## LIMITED PROCEDURES ENGAGEMENT

# Danville Borough Police Pension Plan

Montour County, Pennsylvania For the Period January 1, 2013 to December 31, 2014

October 2015



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 Danville Borough Montour County Danville, PA 17821

We conducted a Limited Procedures Engagement (LPE) of the Danville Borough Police Pension Plan for the period January 1, 2013 to December 31, 2014 to determine its compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. 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 period under review.
- × 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 calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing 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 review and examining documents evidencing the deposit of these employee contributions into the pension plan.

- × Whether retirement benefits calculated for the 1 plan member who retired during the current audit 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 the retired individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- × Whether the January 1, 2011 and January 1, 2013 actuarial valuation reports were prepared and submitted to the Public Employee Retirement Commission (PERC) by March 31, 2012 and 2014, 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 Danville 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 letter were discussed with officials of Danville Borough and, where appropriate, their responses have been included in this letter. We would like to thank borough officials for the cooperation extended to us during the conduct of this LPE.

October 23, 2015

EUGENE A. DEPASQUALE

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**Auditor General** 

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#### DANVILLE 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, 2009, is as follows:

|                                | (1)                                    | (2)   | (3)  | (4)                        |
|--------------------------------|--|---|--|----------------------------|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a) | Funded<br>Ratio<br>(a)/(b) |
| 01-01-09                       | \$ 3,064,629                           | \$ 2,305,633                                      | \$ (758,996)   | 132.9%                     |
| 01-01-11                       | 2,994,946                              | 2,189,511   | (805,435)  | 136.8%                     |
| 01-01-13                       | 3,193,745                              | 2,424,102   | (769,643)  | 131.7%                     |

#### DANVILLE 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.

#### DANVILLE 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 |
|------------------------|------------------------------|------------------------|
| 2009                   | None                         | N/A                    |
| 2010                   | None                         | N/A                    |
| 2011                   | None                         | N/A                    |
| 2012                   | None                         | N/A                    |
| 2013                   | None                         | N/A                    |
| 2014                   | None                         | N/A                    |

#### DANVILLE 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, 2013

Actuarial cost method Entry age normal

Amortization method N/A

Remaining amortization period N/A

Asset valuation method Fair value

Actuarial assumptions:

Investment rate of return \* 5.5%, net of expenses

Projected salary increases \* Age-related scale for merit/ seniority

(e.g. age 30 - 6.4%; age 40 - 5.0%; age 50 - 4.1%; age 60 - 3.7%)

Cost-of-living adjustments 3.0%, where applicable

<sup>\*</sup> Includes inflation at 3.0%

### DANVILLE BOROUGH POLICE PENSION PLAN DISTRIBUTION LIST

This letter was initially distributed to the following:

The Honorable Tom W. Wolf Governor Commonwealth of Pennsylvania

Danville Borough Police Pension Plan Montour County 239 Mill Street Danville, PA 17821

The Honorable Bernie Swank Mayor

Mr. Scott Richardson Council President

Ms. Shannon Berkey Borough Manager

This letter is a matter of public record and is available online at <a href="www.PaAuditor.gov">www.PaAuditor.gov</a>. Media questions about the letter can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: news@PaAuditor.gov.