

# LIMITED PROCEDURES ENGAGEMENT

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## LeBoeuf Township Non-Uniformed Pension Plan Erie County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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September 2018



Commonwealth of Pennsylvania  
Department of the Auditor General

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Board of Township Supervisors  
LeBoeuf Township  
Erie County  
Waterford, PA 16441

We conducted a Limited Procedures Engagement (LPE) of the LeBoeuf Township 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. State aid allocations 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 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 LeBoeuf Township 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 – Receipt Of State Aid In Excess of Entitlement

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 LeBoeuf 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.

September 12, 2018



EUGENE A. DEPASQUALE  
Auditor General

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LEBOEUF TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Receipt Of State Aid In Excess Of Entitlement**

Condition: The township received state aid in excess of the non-uniformed pension plan’s annual pension costs for the year 2014, as illustrated below:

State aid allocation	\$ 6,950
Actual municipal pension costs	<u>(6,812)</u>
Excess state aid	<u><u>\$ 138</u></u>

Criteria: Section 402(f)(2) of Act 205 states:

No municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount which exceeds the aggregate actual financial requirements of any municipal pension plans for police officers, paid firefighters or employees other than police officers or paid firefighters maintained by the municipality, less the amount of any aggregate annual member or employee contributions during the next succeeding plan year, as reported in the most recent complete actuarial report filed with the commission.

Cause: Plan officials failed to establish adequate internal control procedures to reconcile the township’s state aid allocation with the plan’s actual pension costs and reimburse the difference to the Commonwealth.

Effect: It is this department’s opinion that because the entire proceeds of the insurance premium tax on foreign casualty insurance companies are distributed annually to each eligible recipient municipality, it is inappropriate to use state aid in one year to offset pension costs in other years. Consequently, the overpayment of state aid in the year 2014 must be returned to the Commonwealth for redistribution.

Recommendation: We recommend that the municipality return the \$138 of excess state aid received in the year 2014 to the Commonwealth from the township’s general fund. A check in this amount, with interest compounded annually from date of receipt to date of repayment, at a rate earned by the plan, should be made payable to: Commonwealth of Pennsylvania and mailed to: Department of the Auditor General, Municipal Pension & Fire Relief Programs Unit, 321 Finance Building, Harrisburg, PA 17120. A copy of the interest calculation must be submitted along with evidence of payment.

LEBOEUF TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Furthermore, we recommend that, in the future, plan officials reconcile the township's annual state aid allocation with the plan's annual pension costs and reimburse any excess state aid received to the Commonwealth.

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

Auditor's Conclusion: The township's compliance with the finding recommendation will be monitored subsequent to the release of the report and through our next engagement.

LEBOEUF TOWNSHIP 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	\$ 7,682	\$ 10,204	\$ 11,730
Interest	13,828	14,441	16,098
Difference between expected and actual experience	1,108	1,237	1,268
Changes of assumptions	-	512	836
Benefit payments, including refunds of member contributions	<u>(3,924)</u>	<u>(5,150)</u>	<u>(5,150)</u>
Net Change in Total Pension Liability	18,694	21,244	24,782
Total Pension Liability - Beginning	<u>250,695</u>	<u>269,389</u>	<u>290,633</u>
Total Pension Liability - Ending (a)	<u><u>\$ 269,389</u></u>	<u><u>\$ 290,633</u></u>	<u><u>\$ 315,415</u></u>
Plan Fiduciary Net Position			
Contributions – employer*	\$ 7,503	\$ 8,009	\$ 8,758
Contributions – PMRS Assessment	-	140	160
Contributions – Employee	320	2,449	2,972
PMRS investment income	13,810	14,399	16,045
Market value investment income	238	(15,317)	7,410
Benefit payments, including refunds of member contributions	<u>(3,924)</u>	<u>(5,150)</u>	<u>(5,150)</u>
PMRS administrative expense	(140)	(140)	(160)
Additional administrative expense	<u>(530)</u>	<u>(600)</u>	<u>(786)</u>
Net Change in Plan Fiduciary Net Position	17,277	3,790	29,249
Plan Fiduciary Net Position - Beginning	<u>247,633</u>	<u>264,910</u>	<u>268,700</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 264,910</u></u>	<u><u>\$ 268,700</u></u>	<u><u>\$ 297,949</u></u>
Net Pension Liability - Ending (a-b)	<u><u>\$ 4,479</u></u>	<u><u>\$ 21,933</u></u>	<u><u>\$ 17,466</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.34%	92.45%	94.46%
Estimated Covered Employee Payroll	\$ 70,029	\$ 96,936	\$ 109,476
Net Pension Liability as a Percentage of Covered Employee Payroll	6.40%	22.63%	15.95%

\* 2015 Employer contributions include \$254 deposit to municipal reserve.

LEBOEUF TOWNSHIP 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 township as of December 31, 2014 and 2015, calculated using the discount rate of 5.5%, 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:

	<u>1% Decrease (4.5%)</u>	<u>Current Discount Rate (5.5%)</u>	<u>1% Increase (6.5%)</u>
Net Pension Liability - 12/31/14	\$ 54,396	\$ 4,479	\$ (45,111)
Net Pension Liability - 12/31/15	\$ 74,509	\$ 21,933	\$ (30,148)

The following presents the net pension liability of the township as of December 31, 2016, calculated using the discount rate of 5.25%, 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:

	<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	\$ 75,043	\$ 17,466	\$ (39,629)



LEBOEUF TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 6,567	\$ 814
2013	6,631	1,095
2014	6,950	553
2015	4,912	2,983
2016	7,813	1,105
2017	7,957	949

LEBOEUF TOWNSHIP NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
Governor  
Commonwealth of Pennsylvania

**Mr. James Glover**  
Chairman, Board of Township Supervisors

**Ms. Catherine Wise**  
Secretary

**Ms. Charity Rosenberry, CPA**  
Pennsylvania Municipal Retirement System

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).