

COMPLIANCE AUDIT

Radnor Township Police Pension Plan Delaware County, Pennsylvania For the Period January 1, 2012 to December 31, 2014

July 2015



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 Commissioners
Radnor Township
Delaware County
Wayne, PA 19087

We have conducted a compliance audit of the Radnor Township Police Pension Plan for the period January 1, 2012 to December 31, 2014. We also evaluated compliance with some requirements subsequent to that period when possible. 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 our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report; and
2. 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 objectives identified above. To determine if municipal officials took appropriate corrective action to address the findings contained in our prior audit report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- × We determined 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 audit.

- × We determined 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.
- × We determined 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 audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- × We determined whether retirement benefits calculated for all 6 of the plan members 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 retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- × We determined 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.
- × We determined whether all annual special ad hoc postretirement reimbursements received by the municipality were authorized and appropriately deposited in accordance with Act 147 by tracing information to supporting documentation maintained by plan officials.

Radnor Township contracted with an independent certified public accounting firm for audits of its basic financial statements for the years ending December 31, 2012 and 2013 which are available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Radnor Township Police Pension 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 objectives, and assessed whether those significant controls were properly designed and implemented. Additionally and as previously described, 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 objectives.

The results of our procedures indicated that, in all significant respects, the Radnor Township Police Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following findings further discussed later in this report:

- Finding No. 1 – Noncompliance With Prior Audit Recommendation – Pension Benefits Not In Compliance With Act 600
- Finding No. 2 – Noncompliance With Prior Audit Recommendation – Improper Reduction Of Members' Contributions
- Finding No. 3 – Partial Compliance With Prior Audit Recommendation – Unauthorized Provision For A Killed In Service Benefit
- Finding No. 4 – Failure To Implement Act 44 Mandatory Distressed Provisions

Findings No. 1, 2, and 3 contained in this audit report repeat conditions that were cited in our previous audit report that have not been corrected by township officials. We are concerned by the township's failure to correct those previously reported audit findings and strongly encourage timely implementation of the recommendations noted in this audit report.

As previously noted, one of the objectives of our audit of the Radnor Township Police Pension Plan was to determine compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

<u>Level</u>	<u>Indication</u>	<u>Funding Criteria</u>
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

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. However, we are extremely concerned about the historical trend information contained in the schedule of funding progress included in this report which indicates a continued decline of assets available to satisfy the long-term liabilities of the plan, for example, **the plan's funded ratio went from 85.2% as of January 1, 2009, to a ratio of 60.4% as of January 1, 2013, which is the most recent data available. Based on this information, and the funded status of the township's civilian employees' pension plan, the Public Employee Retirement Commission issued a notification that the township is currently in Level II moderate distress status.** We encourage township officials to monitor the funding of the police pension plan to ensure its long-term financial stability.

The contents of this report were discussed with officials of Radnor Township and, where appropriate, their responses have been included in the report.

May 21, 2015



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 Radnor Township Police Pension 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 including, but not limited to, the following:

- Act 147 - Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of December 14, 1988 (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101 et seq.
- Act 177 - General Local Government Code, Act of December 19, 1996 (P.L. 1178, No. 177), as amended, 53 Pa.C.S. § 101 et seq.
- Act 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 761 et seq.

The Radnor Township Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 99-28, as amended, adopted pursuant to Act 600. The plan is also affected by the provisions of collective bargaining agreements between the township and its police officers. The plan was established January 1, 1957. Active members are required to contribute 3 percent of compensation to the plan if hired prior to January 1, 2013, and 5 percent of compensation to the plan if hired on or after January 1, 2013. As of December 31, 2014, the plan had 41 active members, 2 terminated members eligible for vested benefits in the future, and 52 retirees receiving pension benefits from the plan.

BACKGROUND – (Continued)

As of December 31, 2014, selected plan benefit provisions are as follows:

Eligibility Requirements:

Normal Retirement Age 50 and 25 years of service or age 60 and 20 years, if earlier.

Early Retirement Eligible with 20 years of service.

Vesting A member is 100% vested after 12 years of service.

Retirement Benefit:

Benefit equals 50% of final 36 months average salary, plus a service increment of \$100 per month for each year of service in excess of 25 years, up to a maximum of \$500 per month.

Survivor Benefit:

Before Retirement Eligibility 100% of the member's accrued benefit at the date of death.

After Retirement Eligibility A monthly benefit equal to 100% of the pension the member was receiving or was entitled to receive on the day of the member's death.

Service Related Disability Benefit:

Benefit equals 70% of the member's salary at the time the disability was incurred.

Non-Service Related Disability Benefit:

For members hired before January 1, 2001, a monthly benefit equal to 50% of the member's salary at the time the disability was incurred, the benefit ceases at age 65.

RADNOR TOWNSHIP POLICE PENSION PLAN
STATUS OF PRIOR FINDINGS

Compliance With Prior Audit Recommendation

- Pension Benefits Not Authorized By Act 600

During the current audit period, the township was able to include in the collective bargaining agreement for the period January 1, 2013 to December 31, 2018 that for officers hired on or after January 1, 2013, the buyback of accrued but unused leave at retirement, regardless of the category of compensation, shall be excluded from that officer's pension calculation unless earned within the pension computation period. The township is still obligated to provide these benefits to police officers hired between January 24, 2001 and December 31, 2012. The Department will continue to monitor the effect of the township continuing to provide these benefits to the affected police officers during future audits of the plan.

Partial Compliance With Prior Audit Recommendation

Radnor Township has partially complied with the prior audit recommendation concerning the following:

- Unauthorized Provision For A Killed In Service Benefit

The current collective bargaining agreement for the period January 1, 2013 to December 31, 2018 states that, effective January 1, 2013, the Act 51 killed in service benefit shall replace the existing Act 600 killed in service benefit; however, the killed in service benefit provision still needs to be removed from the plan's governing document.

Noncompliance With Prior Audit Recommendations

Radnor Township has not complied with the prior audit recommendations concerning the following as further discussed in the Findings and Recommendations section of this report:

- Pension Benefits Not In Compliance With Act 600

- Improper Reduction Of Members' Contributions

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Noncompliance With Prior Audit Recommendation – Pension Benefits Not In Compliance With Act 600

Condition: The township adopted a home rule charter pursuant to the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2901 et seq. (previously 53 P.S. § 1-101 et seq.). As disclosed in the prior audit report, the township provides retirement benefits to its police officers that are not in compliance with Act 600, as noted below:

<u>Benefit Provision</u>	<u>Ordinance No. 99-28, as amended</u>	<u>Act 600</u>
Normal retirement age and service eligibility	The earlier of 25 years of service and age 50 or 20 years of service and age 60.	25 years of service and age 55 or, if elected and actuarially feasible, age 50.
Intervening military service credit	Requires 18 months of employment prior to the period of military service.	Requires 6 months of employment prior to the period of military service.
Early retirement benefit after the completion of 20 or more years of service	“Act 24 Retirement Date” shall mean the date on which the participant has completed 20 years of service and, for purposes of this plan, has not yet attained age 60.	There is no age restriction for an early retirement benefit.
Member contributions	3% of his/her basic monthly earnings.	Members shall pay an amount equal to not less than 5% of monthly compensation. The governing body of the township may on an annual basis by ordinance or resolution, reduce or eliminate payments into the fund by members.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Criteria: As previously prescribed, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee* on January 24, 2001. Therein, the court held that Section 2962(c)(5) of the Home Rule Charter and Optional Plans Law, 53 Pa. C.S. § 2962(c)(5), “clearly precludes home rule municipalities from providing pension benefits different from those prescribed in general law including Act 600.” The court’s holding was in accord with the position taken by this Department since at least January 1995.

Cause: The township was unable to effect compliance with the prior audit recommendation through the collective bargaining process.

Effect: The provision of unauthorized benefits could increase the plan’s pension costs and reduce the amount of funds available for investment purposes or the payment of authorized benefits or administrative expenses. Although the township did not receive excess state aid allocations during the current audit period attributable to benefit provisions not in compliance with Act 600, the provision of benefits not in compliance with Act 600 could result in the receipt of excess state aid in the future or increase required municipal contributions to the plan.

Recommendation: The department acknowledges that its position has changed over the years and that, until *Monroeville*, there was no definitive decision as to whether home rule municipalities were obliged to comply with applicable pension law. The department seeks, therefore, to implement the decision in as equitable a fashion as possible, while paying necessary deference to the court’s ruling. Accordingly, the department will not penalize a home rule municipality for granting benefits not authorized by Act 600 to existing retirees or to individuals who began full-time employment before January 24, 2001 (the date *Monroeville* was issued). However, the department expects the township to restrict pension benefits to those authorized by Act 600 for all employees who began full-time employment on or after that date.

To the extent that the benefits provided to employees who began employment on or after January 24, 2001, are not in compliance with Act 600, the excess benefits must be reflected in the Act 205 actuarial valuation reports for the plan and funded in accordance with Act 205 funding standards. Furthermore, the excess benefits will be deemed ineligible for funding with state pension aid. In such case, the plan’s actuary may be required to determine the impact, if any, of the excess benefits on the township’s future state aid allocations and submit this information to the department.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Special note should be taken that the department’s application of *Monroeville* only to employees hired on or after January 24, 2001, does not sanction (1) a municipality’s granting excess benefits to existing or future employees when none had been granted as of January 24, 2001, or (2) a municipality’s increasing excess benefits for existing or future employees beyond those that had been granted as of that date.

Management’s Response: At an exit conference held on April 15, 2015, management indicated that the township would provide a written response to this finding within 10 days; however, no such formal written response to this issue has been provided. The township has indicated that the preliminary findings and recommendations of this report have been forwarded to its attorneys for review and comment and the township expects to substantively respond to the findings and recommendations by June 30, 2015.

Auditor’s Conclusion: The township’s management response will be reviewed subsequent to the release of the audit report.

Finding No. 2 – Noncompliance With Prior Audit Recommendation – Improper Reduction Of Members’ Contributions

Condition: As disclosed in the prior audit and noted in the Background section of this report, the Radnor Township Police Pension Plan is locally controlled by the provisions of Ordinance No. 99-28, as amended, adopted pursuant to Act 600. Section 6(a) of Act 600 provides that where police officers are covered by Social Security, members shall pay into the fund 5 percent of total compensation. However, pursuant to Section 6(c) of Act 600, municipalities have the option to annually reduce or eliminate members’ contributions through the adoption of an annual ordinance or resolution. During the current audit period, the governing body of the municipality again failed to annually reduce members’ contributions in accordance with Act 600 provisions.

Criteria: Section 6(c) of Act 600 states, in part:

The governing body of the borough, town, township or regional police department may, on an annual basis, by ordinance or resolution, reduce or eliminate payments into the fund by members.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

Cause: Plan officials failed to establish adequate internal control procedures to ensure that members' contributions were reduced in accordance with Act 600 provisions.

Effect: The municipality's intention to have the police officers contribute to the plan at a reduced rate was not formally established pursuant to Act 600 provisions.

Recommendation: We again recommend that the municipality either annually reduce members' contributions in accordance with Act 600, or reinstate the collection of members' contributions in accordance with Act 600 provisions.

Management's Response: At an exit conference held on April 15, 2015, management indicated that the township would provide a written response to this finding within 10 days; however, no such formal written response to this issue has been provided. The township has indicated that the preliminary findings and recommendations of this report have been forwarded to its attorneys for review and comment and the township expects to substantively respond to the findings and recommendations by June 30, 2015.

Auditor's Conclusion: The township's management response will be reviewed subsequent to the release of the audit report.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – Partial Compliance With Prior Audit Recommendation – Unauthorized Provision For A Killed In Service Benefit

Condition: As disclosed in the Status of Prior Findings section of this report, the municipality partially complied with the prior audit recommendation. The current collective bargaining agreement for the period January 1, 2013 to December 31, 2018 states that, effective January 1, 2013, the Act 51 killed in service benefit shall replace the existing Act 600 killed in service benefit; however, the plan’s governing document continues to provide for a killed in service benefit.

Ordinance No. 2002-21, at Section 5.070C states, in part:

A pre-retirement survivor benefit equal to 100 percent of the final average salary over the last 12 months of active service ending on the date of death of a Participant who is killed while working on active duty shall be payable to the deceased Participant’s survivor...

In addition, the killed in service benefit provision continues to be funded due to its inclusion in the plan’s January 1, 2013, actuarial valuation report.

Criteria: Section 1(a) of Act 51 of 2009 states, in part:

In the event a law enforcement officer, ambulance service or rescue squad member, firefighter, certified hazardous material response team member or National Guard member dies as a result of the performance of his duties, such political subdivision, Commonwealth agency or, in the case of National Guard members, the Adjutant General, or, in the case of a member of a Commonwealth law enforcement agency, the authorized survivor or the agency head, within 90 days from the date of death, shall submit certification of such death to the Commonwealth.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

In addition, Section 1(d) of Act 51 of 2009 states, in part:

... the Commonwealth shall, from moneys payable out of the General Fund, pay to the surviving spouse or, if there is no surviving spouse, to the minor children of the paid firefighter, ambulance service or rescue squad member or law enforcement officer who died as a result of the performance of his duty the sum of \$100,000, adjusted in accordance with subsection (f) of this section, and an amount equal to the monthly salary, adjusted in accordance with subsection (f) of this section, of the deceased paid firefighter, ambulance service or rescue squad member or law enforcement officer, less any workers' compensation or pension or retirement benefits paid to such survivors, and shall continue such monthly payments until there is no eligible beneficiary to receive them. For the purpose of this subsection, the term "eligible beneficiary" means the surviving spouse or the child or children under the age of eighteen years or, if attending college, under the age of twenty-three years, of the firefighter, ambulance service or rescue squad member or law enforcement officer who died as a result of the performance of his duty. When no spouse or minor children survive, a single sum of \$100,000, adjusted in accordance with subsection (f) of this section, shall be paid to the parent or parents of such firefighter, ambulance service member, rescue squad member or law enforcement officer. (Emphasis added)

Furthermore, Section 2 of Act 51 of 2009 states:

Repeals are as follows:

- (1) The General Assembly declares that the repeals under paragraph (2) are necessary to effectuate the amendment of section 1 of the act.
- (2) The following parts of acts are repealed:
 - (i) Section 5(e)(2) of the act of May 29, 1956 (1955 P.L.1804, No. 600), referred to as the Municipal Police Pension Law.
 - (ii) Section 202(b)(3)(vi) and (4)(vi) of the act of December 18, 1984 (P.L.1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act.

Since Act 51 specifically repealed the killed in service provision of Act 600 and the funding provisions for the killed in service benefit that were contained in Act 205, the provision of a killed in service benefit is no longer authorized.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Cause: Plan officials failed to establish adequate internal control procedures to ensure the plan’s governing document was updated to reflect the removal of the killed in service benefit.

Effect: Since Section 1 of Act 51 provides that the Commonwealth is obligated to pay the killed in service benefit less any pension or retirement benefits paid to eligible survivors, the continued provision of a killed in service benefit in the plan’s governing document could result in the pension plan being obligated to pay a benefit that is no longer authorized by Act 600, and would have been paid entirely by the Commonwealth absent such provision.

Recommendation: We again recommend that the municipality take appropriate action to remove the killed in service benefit from the plan’s governing document at its earliest opportunity to do so.

Management’s Response: At an exit conference held on April 15, 2015, management indicated that the township would provide a written response to this finding within 10 days; however, no such formal written response to this issue has been provided. The township has indicated that the preliminary findings and recommendations of this report have been forwarded to its attorneys for review and comment and the township expects to substantively respond to the findings and recommendations by June 30, 2015.

Auditor’s Conclusion: The township’s management response will be reviewed subsequent to the release of the audit report.

Finding No. 4 – Failure To Implement Act 44 Mandatory Distressed Provisions

Condition: Act 205 was amended on September 18, 2009, through the adoption of Act 44 of 2009. Among several provisions relating to municipal pension plans, the act provides for the implementation of a distress recovery program. Three levels of distress have been established:

<u>Level</u>	<u>Indication</u>	<u>Funding Criteria</u>
I	Minimal distress	70-89%
II	Moderate distress	50-69%
III	Severe distress	Less than 50%

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Based on the plan’s funded ratio of 66.6% as of January 1, 2011, in aggregation with the funded ratio of the township’s civilian employees’ pension plan, the Public Employee Retirement Commission (PERC) issued a notification in 2012 that the township was in Level II moderate distress status. In addition, based on the plan’s funded ratio of 60.4% as of January 1, 2013 in aggregation with the funded ratio of the township’s civilian employees’ pension plan, PERC issued another notification in 2014 that the township remains in Level II moderate distress status.

Included with the determination notices, PERC sent the municipality the Act 205 Recovery Program Election Form outlining the mandatory remedies that must be implemented and the voluntary remedies that the municipality could elect to implement. This form was required to be signed by the plan’s Chief Administrative Officer and returned to PERC.

Although the municipality submitted the election forms to PERC, as of the date of this audit report, the township has implemented the applicable distress remedies.

Criteria: Act 205, amended by Act 44, at Section 605(a), states:

Recovery program level II.

- (a) Mandatory remedies. Any municipality to which level II of the recovery program applies shall utilize the following remedies:
 - (1) The aggregation of trust funds pursuant to section 607(b).
 - (2) The submission of a plan for administrative improvement pursuant to section 607(i).

Cause: Municipal officials failed to establish adequate internal control procedures to ensure that the mandatory distress remedies have been implemented.

Effect: The municipality is not in compliance with the Act 44 mandatory distress remedy provisions applicable to Level II which are designed to improve the funding status and administrative efficiency of its pension plans.

Recommendation: We recommend that municipal officials contact PERC for guidance in the implementation of the mandatory distress remedies applicable to Level II pursuant to Act 44 of 2009.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

Management's Response: At an exit conference held on April 15, 2015, management indicated that the township would provide a written response to this finding within 10 days; however, no such formal written response to this issue has been provided. The township has indicated that the preliminary findings and recommendations of this report have been forwarded to its attorneys for review and comment and the township expects to substantively respond to the findings and recommendations by June 30, 2015.

Auditor's Conclusion: The township's management response will be reviewed subsequent to the release of the audit report.

RADNOR TOWNSHIP 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 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)
01-01-09	\$ 21,465,937	\$ 25,188,349	\$ 3,722,412	85.2%
01-01-11	20,232,840	30,370,789	10,137,949	66.6%
01-01-13	20,409,419	33,776,908	13,367,489	60.4%

The market values of the plan's assets at 01-01-09, 01-01-11 and 01-01-13 have been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period which will be limited to a maximum of 130 percent and a minimum of 70 percent of the fair market value of assets. These methods 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.

RADNOR TOWNSHIP 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.

RADNOR TOWNSHIP 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	\$ 534,000	100.0%
2010	558,404	103.3%
2011	822,301	100.0%
2012	855,232	118.1%
2013	1,730,673	185.6%
2014	2,160,223	100.0%

RADNOR TOWNSHIP 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	Level dollar
Remaining amortization period	13 years
Asset valuation method	4-year smoothing - the actuarial value of assets will be limited to a maximum of 130% and a minimum of 70% of the fair market value of assets.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	5.0%
Cost-of-living adjustments	None assumed

RADNOR TOWNSHIP POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Radnor Township Police Pension Plan
Delaware County
301 Iven Avenue
Wayne, PA 19087

Mr. William A. Spingler President, Board of Township Commissioners

Mr. Robert A. Zienkowski Township Manager

Mr. William White Finance Director

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