

LIMITED PROCEDURES ENGAGEMENT

Richland Township Non-Uniformed Cash Balance Pension Plan

Bucks County, Pennsylvania
For the Period
January 1, 2013 to December 31, 2016

September 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
Richland Township
Bucks County
Quakertown, PA 18951

We conducted a Limited Procedures Engagement (LPE) of the Richland Township Non-Uniformed Cash Balance Pension Plan for the period January 1, 2013 to December 31, 2016 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 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2013 to December 31, 2016, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether the 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, 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 Richland Township Non-Uniformed Cash Balance 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 Richland Township and, where appropriate, their responses have been included in this report.

August 30, 2017



EUGENE A. DEPASQUALE
Auditor General

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RICHLAND TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

The supplementary information contained on Pages 1 and 2 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	\$ 10,762	\$ 15,798
Interest	586	1,265
Difference between expected and actual experience	-	(1)
Net Change in Total Pension Liability	<u>11,348</u>	<u>17,062</u>
Total Pension Liability - Beginning	6,512	17,860
Total Pension Liability - Ending (a)	<u>\$ 17,860</u>	<u>\$ 34,922</u>
Plan Fiduciary Net Position		
Contributions – employer *	\$ 10,802	\$ 15,878
Net investment income	409	(950)
Administrative expense	(62)	(132)
Net Change in Plan Fiduciary Net Position	<u>11,149</u>	<u>14,796</u>
Plan Fiduciary Net Position - Beginning	6,447	17,596
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,596</u>	<u>\$ 32,392</u>
Net Pension Liability - Ending (a-b)	<u>\$ 264</u>	<u>\$ 2,530</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.52%	92.76%
Estimated Covered Employee Payroll	\$ 119,579	\$ 175,530
Net Pension Liability as a Percentage of Covered Employee Payroll	0.22%	1.44%

* Includes administrative expenses of \$40 for 2014 and \$80 for 2015.

RICHLAND TOWNSHIP NON-UNIFORMED CASH BALANCE 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	\$ 3,836	\$ 264	\$ (3,308)
Net Pension Liability – 12/31/15	\$ 9,515	\$ 2,530	\$ (4,454)

RICHLAND TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2013	None	\$ 6,367
2014	None	10,762
2015	None	15,798
2016	None	26,491

RICHLAND TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Timothy Ritter
Chairman, Board of Township Supervisors

Mr. Rick Orloff
Township Supervisor

Mr. Timothy Arnold
Township Supervisor

Mr. Paul Stepanoff
Township Manager

Mr. Chuck Botson
Treasurer

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.