



**LIMERICK TOWNSHIP RETIREMENT  
SAVINGS PLAN**

**MONTGOMERY COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2010 TO DECEMBER 31, 2012**

**COMMONWEALTH OF PENNSYLVANIA**

**EUGENE A. DEPASQUALE - AUDITOR GENERAL**

**DEPARTMENT OF THE AUDITOR GENERAL**



**Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen**

**EUGENE A. DePASQUALE  
AUDITOR GENERAL**

Board of Township Supervisors  
Limerick Township  
Montgomery County  
Limerick, PA 19468

We have conducted a compliance audit of the Limerick Township Retirement Savings Plan for the period January 1, 2010 to December 31, 2012. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above. Our methodology addressed determinations about the following:

- Whether state aid was properly determined and deposited in accordance with Act 205 requirements. State aid allocations that were deposited into the pension plan for the years ended December 31, 2010 to December 31, 2012, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether employer contributions are determined and deposited in accordance with the plan's governing document and applicable laws and regulations. Employer contributions that were deposited into the pension plan for the years ended December 31, 2010 to December 31, 2012, are presented on the Summary of Deposited State Aid and Employer Contributions.
- Whether employee contributions are required and, if so, are determined, deducted and deposited into the pension plan and are in accordance with the plan provisions and applicable laws and regulations.

- Whether benefit payments, if any, represent payments to all (and only) those entitled to receive them and are properly determined in accordance with applicable laws and regulations.
- Whether obligations for plan benefits are accurately determined in accordance with plan provisions and based on complete and accurate participant data; and whether actuarial valuation reports are prepared and submitted to the Public Employee Retirement Commission (PERC) in accordance with state law and 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.

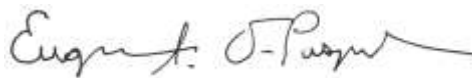
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Limerick Township Retirement Savings Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the township's internal controls as they relate to the township's compliance with those requirements and that we considered to be significant within the context of our audit objective, and assessed whether those significant controls were properly designed and implemented. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials 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 objective.

The results of our tests indicated that, in all significant respects, the Limerick Township Retirement Savings 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 – Failure To Properly Fund Member Accounts

The contents of this report were discussed with officials of Limerick Township and, where appropriate, their responses have been included in the report. We would like to thank township officials for the cooperation extended to us during the conduct of the audit.

March 6, 2014



EUGENE A. DEPASQUALE  
Auditor General

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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. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

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 Limerick Township Retirement Savings Plan is also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Limerick Township Retirement Savings Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 306. The plan was established January 1, 2009 for the former employees of the Limerick Township Municipal Authority hired by Limerick Township on September 2, 2008 and full-time non-uniformed employees of Limerick Township hired on or after January 1, 2009. Active members are not required to contribute to the plan. The municipality is required to contribute 8 percent of the compensation of participants eligible to receive contributions for the year. As of December 31, 2012, the plan had 14 active members, 3 terminated members eligible for vested benefits in the future and no retirees receiving pension benefits.

LIMERICK TOWNSHIP RETIREMENT SAVINGS PLAN  
FINDING AND RECOMMENDATION

**Finding – Failure To Properly Fund Member Accounts**

Condition: The township did not fully fund the accounts of 10 members in 2010 in the amount of \$10,720, as illustrated below:

2010 Employees	Required Contributions	Actual Contributions	Contributions Due
1	\$ 5,473	\$ 4,072	\$ 1,401
2	4,188	3,198	990
3	3,844	2,884	960
4	4,710	3,500	1,210
5	5,469	4,195	1,274
6	3,351	2,540	811
7	2,924	2,601	323
8	6,039	4,526	1,513
9	5,788	4,371	1,417
10	3,467	2,646	821
		Total	<u>\$ 10,720</u>

Criteria: Resolution No. 2009-10 sets the employer contribution rate at 8 percent of the compensation of participants eligible to share in contributions for the year.

Cause: Plan officials only deposited a portion of the township’s state aid allocation to fund the members’ accounts and failed to pay the balance of the amounts due through municipal contributions.

Effect: The failure to properly fund the members’ accounts could result in plan members being denied benefits to which they are entitled in accordance with the plan’s governing document. Furthermore, due to the township’s failure to properly fund the members’ accounts, the township must now pay interest on the delinquent contributions due.

Recommendation: We recommend that the township deposit the contributions due to the members’ accounts for the year 2010, with interest. A copy of the interest calculations should be submitted to this department along with evidence of the deposit of the contributions due.

We also recommend that plan officials establish adequate internal control procedures to ensure that the member accounts are properly funded in accordance with the provisions contained in the plan’s governing document.

Management’s Response: Municipal officials agreed with the finding without exception.

LIMERICK TOWNSHIP RETIREMENT SAVINGS PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2010	\$ 35,583	None
2011	47,501	\$ 2,001
2012	42,913	12,396

Note: In 2012, the township met the plan's \$59,647 funding requirement through the deposit of \$42,913 in state aid, \$12,396 in employer contributions and \$4,356 in terminated employee forfeitures.

LIMERICK TOWNSHIP RETIREMENT SAVINGS PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom Corbett  
Governor  
Commonwealth of Pennsylvania

Limerick Township Retirement Savings Plan  
Montgomery County  
646 West Ridge Pike  
Limerick, PA 19468

Mr. Joseph S. Pedro	Chairman, Board of Township Supervisors
Mr. Daniel Kerr	Township Manager
Ms. Beth DiPrete	Assistant Township Manager

This report is a matter of public record and is available online at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us). Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 231 Finance Building, Harrisburg, PA 17120; via email to: [news@auditorgen.state.pa.us](mailto:news@auditorgen.state.pa.us).