

LIMITED PROCEDURES ENGAGEMENT

Pulaski Township Municipal Employee Pension Plan Lawrence County, Pennsylvania For the Period January 1, 2013 to December 31, 2015

April 2017



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

Board of Township Supervisors
Pulaski Township
Lawrence County
Pulaski, PA 16143

We conducted a Limited Procedures Engagement (LPE) of the Pulaski Township Municipal Employee Pension Plan for the period January 1, 2013 to December 31, 2015 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 findings 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2010 to December 31, 2015, are presented on the Summary of Deposited State Aid and Employer Contributions.

- 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2010 to December 31, 2015, are presented on the Summary of Deposited State Aid and Employer Contributions.
- 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 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 plan members 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 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, 2011, January 1, 2013, and January 1, 2015 actuarial valuation reports were prepared and submitted to the former Public Employee Retirement Commission (PERC) by March 31, 2012, 2014, and 2016, 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 Pulaski Township Municipal Employee 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 township 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 Pulaski Township and, where appropriate, their responses have been included in this report.

March 23, 2017

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

EUGENE A. DEPASQUALE
Auditor General

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PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendations

Pulaski Township has complied with the prior audit recommendations concerning the following:

· Incorrect Data On Certification Form AG 385 Resulting In An Overpayment Of State Aid

During the current engagement period, the township reimbursed \$332 to the Commonwealth for the overpayments of state aid received in 2011 and 2012.

· Allocation Of State Aid In Excess Of Entitlement

Township officials allocated the residual excess state aid from the year 2011 to the Pulaski Township Police Pension Plan.

· Failure To Properly Fund Member's Account

During the year 2013, excess contributions were withdrawn from the member's account and reimbursed to the township.

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 2 and 3 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	\$ 13,901	\$ 14,197
Interest	17,989	19,419
Difference between expected and actual experience	578	632
Changes of assumptions	-	952
Benefit payments, including refunds of member contributions	<u>(6,743)</u>	<u>(6,743)</u>
Net Change in Total Pension Liability	25,725	28,457
Total Pension Liability - Beginning	<u>325,239</u>	<u>350,964</u>
Total Pension Liability - Ending (a)	<u><u>\$ 350,964</u></u>	<u><u>\$ 379,421</u></u>
Plan Fiduciary Net Position		
Contributions – employer *	\$ 9,513	\$ 9,445
Contributions – PMRS assessment	-	180
Contribution – employee	4,548	4,772
PMRS investment income	17,870	19,302
Market value investment income	(643)	(20,350)
Benefit payments, including refunds of member contributions	(6,743)	(6,743)
PMRS administrative expense	(160)	(180)
Additional administrative expense	<u>(685)</u>	<u>(805)</u>
Net Change in Plan Fiduciary Net Position	23,700	5,621
Plan Fiduciary Net Position - Beginning	<u>320,585</u>	<u>344,285</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 344,285</u></u>	<u><u>\$ 349,906</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ 6,679</u></u>	<u><u>\$ 29,515</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.10%	92.22%
Estimated Covered Employee Payroll	\$ 104,411	\$ 111,309
Net Pension Liability as a Percentage of Covered Employee Payroll	6.40%	26.52%

* Employer contributions for 2014 include \$160 of administrative expenses paid from actuarial surplus.

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the township as of December 31, 2014 and 2015, calculated using the discount rate of 5.5%, as well as what the township'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:

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Pension Liability – 12/31/14	\$ 68,205	\$ 6,679	\$ (53,803)
Net Pension Liability – 12/31/15	\$ 96,715	\$ 29,515	\$ (36,682)

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2010	\$ 9,609	\$ 431
2011	8,418	None
2012	8,382	1,671
2013	8,564	None
2014	8,687	666
2015	8,911	514

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Ms. Lori Sniezek
Chairperson, Board of Township Supervisors

Mr. Greg Carna
Township Supervisor

Mr. Sam Verano
Township Supervisor

Ms. Megan Allison
Chief Administrative Officer

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report 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.