

LIMITED PROCEDURES ENGAGEMENT

City of Latrobe Non-Uniformed Pension Plan Westmoreland County, Pennsylvania For the Period January 1, 2015 to December 31, 2016

March 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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EUGENE A. DePASQUALE
AUDITOR GENERAL

The Honorable Mayor and City Council
City of Latrobe
Westmoreland County
Latrobe, PA 15650

We conducted a Limited Procedures Engagement (LPE) of the City of Latrobe Non-Uniformed Pension Plan for the period January 1, 2015 to December 31, 2016 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 municipal officials took appropriate corrective action to address the finding contained in our prior audit report, by inquiring of plan officials and evaluating supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken.
- 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 annual employee contributions were required during the engagement period and, if so, 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 engagement period and examining documents evidencing the deposit of these employee contributions into the pension plan.
- 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 monthly 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, 2013 and January 1, 2015 actuarial valuation reports were prepared and submitted to the former Public Employee Retirement Commission (PERC) by March 31, 2014 and 2016, 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 City of Latrobe Non-Uniformed 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 city 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 the City of Latrobe and, where appropriate, their responses have been included in this report. We would like to thank city officials for the cooperation extended to us during the conduct of this LPE.

March 7, 2018



EUGENE A. DEPASQUALE
Auditor General

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CITY OF LATROBE NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

The City of Latrobe has complied with the prior audit recommendation concerning the following:

- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

During the current engagement period, municipal officials complied with the instructions that accompany Certification Form AG 385 and accurately reported the required pension data.

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

The supplementary information contained on Pages 2 and 3 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, 2014 AND 2015

	<u>2014</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 78,873	\$ 76,929
Interest	243,526	241,374
Difference between expected and actual experience	(151,182)	-
Changes of assumptions	-	48,386
Transfers	-	(28,083)
Benefit payments, including refunds of member contributions	(192,911)	(196,218)
Net Change in Total Pension Liability	(21,694)	142,388
Total Pension Liability - Beginning	4,444,034	4,422,340
Total Pension Liability - Ending (a)	<u>\$ 4,422,340</u>	<u>\$ 4,564,728</u>
Plan Fiduciary Net Position		
Contributions – employer*	\$ 2,462	\$ 40
Contributions - member	31,338	32,540
PMRS investment income	268,108	276,689
Market value investment income	76,604	(287,513)
Transfers	-	(28,083)
Benefit payments, including refunds of member contributions	(192,911)	(196,218)
PMRS administrative expense	(820)	(800)
Additional administrative expenses	(10,282)	(11,535)
Net Change in Plan Fiduciary Net Position	174,499	(214,880)
Plan Fiduciary Net Position - Beginning	4,895,290	5,069,789
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,069,789</u>	<u>\$ 4,854,909</u>
Net Pension Liability - Ending (a-b)	<u>\$ (647,449)</u>	<u>\$ (290,181)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	114.64%	106.36%
Estimated Covered Employee Payroll	\$ 992,460	\$ 929,714
Net Pension Liability as a Percentage of Covered Employee Payroll	(65.24%)	(31.21%)

* 2014 Employer contributions consist of administrative expenses and allocated insurance premiums paid from actuarial surplus. 2015 Employer contributions consist of administrative expenses.

CITY OF LATROBE NON-UNIFORMED 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 city as of December 31, 2014 and 2015, calculated using the discount rate of 5.5%, as well as what the city'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 (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Pension Liability - 12/31/14	\$ (254,652)	\$ (647,449)	\$ (988,890)
Net Pension Liability - 12/31/15	\$ 114,483	\$ (290,181)	\$ (639,921)

CITY OF LATROBE 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, 2011, 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)
01-01-11	\$ 4,789,398	\$ 4,119,442	\$ (669,956)	116.3%
01-01-13	5,070,914	4,294,166	(776,748)	118.1%
01-01-15	5,179,069	4,422,340	(756,729)	117.1%

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

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2011	None	N/A
2012	None	N/A
2013	None	N/A
2014	None	N/A
2015	None	N/A
2016	None	N/A

CITY OF LATROBE NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

Actuarial valuation date	January 1, 2015
Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	5.5%, net of expenses
Projected salary increases *	Age-related scale for merit/ seniority (e.g. age 30 - 6.4%; age 40 - 5.0%; age 50 - 4.1%; age 60 - 3.7%)
Cost-of-living adjustments	3.0%, where applicable

* Includes inflation at 3.0%

CITY OF LATROBE 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 Rosemarie M. Wolford
Mayor

Mr. Gerald Baldonieri, Sr.
Deputy Mayor

Mr. John F. Murtha
Councilman

Mr. Eric Bartels
Councilman

Mr. Robert Forish
Councilman

Ms. Christine M. Weller
Councilwoman

Mr. James Kelley
Councilman

Mr. Wayne B. Jones, CPA, CIA
City Manager

Ms. Holly Peton
Finance Director

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