

LIMITED PROCEDURES ENGAGEMENT

Bethlehem Township Teamsters Employees Pension Plan Northampton County, Pennsylvania For the Period January 1, 2016 to December 31, 2017

March 2019



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

EUGENE A. DePASQUALE
AUDITOR GENERAL

Board of Township Commissioners
Bethlehem Township
Northampton County
Bethlehem, PA 18020

We conducted a Limited Procedures Engagement (LPE) of the Bethlehem Township Teamsters Employees Pension Plan for the period January 1, 2016 to December 31, 2017 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.
- 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, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2016 and 2018, 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 Bethlehem Township Teamsters Employees 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 Bethlehem Township and, where appropriate, their responses have been included in this report. We would like to thank township officials for the cooperation extended to us during the conduct of this LPE.

February 26, 2019



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Supplementary Information	1
Report Distribution List	6

BETHLEHEM TOWNSHIP TEAMSTERS EMPLOYEES 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, 2016 AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 30,111	\$ 20,820
Interest	95,967	100,926
Changes for experience	-	(43,036)
Changes of assumptions	-	43,429
Benefit payments, including refunds of member contributions	(42,127)	(50,543)
Net Change in Total Pension Liability	<u>83,951</u>	<u>71,596</u>
Total Pension Liability – Beginning	1,361,910	1,445,861
Total Pension Liability – Ending (a)	<u><u>\$ 1,445,861</u></u>	<u><u>\$ 1,517,457</u></u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 89,381	\$ 86,995
Net investment income	47,268	124,757
Benefit payments, including refunds of member contributions	(42,127)	(50,543)
Administrative expense	(3,000)	(3,900)
Net Change in Plan Fiduciary Net Position	<u>91,522</u>	<u>157,309</u>
Plan Fiduciary Net Position – Beginning	1,102,202	1,193,724
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 1,193,724</u></u>	<u><u>\$ 1,351,033</u></u>
Net Pension Liability – Ending (a-b)	<u><u>\$ 252,137</u></u>	<u><u>\$ 166,424</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.6%	89.0%
Estimated Covered Employee Payroll	\$ 338,852	\$ 349,626
Net Pension Liability as a Percentage of Covered Employee Payroll	74.4%	47.6%

BETHLEHEM TOWNSHIP TEAMSTERS EMPLOYEES 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, 2016 and 2017, calculated using the discount rate of 7.0%, 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability – 12/31/16	\$ 439,678	\$ 252,137	\$ 94,856
Net Pension Liability – 12/31/17	\$ 349,819	\$ 166,424	\$ 11,833

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a Percentage of Covered- Employee Payroll
2008	\$ 61,505	\$ 61,505	\$ -		
2009	70,787	70,787	-		
2010	71,482	71,482	-		
2011	76,879	76,879	-		
2012	74,903	74,903	-		
2013	77,867	77,867	-		
2014	76,151	76,151	-	\$ 379,272	20.08%
2015	93,149	93,149	-	387,643	24.03%
2016	89,381	89,381	-	338,852	26.38%
2017	86,995	86,995	-	349,626	24.88%

* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for years prior to 2014.

BETHLEHEM TOWNSHIP TEAMSTERS EMPLOYEES 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, 2013, 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)
01-01-13	\$ 871,299	\$ 1,144,001	\$ 272,702	76.2%
01-01-15	1,099,374	1,314,306	214,932	83.6%
01-01-17	1,193,724	1,446,254	252,530	82.5%

BETHLEHEM TOWNSHIP TEAMSTERS EMPLOYEES 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.

BETHLEHEM TOWNSHIP TEAMSTERS EMPLOYEES 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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	8 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	5.0%

BETHLEHEM TOWNSHIP TEAMSTERS EMPLOYEES PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Mr. Michael Hudak
President, Board of Township Commissioners

Ms. Malissa Davis
Vice President, Board of Township Commissioners

Mr. John K. Gallagher
Township Commissioner

Mr. John J. Merhottein
Township Commissioner

Ms. Kristine Black
Township Commissioner

Mr. Douglas Bruce
Township Manager

Mr. Andrew J. Freda
Director of Finance

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.