

LIMITED PROCEDURES ENGAGEMENT

Dublin Borough Police 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



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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 Police 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.
- 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 Police 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 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 13, 2018

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale", with a long horizontal flourish extending to the right.

EUGENE A. DEPASQUALE
Auditor General

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DUBLIN BOROUGH POLICE 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, 2014, 2015, AND 2016

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 20,099	\$ 20,411	\$ 18,723
Interest	36,095	39,141	41,740
Difference between expected and actual experience	25,026	-	(8,899)
Changes of assumptions	-	15,542	21,530
Benefit payments, including refunds of member contributions	(26,146)	(26,146)	(26,146)
Net Change in Total Pension Liability	\$ 55,074	48,948	46,948
Total Pension Liability - Beginning	649,071	704,145	753,093
Total Pension Liability - Ending (a)	<u>\$ 704,145</u>	<u>\$ 753,093</u>	<u>\$ 800,041</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 29,677	\$ 27,838	\$ 28,272
Contributions - PMRS assessment	-	60	60
PMRS investment income	34,822	37,066	39,472
Market value investment income	525	(35,814)	20,906
Benefit payments, including refunds of member contributions	(26,146)	(26,146)	(26,146)
PMRS Administrative expense	(60)	(60)	(60)
Additional administrative expense	(1,335)	(1,545)	(1,934)
Net Change in Plan Fiduciary Net Position	37,483	1,399	60,570
Plan Fiduciary Net Position - Beginning	634,147	671,630	673,029
Plan Fiduciary Net Position - Ending (b)	<u>\$ 671,630</u>	<u>\$ 673,029</u>	<u>\$ 733,599</u>
Net Pension Liability - Ending (a-b)	<u>\$ 32,515</u>	<u>\$ 80,064</u>	<u>\$ 66,442</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.38%	89.37%	91.70%
Estimated Covered Employee Payroll	\$ 137,769	\$ 139,316	\$ 145,668
Net Pension Liability as a Percentage of Covered Employee Payroll	23.60%	57.47%	45.61%

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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:

	1% Decrease (4.5%)	Current Discount Rate (5.5%)	1% Increase (6.5%)
Net Pension Liability - 12/31/14	\$ 113,822	\$ 32,515	\$ (37,299)
Net Pension Liability - 12/31/15	\$ 169,531	\$ 80,064	\$ 3,420

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:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability - 12/31/16	\$ 161,230	\$ 66,442	\$ (15,053)

DUBLIN BOROUGH POLICE PENSION PLAN
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(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	\$ 602,430	\$ 621,400	\$ 18,970	96.9%
01-01-15	686,713	704,145	17,432	97.5%
01-01-17	783,550	800,041	16,491	97.9%

DUBLIN BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
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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.

DUBLIN BOROUGH POLICE PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2012	\$ 28,602	100.0%
2013	29,305	100.0%
2014	29,677	100.0%
2015	27,898	100.0%
2016	28,332	100.0%
2017	29,328	100.0%

DUBLIN BOROUGH POLICE 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	7 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	5.25%, compounded annually, net of investment and administration expenses
Salary scale	Total rate (including inflation) (e.g. age 30 - 5.44 %; age 40 – 4.26%; age 50 – 3.72%; age 60 - 3.28%)
Cost-of-living adjustments	2.8% per year, subject to plan limitations

DUBLIN BOROUGH POLICE PENSION PLAN PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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