as “The person who has primary responsibility for the execution of the administrative affairs of the municipality in the case of the municipality, or of the pension plan in the case of the pension plan, or the designee of that person.”

Municipal officials may appoint two CAOs - one for the pension plan and one for the municipality or appoint one person to fill both positions. Act 205 identifies specific duties for each position, as follows:

CAO of the Municipality

- Supervise and direct the preparation of actuarial reports (Section 201(d));
- Certify and file actuarial valuation reports with the Public Employee Retirement Commission (Section 201(b)); and
- Make actuarial report information available to plan members (Section 201(e)).

CAO of the Pension Plan

- Annually, determine and submit to the governing body of the municipality the financial requirements of the pension plan and minimum municipal obligation (Section 302(b), Section 302(c), Section 303(b), Section 303(c) and Section 304); and
- Provide the governing body of the municipality with a cost estimate of the effect of any proposed benefit plan modification (Section 305(a)).



WESTERN BERKS REGIONAL POLICE PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Cause: Officials inadvertently failed to ensure compliance with Act 205 upon dissolution of the former regional commission and department and agreement to continue the regional police pension plan going forward.

Effect: The failure to formally appoint a CAO could result in important filing deadlines being overlooked, state aid being adversely affected or delayed and investment opportunities being lost.

Recommendation: Because of the significance of the CAO's responsibilities to the pension plan, we recommend that the CAO be formally appointed by ordinance, resolution or motion recorded in the minutes of a municipal meeting. Such ordinance, resolution or motion should detail the CAO's responsibilities and be filed with other plan documents.

Management's Response: The following response was provided by the attorney representing the regional pension plan:

It is our understanding that you have expressed concerns regarding a Chief Administrative Officer ("CAO") for the pension plan moving forward. Although both municipalities are fairly small and do not have a large professional staff, both municipalities do have a Borough Secretary. As the employees of the Borough may change over time, it is recommended that the CAO for the pension plan would be the Borough Secretary from Wernersville and the Borough Secretary from Robesonia.

Auditor's Conclusion: Based on the management response, it appears plan officials intend to comply with the recommendation. However, the department recommends that such CAO appointment be adopted formally by ordinance, resolution or motion recorded in the minutes of each municipality's meeting minutes. Compliance will be subject to verification in the subsequent audit of the plan.

WESTERN BERKS REGIONAL 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, 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	\$ 1,100,572	\$ 1,213,751	\$ 113,179	90.7%
01-01-17	1,093,789	1,298,459	204,670	84.2%
01-01-19	1,154,510	1,349,252	194,742	85.6%

WESTERN BERKS REGIONAL 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.

WESTERN BERKS REGIONAL POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2015	\$ 55,613	100.0%
2016	51,328	100.0%
2017	50,807	100.0%
2018	53,199	100.0%
2019	63,717	100.0%
2020	21,273	231.5%

WESTERN BERKS REGIONAL 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, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	14 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases	4.0%
Cost-of-living adjustments	3.0%

WESTERN BERKS REGIONAL POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Harvey Marshall**  
President  
Robesonia Borough Council

**Stephen Price**  
President  
Wernersville Borough Council

**Ms. Lisa Heilman**  
Manager/Secretary/Treasurer  
Robesonia Borough

**Ms. Debra Pierce**  
Secretary/Treasurer  
Wernersville Borough

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