



RADNOR TOWNSHIP POLICE PENSION PLAN

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2010, TO DECEMBER 31, 2011

RELEASED APRIL 2013

COMMONWEALTH OF PENNSYLVANIA

EUGENE A. DEPASQUALE - AUDITOR GENERAL

DEPARTMENT OF THE AUDITOR GENERAL



RADNOR TOWNSHIP POLICE PENSION PLAN

DELAWARE COUNTY

COMPLIANCE AUDIT REPORT

FOR THE PERIOD

JANUARY 1, 2010, TO DECEMBER 31, 2011

CONTENTS

	<u>Page</u>
Background	1
Letter from the Auditor General	3
Status of Prior Findings	7
Findings and Recommendations:	
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Pension Benefits Not In Compliance With Act 600	8
Finding No. 2 – Noncompliance With Prior Audit Recommendation – Pension Benefits Not Authorized By Act 600	11
Finding No. 3 – Improper Reduction Of Members’ Contributions	13
Finding No. 4 – Unauthorized Provision For A Killed In Service Benefit	14
Supplementary Information	17
Report Distribution List	21

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.

Pension plan aid is provided from a 2 percent foreign casualty insurance premium tax, a portion of the foreign 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.





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 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, 2010, to December 31, 2011. 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. Our methodology addressed determinations about the following:

- Whether state aid was properly determined and deposited in accordance with Act 205 requirements.
- Whether employer contributions are determined and deposited in accordance with the plan's governing document and applicable laws and regulations.
- 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.
- Whether the special ad hoc postretirement adjustment granted to eligible pensioners is in accordance with applicable laws and regulations and whether the ad hoc reimbursement received by the municipality was treated in accordance with applicable laws and regulations.
- Whether benefit payments have only been made to living recipients, based on the Social Security numbers found in the pension records for retirees and beneficiaries.
- Whether killed-in-service insurance premiums are proper and in accordance with plan provisions and applicable laws, regulations, and policies.

Radnor Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements 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, 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 tests 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 – Pension Benefits Not Authorized By Act 600
- Finding No. 3 – Improper Reduction Of Members' Contributions
- Finding No. 4 – Unauthorized Provision For A Killed In Service Benefit

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 94.2% as of January 1, 2007, to a ratio of 66.6% as of January 1, 2011**, which is the most recent date available. Based on this information, 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.

January 10, 2013


 EUGENE A. DEPASQUALE
 Auditor General

RADNOR TOWNSHIP POLICE PENSION PLAN
STATUS OF PRIOR FINDINGS

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
- Pension Benefits Not Authorized By Act 600

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:

Benefit Provision	Ordinance No. 99-28, as amended	Act 600
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: On January 24, 2001, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*. 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: Normal Retirement Age and Service Eligibility – The 20 years of service and age 60 superannuation retirement benefit was adopted before the decision in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*, which held that Home Rule municipalities must comply with Act 600. Since Radnor Township was a home rule municipality at the time this 20 and 60 superannuation retirement benefit was negotiated between the township and its police union, that benefit is not illegal. However, since 2007, the collective bargaining agreement between the township and FOP, Lodge 27, the bargaining representative for Radnor Township police officers, has limited normal retirement to those officers who attain age 50 and complete 25 years of service. The township will amend the police pension ordinance to reflect this provision in the police collective bargaining agreement.

Intervening Military Service Credit – Since this benefit is less generous than that guaranteed by Act 600, the township will reduce the 18 month employment period to 6 months as part of its new collective bargaining agreement with Lodge 27. As noted above, the township will provide you with written confirmation of this change once the new collective bargaining agreement is ratified.

Early Retirement Benefit After the Completion of 20 or More Years of Service – As previously noted, the township will correct this benefit prospectively and provide notice of that correction.

Member Contributions – The township will amend its police pension ordinance to reflect the requirements of Act 600 as part of its labor negotiations with Lodge 27 and provide written notice once the ordinance has been amended.

Auditor's Conclusion: Compliance will be subject to verification through our next audit of the plan.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 - Noncompliance With Prior Audit Recommendation – Pension Benefits Not Authorized By Act 600

Condition: As disclosed in the prior audit report, municipal officials provided pension benefits in excess of those authorized by Act 600. Municipal officials included accumulated unused compensatory time, vacation, personal leave and holiday pay that was earned outside the pension benefit computation period in the determination of the final average salary used to calculate monthly pension benefits for four police officers who retired during prior audit periods as well as two police officers who retired during the current audit period and three police officers who retired in 2012.

Criteria: On January 24, 2001, the Commonwealth Court of Pennsylvania issued its opinion in *Municipality of Monroeville v. Monroeville Police Department Wage Policy Committee*. 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.

Furthermore, Section 5(c) of Act 600 states, in part:

Monthly pension or retirement benefits other than length of service increments shall be computed at one-half the monthly average salary of such member during not more than the last sixty nor less than the last thirty-six months of employment.

Although Act 600 does not define “salary,” the department has concluded, based on a line of court opinions, that the term does not encompass lump-sum payments for leave that was not earned during the pension computation period. Furthermore, Article V of the plan’s governing document grants a lifetime normal retirement benefit equal to 50 percent of the member’s final monthly average salary. Article I of the plan’s governing document contains the following definitions:

“Final Monthly Average Salary” shall mean the average monthly Salary . . . earned by the Participant and paid by the Employer during the final 36 months immediately preceding retirement which are included in the averaging period. Any single sum payments for accumulated sick time or back pay awards shall not be included in the calculation of Final Monthly Average Salary.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

“Salary” shall mean the Employee’s regular salary and the following additional forms of compensation: (i) forms of compensation which are fixed amounts paid at periodic intervals such as longevity pay, holiday pay and night differential pay, and (ii) any irregular or extra forms of compensation such as overtime or court pay. Salary, as used herein, shall not include extra duty pay and uniform allowances.

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

Effect: Providing unauthorized pension benefits increases the plan’s pension costs and reduces the amount of funds available for investment purposes or for 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 unauthorized benefits could result in the receipt of excess state aid in the future or increase required municipal contributions to the plan.

Recommendation: We again recommend that the township take appropriate action to exclude lump-sum payments earned outside the pension computation period from pension calculations for, at a minimum, all employees who began full-time employment on or after January 24, 2001, (the date *Monroeville* was issued), at its earliest opportunity to do so. 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. 2 – (Continued)

Management Response: The township will make every effort to eliminate the inclusion of accumulated but unused leave time from a retiring officer's pension calculation. However, as noted in the management response to Finding No. 1, even if a benefit is illegal, the pension calculation for active employees cannot be revised to reduce their retirement benefit. Consequently, the township will seek to eliminate during negotiations the inclusion of accrued but unused leave time in the pension calculation for officers hired on or after January 1, 2014. Since the exclusion of accrued but unused leave time from a retiring officer's pension calculation benefits the township, you should understand that Radnor Township is eager to comply. However, the legal basis for your finding, reliance upon Monroeville, is flawed because it completely ignores the Supreme Court's holding in Borough of Nazareth, 545 Pa. 85, 680 A.2d 830 (1996).

Auditor's Conclusion: The Department has determined that Act 600 does not contemplate including lump-sum payments for accumulated unused leave earned outside the averaging period in pension benefit determinations; therefore, the finding and recommendation remain as stated.

Finding No. 3 – Improper Reduction Of Members' Contributions

Condition: As previously 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 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.

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

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

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 recommend that the municipality either annually reduce members' contributions in accordance with Act 600, or reinstate the collection of members' contributions in accordance with the rate approved by the municipality.

Management's Response: The township will adopt protocols to ensure that the township properly reduces member contributions on an annual basis in accordance with Act 600.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

Finding No. 4 - Unauthorized Provision For A Killed In Service Benefit

Condition: Radnor Township maintains a police pension plan governed by the provisions of Act 600, as amended. Prior to the adoption of Act 51 of 2009, Act 600 contained a mandatory killed in service benefit provision; however, Act 51 specifically repealed the section of Act 600 that referenced the mandatory killed in service benefit. During the prior audit, a verbal observation was given to plan officials notifying them of the passage of Act 51. It was recommended that plan officials review the act's implications for the police pension plan and the collective bargaining agreement in effect for the period January 1, 2007, to December 31, 2010, with their municipal solicitor. During the current audit period, it has been determined that the pension plan's governing document continues to provide for a killed in service benefit that is no longer authorized by Act 600.

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, 2011, actuarial valuation report.

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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.

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)

RADNOR TOWNSHIP POLICE PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – (Continued)

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.

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

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 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 recommend that the municipality review the plan's killed in service benefit with its solicitor in conjunction with Act 51 of 2009, and make any adjustments deemed necessary at its earliest opportunity to do so.

Management's Response: The township has commenced negotiations with Lodge 27 and has identified the elimination of the Act 600 killed-in-service benefit as a priority for its next collective bargaining agreement. Once the new labor contract has been negotiated, the township will provide written notice that it has adopted Act 51 of 2009, and eliminated the now unlawful Act 600 killed-in-service benefit.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

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, 2007, is as follows:

	(1)	(2)	(3)	(4)	(5)	(6)
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)	Covered Payroll (c)	Unfunded (Assets in Excess of) Actuarial Accrued Liability as a % of Payroll [(b-a)/(c)]
01-01-07	\$ 21,420,364	\$ 22,743,658	\$ 1,323,294	94.2%	\$ 3,649,155	36.3%
01-01-09	21,465,937	25,188,349	3,722,412	85.2%	4,063,213	91.6%
01-01-11	20,232,840	30,370,789	10,137,949	66.6%	3,883,113	261.1%

Note: The market value of the plan's assets at 01-01-07 has been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period. The market values of the plan's assets at 01-01-09 and 01-01-11 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.

Trends in unfunded (assets in excess of) actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded (assets in excess of) actuarial accrued liability as a percentage of annual covered payroll (Column 6) approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, where there is an unfunded actuarial accrued liability, the smaller this percentage, the stronger the plan. However, when assets are in excess of the actuarial accrued liability, the higher the bracketed 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
2006	\$ 322,000	100.0%
2007	624,992	100.0%
2008	522,000	100.0%
2009	534,000	100.0%
2010	558,404	103.3%
2011	822,301	100.0%

RADNOR TOWNSHIP POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 NOTES TO SUPPLEMENTARY SCHEDULES
 (UNAUDITED)

The information presented in the required 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, 2011
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%
* Includes inflation at	Not disclosed
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 Corbett
Governor
Commonwealth of Pennsylvania

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

Mr. William Spingler	President, Board of Township Commissioners
Mr. Robert A. Zienkowski	Township Manager
Mr. William White	Finance Director

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, Room 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.