

LIMITED PROCEDURES ENGAGEMENT

Dublin Borough Non-Uniformed Pension Plan Bucks County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

August 2018



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

The Honorable Mayor and Borough Council
Dublin Borough
Bucks County
Dublin, PA 18917

We conducted a Limited Procedures Engagement (LPE) of the Dublin Borough Non-Uniformed Pension Plan for the period January 1, 2014 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.
- 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, January 1, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 2014, 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 Dublin Borough Non-Uniformed Pension Plan was not being 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 – Failure To Fund Member’s Accounts.

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 borough 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 Dublin Borough and, where appropriate, their responses have been included in this report. We would like to thank borough officials for the cooperation extended to us during the conduct of this LPE.

August 14, 2018



EUGENE A. DEPASQUALE
Auditor General

CONTENTS

	<u>Page</u>
Finding and Recommendation:	
Finding – Failure To Fund Member’s Accounts	1
Supplementary Information	3
Summary of Deposited State Aid and Employer Contributions	5
Report Distribution List	6

DUBLIN BOROUGH NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding –Failure To Fund Member’s Accounts

Condition: During 2012 through 2017, the borough did not fund the accounts of two employees who became eligible for plan participation and a corresponding contribution on October 9, 2012 (Employee 1) and February 4, 2014 (Employee 2), respectively.

<u>2012 Employee</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Due</u>
1	\$ 190	\$ -	<u>\$ 190</u>
<u>2013 Employee</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Due</u>
1	\$ 963	\$ -	<u>\$ 963</u>
<u>2014 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 597	\$ -	\$ 597
2	1,036	-	<u>1,036</u>
Total			<u>\$ 1,633</u>
<u>2015 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 752	\$ -	\$ 752
2	1,080	-	<u>1,080</u>
Total			<u>\$ 1,832</u>
<u>2016 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 791	\$ -	\$ 791
2	1,102	-	<u>1,102</u>
Total			<u>\$ 1,893</u>

DUBLIN BOROUGH NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

<u>2017 Employees</u>	<u>Required Contributions</u>	<u>Actual Contributions</u>	<u>Contributions Due</u>
1	\$ 846	\$ -	\$ 846
2	1,134	-	<u>1,134</u>
Total			<u><u>\$ 1,980</u></u>

Criteria: The plan’s governing document, Ordinance No. 228, sets the municipal contribution rate at 2 percent of compensation.

Cause: Previous borough officials were unaware of their obligation to make a contribution for newly eligible members of the plan.

Effect: The failure to properly fund the plan could result in plan members being denied benefits to which they are entitled in accordance with the plan’s governing document.

Due to borough’s failure to properly fund the referenced member’s account, the borough must now pay interest on the delinquent contribution.

Recommendation: We recommend that the borough deposit the outstanding contributions due to the members’ accounts for the years 2012 through 2017, \$8,491, with interest, from the date of deposit of the municipal contributions which were made in that year to the date of deposit of the amount in arrears. A copy of the interest calculation must be maintained by the borough for examination during our next engagement of the plan.

We also recommend that, in the future, borough officials properly fund the accounts of all eligible plan members.

Management’s Response: Municipal officials agreed with the finding without exception.

Auditor’s Conclusion: Compliance will be evaluated during our next engagement of the plan.

DUBLIN BOROUGH NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 3 and 4 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, 2015, AND 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 2,518	\$ 2,631	\$ 2,751
Interest	4,488	4,873	5,289
Difference between expected and actual experience	-	1	-
Net Change in Total Pension Liability	<u>\$ 7,006</u>	<u>\$ 7,505</u>	<u>\$ 8,040</u>
Total Pension Liability – Beginning	80,628	87,634	95,139
Total Pension Liability - Ending (a)	<u><u>\$ 87,634</u></u>	<u><u>\$ 95,139</u></u>	<u><u>\$ 103,179</u></u>
Plan Fiduciary Net Position			
Contributions – employer *	\$ 2,598	\$ 2,671	\$ 2,751
Contributions – PMRS assessment	-	80	80
PMRS investment income	4,467	4,857	5,273
Market value investment income	(278)	(5,390)	1,951
PMRS administrative expense	(80)	(80)	(80)
Additional administrative expense	(171)	(202)	(258)
Net Change in Plan Fiduciary Net Position	<u>\$ 6,536</u>	<u>\$ 1,936</u>	<u>\$ 9,717</u>
Plan Fiduciary Net Position – Beginning	79,813	86,349	88,285
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 86,349</u></u>	<u><u>\$ 88,285</u></u>	<u><u>\$ 98,002</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ 1,285</u></u>	<u><u>\$ 6,854</u></u>	<u><u>\$ 5,177</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.53%	92.80%	94.98%
Estimated Covered Employee Payroll	\$ 125,913	\$ 131,577	\$ 137,549
Net Pension Liability as a Percentage of Covered Employee Payroll	1.02%	5.21%	3.76%

* 2015 employer contributions includes \$40 interest deposited into the Municipal Reserve Account.

DUBLIN BOROUGH 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 borough as of December 31, 2014 and 2015, calculated using the discount rate of 5.5%, as well as what the borough'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:

	<u>1% Decrease (4.50%)</u>	<u>Current Discount Rate (5.50%)</u>	<u>1% Increase (6.50%)</u>
Net Pension Liability - 12/31/14	\$ 18,812	\$ 1,285	\$ (16,242)
Net Pension Liability - 12/31/15	\$ 25,881	\$ 6,854	\$ (12,174)

In addition, the following presents the net pension liability of the borough as of December 31, 2016, calculated using the discount rate of 5.25%, as well as what the borough'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:

	<u>1% Decrease (4.25%)</u>	<u>Current Discount Rate (5.25%)</u>	<u>1% Increase (6.25%)</u>
Net Pension Liability - 12/31/16	\$ 25,813	\$ 5,177	\$ (15,459)

DUBLIN BOROUGH NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	None	\$ 3,049
2013	None	2,706
2014	None	2,598
2015	None	2,711
2016	None	2,831
2017	None	2,433

Note: In 2012, the borough met the plan's \$3,941 funding requirement through the deposit of \$3,049 in employer contributions and application of \$892 in terminated employees' forfeitures.

DUBLIN BOROUGH 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 Christopher Hayes
Mayor

Mr. Jeffrey Sharer
Council President

Mr. Brent Smith
Council Vice-President

Mr. Matthew Mayes
Council Member

Mr. Gary Mast
Council Member

Mr. Kent Moore
Council Member

Mr. John Sherer
Council Member

Mr. William Benonis
Council Member

Ms. Angela Benner
Borough Manager

Ms. Charity Rosenberry, CPA
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.