

LIMITED PROCEDURES ENGAGEMENT

Maidencreek Township Non-Uniformed Pension Plan Berks 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

Board of Township Supervisors
Maidencreek Township
Berks County
Blandon, PA 19510

We conducted a Limited Procedures Engagement (LPE) of the Maidencreek 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 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 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 Maiden creek Township 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 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 Maiden creek 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.

July 31, 2018



EUGENE A. DEPASQUALE
Auditor General

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MAIDENCREEK TOWNSHIP NON-UNIFORMED PENSION PLAN
STATUS OF PRIOR FINDING

Compliance With Prior Audit Recommendation

Maidencreek Township has complied with the prior audit recommendation concerning the following:

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

Plan officials complied with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

MAIDENCREEK TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 2 through 5 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	\$ 15,648	\$ 30,118
Interest	31,713	38,124
Benefit payment	(11,604)	(11,604)
Difference between expected and actual experience	-	41,363
Net Change in Total Pension Liability	<u>35,757</u>	<u>98,001</u>
Total Pension Liability - Beginning	443,192	478,949
Total Pension Liability - Ending (a)	<u><u>\$ 478,949</u></u>	<u><u>\$ 576,950</u></u>
 Plan Fiduciary Net Position		
Contributions – employer	\$ 19,067	\$ 34,030
Net investment income	56,474	(7,383)
Benefit payments	(11,604)	(11,604)
Administrative expense	(2,270)	(2,290)
Other	(3,500)	(3,500)
Net Change in Plan Fiduciary Net Position	<u>58,167</u>	<u>9,253</u>
Plan Fiduciary Net Position - Beginning	795,744	853,911
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 853,911</u></u>	<u><u>\$ 863,164</u></u>
 Net Pension Liability - Ending (a-b)	<u><u>\$ (374,963)</u></u>	<u><u>\$ (286,214)</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	178.29%	149.61%
 Estimated Covered Employee Payroll	\$ 169,465	\$ 345,914
 Net Pension Liability as a Percentage of Covered Employee Payroll	(221.26%)	(82.74%)

MAIDENCREEK TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CHANGES IN THE NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2016, AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 25,887	\$ 26,509
Interest	38,852	38,805
Benefit payment	(11,604)	(11,604)
Difference between expected and actual experience	(42,011)	(54,427)
Net Change in Total Pension Liability	<u>11,124</u>	<u>(717)</u>
Total Pension Liability - Beginning	<u>576,950</u>	<u>588,074</u>
Total Pension Liability - Ending (a)	<u><u>\$ 588,074</u></u>	<u><u>\$ 587,357</u></u>
 Plan Fiduciary Net Position		
Contributions – employer	\$ 9,685	\$ 20,000
Net investment income	65,657	164,098
Benefit payments	(11,604)	(11,604)
Administrative expense	(2,351)	(2,351)
Other	(3,500)	(3,500)
Net Change in Plan Fiduciary Net Position	<u>57,887</u>	<u>166,643</u>
Plan Fiduciary Net Position - Beginning	<u>863,164</u>	<u>921,051</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 921,051</u></u>	<u><u>\$ 1,087,694</u></u>
 Net Pension Liability - Ending (a-b)	<u><u>\$ (332,977)</u></u>	<u><u>\$ (500,338)</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	156.62%	185.18%
 Estimated Covered Employee Payroll	\$ 294,677	\$ 289,557
 Net Pension Liability as a Percentage of Covered Employee Payroll	(113.00%)	(172.79%)

MAIDENCREEK 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, 2015, 2016, and 2017, calculated using the discount rate of 7.0%, 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:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability - 12/31/14	\$ (287,621)	\$ (374,963)	\$ (446,504)
Net Pension Liability - 12/31/15	\$ (184,241)	\$ (286,214)	\$ (370,111)
Net Pension Liability - 12/31/16	\$ (235,365)	\$ (332,977)	\$ (413,723)
Net Pension Liability - 12/31/17	\$ (400,190)	\$ (500,338)	\$ (583,036)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2008	\$ 37,613	\$ 37,613	\$ -	\$ 269,784	13.9%
2009	38,386	38,386	-	285,357	13.5%
2010	55,561	55,561	-	284,486	19.5%
2011	54,162	54,162	-	293,494	18.5%
2012	40,855	40,855	-	244,517	16.7%
2013	33,940	33,940	-	224,099	15.1%
2014	15,330	19,067	(3,737)	169,465	11.3%
2015	34,030	34,030	-	345,914	9.8%
2016	9,685	9,685	-	294,677	3.3%
2017	20,000	20,000	-	289,557	6.9%

MAIDENCREEK TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense:

2017	17.79%
2016	7.64%
2015	(0.86%)
2014	7.09%
2013	26.73%
2012	12.99%
2011	(1.62%)
2010	16.40%
2009	32.50%
2008	(32.80%)

MAIDENCREEK TOWNSHIP 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, 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	\$ 610,168	\$ 544,659	\$ (65,509)	112.0%
01-01-15	853,911	520,311	(333,600)	164.1%
01-01-17	921,051	533,647	(387,404)	172.6%

MAIDENCREEK TOWNSHIP 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.

MAIDENCREEK TOWNSHIP 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, 2017
Actuarial cost method	Entry age normal
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%

MAIDENCREEK 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. Claude Beaver
Chairman, Board of Township Supervisors

Mr. Joseph Rudderow III
Vice-Chairman, Board of Township Supervisors

Ms. Heidi Fiedler
Township Supervisor

Ms. Diane Hollenbach
Township Manager

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