

# LIMITED PROCEDURES ENGAGEMENT

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## Bell Acres Borough Police Pension Plan Allegheny County, Pennsylvania For the Period January 1, 2015 to December 31, 2017

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August 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

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AUDITOR GENERAL

The Honorable Mayor and Borough Council  
Bell Acres Borough  
Allegheny County  
Sewickley, PA 15143

We conducted a Limited Procedures Engagement (LPE) of the Bell Acres Borough Police Pension Plan for the period January 1, 2015 to December 31, 2017 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. We also evaluated compliance with some requirements subsequent to that period when possible. The LPE was conducted pursuant to authority derived from Section 402(j) of the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.) but was not conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The act established mandatory actuarial reporting and funding requirements and a uniform basis for the distribution of state aid to Pennsylvania's public pension plans. We believe that the evidence obtained provides a reasonable basis to support our LPE results.

Our LPE was limited to determining the following:

- Whether municipal officials took appropriate corrective action to address the finding contained in our prior audit report, by inquiring of plan officials and evaluating supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken.
- Whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the annual deposit date of state aid and determining whether deposits were made within 30 days of receipt for all years within the engagement period.
- Whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation.

- Whether 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.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Bell Acres Borough Police Pension Plan was not being administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our determination to perform a LPE for this engagement period does not preclude the Department from conducting an audit in accordance with *Government Auditing Standards* of the pension plan in subsequent periods. The borough should continue to maintain documentation related to this pension plan.

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information or conclude on it and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Bell Acres 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.

August 9, 2018



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Status of Prior Finding .....	1
Supplementary Information .....	2
Report Distribution List .....	6

BELL ACRES BOROUGH POLICE PENSION PLAN  
STATUS OF PRIOR FINDING

Status Of Prior Audit Recommendation

· Improper Pension Benefit

As disclosed in 3 prior audit reports, a member of the police pension plan who terminated employment during 2007 was awarded an early monthly retirement pension benefit in the amount of \$1,511 after only 16 years of full-time service. In a settlement agreement with the police officer, the borough retroactively granted this individual full-time status credit for previous service dating back to 1985, so that he could attain the 20 years of service necessary to qualify for early retirement under Act 600's optional early retirement provision. The borough subsequently maintained that the police officer worked sufficient hours during his part-time employment to qualify as a full-time employee and thus eligible for early retirement under Act 600. However, the borough was unable to provide sufficient documentation that the former police officer was indeed a full-time employee and a member of the pension plan prior to 1991. Accordingly, based upon a calculation prepared by the plan's actuary, the police officer was only entitled to a monthly vested pension benefit of \$1,431 commencing on his superannuation retirement date beginning January 1, 2016. The result was \$139,017 in excess benefits paid from the plan as of the date of the prior audit report.

Subsequent to the release of the prior audit report covering the period January 1, 2012 to December 31, 2014, the Department, through correspondence with the borough's solicitor dated January 20, 2017, indicated that it remains the Department's position that the retiree was given prior service credit for previous part-time employment with the borough; and therefore, the prior finding was appropriately issued. However, taking into consideration that the borough has been funding the pension benefit through its minimum municipal obligation (MMO) payments and the plan's actuary has determined that the excess benefits paid have not had an effect on the borough's state aid allocations, given the difference between the \$1,431 monthly benefit that the retiree was entitled to beginning January 1, 2016 and the \$1,511 monthly benefit the retiree is currently receiving, it was determined that the finding would not be repeated in the next audit of the plan.

Nonetheless, it was determined that excess benefits are still being paid to this retiree during the current period. However, given the borough's position on this matter and considering that the borough received its state aid based on unit value during the current period, the borough did not receive any state aid attributable to the excess benefits provided. The Department will however, continue to monitor the effect of the excess benefits on the borough's future state aid allocations during subsequent engagements.

BELL ACRES BOROUGH POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The actuarial information is required by Act 205 biennially. The historical information, beginning as of January 1, 2013, is as follows:

	(1)	(2)	(3)	(4)
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-13	\$ 439,671	\$ 581,110	\$ 141,439	75.7%
01-01-15	542,044	520,147	(21,897)	104.2%
01-01-17	643,545	652,176	8,631	98.7%

Note: The market values of the plan's assets at 01-01-13, 01-01-15, and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses over a 3-year averaging period. This method 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.

BELL ACRES BOROUGH POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the actuarial accrued liability as a factor.

Analysis of the dollar amount of the actuarial value of assets, actuarial accrued liability, and unfunded (assets in excess of) actuarial accrued liability in isolation can be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (Column 4) provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage, over time, indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

BELL ACRES BOROUGH 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	\$ 35,534	100.0%
2013	44,814	100.0%
2014	45,248	100.0%
2015	45,641	100.0%
2016	52,819	100.0%
2017	38,319	100.0%



BELL ACRES BOROUGH POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	15 years
Asset valuation method	Fair value, 3-years smoothing
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	4.5%

BELL ACRES BOROUGH POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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