

COMPLIANCE AUDIT

City of Greensburg Non-Uniformed Pension Plan Westmoreland County, Pennsylvania For the Period January 1, 2019 to December 31, 2021

January 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and City Council
City of Greensburg
Westmoreland County
Greensburg, PA 15601

We have conducted a compliance audit of the City of Greensburg Non-Uniformed Pension Plan for the period January 1, 2019 to December 31, 2021. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed 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. 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 total 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 plan members who retired during the current audit period, and through the completion of our fieldwork procedures, 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 benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- We determined whether the January 1, 2019 and January 1, 2021 actuarial valuation reports were prepared and submitted by March 31, 2020 and 2022, 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.

The City of Greensburg Non-Uniformed Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, copies of which are available from the PMRS accounting office. PMRS's financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

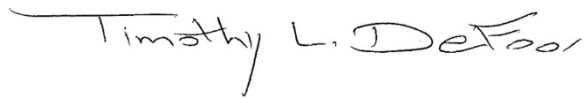
City officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the City of Greensburg Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials and performed procedures to the extent necessary 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 procedures indicated that, in all significant respects, the City of Greensburg Non-Uniformed 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 finding further discussed later in this report:

Finding – Ordinance Improperly Amended By Resolution

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 City of Greensburg and, where appropriate, their responses have been included in the report. We would like to thank city officials for the cooperation extended to us during the conduct of the audit.

A handwritten signature in dark ink, reading "Timothy L. DeFoor". The signature is written in a cursive, flowing style with a horizontal line extending to the left.

Timothy L. DeFoor
Auditor General
December 19, 2022

CONTENTS

	<u>Page</u>
Background	1
Finding and Recommendation:	
Finding – Ordinance Improperly Amended By Resolution	2
Supplementary Information	4
Report Distribution List	8

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.

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 City of Greensburg Non-Uniformed Pension Plan is also governed by implementing regulations 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 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The City of Greensburg Non-Uniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Resolution No. 1304, and a separately executed plan agreement with the plan's custodian, adopted pursuant to Act 15. Prior to November 1, 2020, the plan was controlled by the provisions of Ordinance No. 1965, and an agreement with the plan custodian, adopted pursuant to Act 15 (*refer to Finding No. 1*). The plan is also affected by the provisions of collective bargaining agreements between the city and its non-uniformed employees. The plan was established May 1, 1968. Active members are required to contribute three and one-half (3.5) percent of compensation to the plan. As of December 31, 2021, the plan had 43 active members, 8 terminated members eligible for vested benefits in the future, and 41 retirees receiving pension benefits.

CITY OF GREENSBURG NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Ordinance Improperly Amended By Resolution

Condition: The pension plan governing document, Ordinance No. 1965, was restated in its entirety by Resolution No. 1304 dated December 14, 2020, effective November 1, 2020, which adopted a revised plan agreement with the plan custodian with the same effective date.

Criteria: In Wynne v. Lower Merion Township, 181 Pa. Superior Ct., 524, the Pennsylvania Superior Court held that an ordinance may be amended only by another ordinance and not by a resolution.

Cause: Municipal officials were provided the resolution from their pension plan custodian and were unaware that a resolution cannot amend an ordinance.

Effect: The failure to properly adopt the restated plan document could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that the city amend the plan's governing document with a properly executed ordinance.

Management's Response: Municipal officials disagreed with the finding and provided the following response dated December 16, 2022, as follows:

The referenced Ordinance, City of Greensburg Ordinance 1965, does not specifically approve or authorize the execution of the then effective Non-Uniform Pension Plan Document. The City of Greensburg is Home Rule Municipality [*sic*], previously being a City of the Third Class. Where the Greensburg Code and Charter do not address a particular matter, the City refers to the Pennsylvania Third Class City Code. The Greensburg Code and Charter do not mention where it is appropriate for a resolution to be used, only setting forth when an ordinance is required (which does not include the adoption of contracts). The Third Class City Code provides in Section 1081 (b)(2) that contracts are to be approved by resolution. The current Non-Uniform Pension Plan Document is a contract. It is respectfully submitted that since the City's prior contract was not specifically approved by way of ordinance, a resolution was the appropriate method to approve the 2020 Non-Uniform Pension Plan Document.

CITY OF GREENSBURG NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Auditor's Conclusion: The Department acknowledges the city's position; however, based on the aforementioned court case and Section 402(j) of Act 205, which is shown below, the department agrees to disagree on the matter.

The Auditor General shall have the duty of administering the General Municipal Pension System State Aid Program. The Auditor General may promulgate rules and regulations necessary for the efficient administration of the program and may specify the form and content of any forms applicable to the program. The Auditor General, as deemed necessary, shall 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.

The Department does not take exception that a city may adopt resolutions as a Home Rule Municipality, in accordance with the Third Class City Code, merely that the pension plan and the benefits therein, were previously established and amended by ordinance (*i.e. non-uniformed pension plan previously incorporated as Article III of Chapter 54 of Ordinance No. 1646, and amended most recently with Ordinance Nos. 1965, 1904 and 1550 which adopted the benefits set forth in agreements between the city and the Pennsylvania Municipal Retirement System*), and as such must be amended by ordinance, accordingly. Therefore, the issue remains as stated. Compliance will be evaluated during our next audit of the plan.

CITY OF GREENSBURG NON-UNIFORMED 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, 2017, 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)
01-01-17	\$ 12,070,937	\$ 12,855,988	\$ 785,051	93.9%
01-01-19	13,139,358	13,812,208	672,850	95.1%
01-01-21	13,873,335	14,122,882	249,547	98.2%

CITY OF GREENSBURG NON-UNIFORMED 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.

CITY OF GREENSBURG NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll*</u>	<u>Contributions as a Percentage of Covered- Employee Payroll*</u>
2014	\$ 122,184	\$ 124,414	\$ (2,230)	\$2,386,279	5.21%
2015	174,623	174,683	(60)	2,306,889	7.57%
2016	176,684	176,784	(100)	2,328,354	7.59%
2017	199,124	199,224	(100)	2,362,222	8.43%
2018	201,344	201,404	(60)	2,458,229	8.19%
2019	252,297	252,337	(40)	2,417,940	10.44%
2020	257,215	257,335	(120)	2,264,175	11.37%
2021	263,126	263,126	-		

* Due to the timing of this audit, covered-employee payroll for 2021 was not provided in this schedule.

CITY OF GREENSBURG NON-UNIFORMED 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, 2021
Actuarial cost method	Entry age normal
Amortization method	Not available
Remaining amortization period	4 years
Asset valuation method	Not available
Actuarial assumptions:	
Investment rate of return *	5.25%, compounded annually, net of investment and administration expenses
Projected salary increases *	4.1%
* Includes inflation at	2.2%
Cost-of-living adjustments	2.2% per year, subject to plan limitations

The information reported above was extracted from the Pennsylvania Municipal Retirement System Experience Study Results Report dated September 2020 which is the basis for the 01-01-2021 actuarial valuation. The report did not specify the actuarial or market value methodologies often contained in the Notes to Supplementary Schedules and will be added going forward when readily available.

CITY OF GREENSBURG NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

The Honorable Robert L. Bell
Mayor

Ms. Kelsye Milliron
City Administrator

Ms. Trisha Hilderhoff
Fiscal Director

Mr. Richard Cardamone, CPA, CGMA
Pennsylvania Municipal Retirement System

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.