

# COMPLIANCE AUDIT

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## Millcreek Township Aggregated Pension Plan Erie County, Pennsylvania For the Period January 1, 2017 to December 31, 2018

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May 2019



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  
Millcreek Township  
Erie County  
Erie, PA 16506

We have conducted a compliance audit of the Millcreek Township Aggregated Pension Plan for the period January 1, 2017 to December 31, 2018. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report; and
2. To determine if the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

Our audit was limited to the areas related to the objectives identified above. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior audit report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- We determined 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 period under audit.

- We determined 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.
- We determined whether annual employee contributions 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 period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan.
- We determined whether retirement benefits calculated for all eight of the non-uniformed plan members and all five of the police plan members who retired during the current audit 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 the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients. We also determined whether retirement benefits calculated for the sole non-uniformed plan member who elected to vest during the current audit period represent payments to all (and only) those entitled to receive them and were properly determined in accordance with the plan's governing document, applicable laws and regulations by recalculating the amount of the pension benefits due to the retired individual and comparing these amounts to supporting documentation evidencing amounts determined.
- We determined whether the January 1, 2017 actuarial valuation report was prepared and submitted by March 31, 2018, respectively, in accordance with Act 205 and whether selected information provided on this report 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.
- We determined whether all annual special ad hoc postretirement reimbursements received by the municipality were authorized and appropriately deposited in accordance with Act 147 by tracing information to supporting documentation maintained by plan officials.
- We determined whether provisions of the Deferred Retirement Option Plan (DROP) were in accordance with the provisions of Act 205 by examining provisions stated in the plan's governing documents.

Millcreek Township contracted with an independent certified public accounting firm for an audit of its basic financial statements for the year ended December 31, 2017, which is available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Millcreek Township Aggregated Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. In conducting our audit, we obtained an understanding of the township's internal controls as they relate to the township's compliance with those requirements and that we considered to be significant within the context of our audit objectives, and assessed whether those significant controls were properly designed and implemented. Additionally and as previously described, we tested transactions, assessed official actions, performed analytical procedures, and interviewed selected officials to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the Millcreek Township Aggregated Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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 Millcreek Township and, where appropriate, their responses have been included in the report. We would like to thank township officials for the cooperation extended to us during the conduct of the audit.

April 30, 2019



EUGENE A. DEPASQUALE  
Auditor General

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## BACKGROUND

On December 18, 1984, the Pennsylvania Legislature adopted the Municipal Pension Plan Funding Standard and Recovery Act (P.L. 1005, No. 205, as amended, 53 P.S. § 895.101 et seq.). 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. Section 402(j) of Act 205 specifically requires the Auditor General, as deemed necessary, to make an audit of every municipality, which receives general municipal pension system state aid, and of every municipal pension plan and fund in which general municipal pension system state aid is deposited.

Annual state aid allocations are provided from a 2 percent foreign (out-of-state) casualty insurance premium tax, a portion of the foreign (out-of-state) fire insurance tax designated for paid firefighters and any investment income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984, are eligible for state aid. For municipal pension plans established after that date, the sponsoring municipality must fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs.

In addition to Act 205, the Millcreek Township Aggregated Pension Plan is also governed by implementing regulations adopted by the former Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to, the following:

- Act 69 – The Second Class Township Code, Act of May 1, 1933 (P.L. 103, No. 69), as reenacted and amended, 53 P.S. § 65101 et seq.
- Act 147 – Special Ad Hoc Municipal Police and Firefighter Postretirement Adjustment Act, Act of December 14, 1988 (P.L. 1192, No. 147), as amended, 53 P.S. § 896.101 et seq.
- Act 600 – Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 767 et seq.

The Millcreek Township Aggregated Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 2006-15, as amended, adopted pursuant to Act 600 for its police officers, and Ordinance No. 2013-4, adopted pursuant to Act 69 for its non-uniformed employees. The plan is also affected by the provisions of collective bargaining agreements between the township and its police officers and non-uniformed employees.

## **BACKGROUND – (Continued)**

### POLICE PENSION PLAN

The plan was established November 24, 1950. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2018, the plan had 58 active members, no terminated members eligible for vested benefits in the future, and 58 retirees receiving pension benefits from the plan.

As of December 31, 2018, selected plan benefit provisions are as follows:

#### Eligibility Requirements:

Normal Retirement	Age 50 and 25 years of service.
Early Retirement	Eligible with 20 years of service.
Vesting	100% vesting available after 12 years of service.

#### Retirement Benefit:

Benefit equals 50% of compensation averaged over the last 36 months, plus a service increment of \$20 for each year of service in excess of 25 years (maximum \$100).

#### Survivor Benefit:

Before Retirement Eligibility	Refund of member contributions plus interest.
After Retirement Eligibility	A monthly benefit equal to 50% of the pension the member was receiving or was entitled to receive on the day of the member's death.

#### Service Related Disability Benefit:

Benefit equals 50% of compensation averaged over the last 36 months, but no less than 50% of the member's salary at the time the disability was incurred, offset by Social Security disability benefits received for the same injury.

## **BACKGROUND – (Continued)**

### GENERAL EMPLOYEES' PENSION PLAN

The plan was established April 1, 1960. Active members are required to contribute 4 percent of compensation for the first 20 years, then 2 percent thereafter, to the plan. As of December 31, 2018, the plan had 110 active members, 7 terminated members eligible for vested benefits in the future, and 70 retirees receiving pension benefits from the plan.

As of December 31, 2018, selected plan benefit provisions are as follows:

#### Eligibility Requirements:

Normal Retirement	Age 62 and 10 years of service.
Early Retirement	Age 55 and 10 years of service.
Vesting	100% vesting available after 10 years of service.

#### Retirement Benefit:

Benefit equals 2.5625% of final 36 months average salary multiplied by years of service to a maximum of 20, plus \$10 per year of service in excess of 20 (maximum \$100).

#### Survivor Benefit:

Before Retirement Eligibility	Refund of contributions plus interest.
After Retirement Eligibility	Participant's accrued benefit at date of death is payable to the beneficiary until the earlier of death or 120 months. After retirement, the normal form of benefit is a monthly pension for life with 120 payments guaranteed, however, the participant may select an optional form of benefit that is an actuarial equivalent of the normal form.

#### Disability Benefit:

<u>Service Related</u>	After 10 years of service, benefit equals is 2.5625% of final monthly average salary multiplied by years of service to a maximum of 20 years, payable immediately, but actuarially reduced for commencement at date of disablement.
<u>Non-Service Related</u>	Same as service related.



MILLCREEK TOWNSHIP AGGREGATED PENSION PLAN  
STATUS OF PRIOR FINDING

POLICE PENSION PLAN

Compliance With Prior Audit Recommendation

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

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

During the current audit period, the township reimbursed \$9,456 to the Commonwealth for the overpayment of state aid received in 2016 and complied with the instructions that accompanied Certification Forms AG 385 and accurately reported the required pension data.

MILLCREEK TOWNSHIP AGGREGATED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 5 through 13 reflects the implementation of GASB Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local governmental pension plans. (For 2018, some of the GASB 67 information for the Aggregated Pension Plan was not available at the time of this engagement.)

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, 2016, AND 2017

AGGREGATED PENSION PLAN

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total Pension Liability				
Service cost	\$ 1,434,568	\$ 1,541,508	\$ 1,615,017	\$ 1,794,135
Interest	4,628,635	4,811,779	5,061,400	5,224,673
Change of benefit terms	-	72,137	-	-
Difference between expected and actual experience	-	(1,184,334)	-	(1,708,068)
Changes of assumptions	-	185,874	-	2,676,500
Benefit payments, including refunds of member contributions	<u>(2,726,344)</u>	<u>(2,880,212)</u>	<u>(3,324,851)</u>	<u>(3,160,022)</u>
Net Change in Total Pension Liability	3,336,859	2,546,752	3,351,566	4,827,218
Total Pension Liability – Beginning	<u>61,619,083</u>	<u>64,955,942</u>	<u>67,502,694</u>	<u>70,854,260</u>
Total Pension Liability – Ending (a)	<u>\$ 64,955,942</u>	<u>\$ 67,502,694</u>	<u>\$ 70,854,260</u>	<u>\$ 75,681,478</u>
Plan Fiduciary Net Position				
Contributions – employer*	\$ 2,683,853	\$ 2,746,248	\$ 2,518,517	\$ 2,465,327
Contributions – employee	471,267	496,743	484,708	545,198
Net investment income	3,046,896	648,241	4,344,682	9,021,464
Benefit payments, including refunds of member contributions	(2,726,344)	(2,880,212)	(3,324,851)	(3,160,022)
Administrative expense	<u>(311,074)</u>	<u>(255,533)</u>	<u>(168,182)</u>	<u>(196,321)</u>
Net Change in Plan Fiduciary Net Position	3,164,598	755,487	3,854,874	8,675,646
Plan Fiduciary Net Position – Beginning	<u>56,061,669</u>	<u>59,226,267</u>	<u>59,981,754</u>	<u>63,836,628</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 59,226,267</u>	<u>\$ 59,981,754</u>	<u>\$ 63,836,628</u>	<u>\$ 72,512,274</u>
Net Pension Liability – Ending (a-b)	<u>\$ 5,729,675</u>	<u>\$ 7,520,940</u>	<u>\$ 7,017,632</u>	<u>\$ 3,169,204</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.18%	88.86%	90.10%	95.81%
Estimated Covered Employee Payroll	\$ 12,249,051	\$ 12,104,395	\$ 12,051,971	\$ 12,406,577
Net Pension Liability as a Percentage of Covered Employee Payroll	46.78%	62.13%	58.23%	25.54%

\* The 2015 employer contribution receivable of \$339 less \$315 contribution made in 2016 resulted in \$24 variance. The 2016 employer contribution difference of \$4 is due to rounding.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

AGGREGATED PENSION PLAN

The following presents the net pension liability of the township as of December 31, 2015 and 2016, calculated using the discount rate of 7.5%, 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 (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net Pension Liability – 12/31/15	\$ 15,324,237	\$ 7,530,045	\$ 896,130
Net Pension Liability – 12/31/16	\$ 15,103,549	\$ 7,017,632	\$ 150,083

The following presents the net pension liability of the township as of December 31, 2017, calculated using the discount rate of 7.25%, 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 (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability – 12/31/17	\$ 12,032,552	\$ 3,169,204	\$ (4,314,611)

SCHEDULE OF CONTRIBUTIONS

AGGREGATED PENSION PLAN

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a Percentage of Covered- Employee Payroll
2008	\$ 1,055,761	\$ 1,055,761	\$ -	\$ 9,870,033	10.7%
2009	949,076	949,076	-	-	-
2010	1,621,813	1,621,813	-	10,843,624	15.0%
2011**	1,679,506	1,529,417	150,089	-	-
2012**	1,692,843	1,542,754	150,089	11,159,633	13.8%
2013	2,352,690	2,352,690	-	-	-
2014	2,683,853	2,683,853	-	12,249,051	21.9%
2015	2,746,224	2,745,909	315	12,104,395	22.7%
2016	2,518,513	2,518,513	-	12,051,971	20.9%
2017	2,465,327	2,465,327	-	12,406,557	19.9%

\* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

\*\* For 2011 and 2012, the contribution deficiency reflects the 25 percent reduction to the plan's amortization contribution elected by the municipality under Act 44 for distressed municipalities, which allows for such reduction.

SCHEDULE OF INVESTMENT RETURNS

AGGREGATED PENSION PLAN

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

2018	(4.00%)
2017	14.52%
2016	6.93%
2015	1.12%
2014	5.77%

MILLCREEK TOWNSHIP AGGREGATED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, 2016, 2017, AND 2018

POLICE PENSION PLAN

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability					
Service cost	\$ 811,174	\$ 828,151	\$ 869,559	\$ 1,037,023	\$ 1,088,874
Interest	2,520,678	2,616,156	2,743,393	2,804,398	2,945,894
Difference between expected and actual experience	-	(561,498)	-	(948,894)	-
Changes of assumptions	-	185,874	-	1,079,417	-
Benefit payments, including refunds of member contributions	(1,740,480)	(1,658,343)	(1,924,912)	(1,686,118)	(2,206,204)
Net Change in Total Pension Liability	1,591,372	1,410,340	1,688,040	2,285,826	1,828,564
Total Pension Liability – Beginning	33,652,364	35,243,736	36,654,076	38,342,116	40,627,942
Total Pension Liability – Ending (a)	<u>\$ 35,243,736</u>	<u>\$ 36,654,076</u>	<u>\$ 38,342,116</u>	<u>\$ 40,627,942</u>	<u>\$ 42,456,506</u>
Plan Fiduciary Net Position					
Contributions – employer	\$ 1,408,495	\$ 1,456,482	\$ 1,361,906	\$ 1,304,786	\$ 1,506,406
Contributions – member	260,980	276,768	266,210	334,769	355,708
Net investment income	1,640,084	347,661	2,320,880	4,823,788	(1,392,748)
Benefit payments, including refunds of member contributions	(1,740,480)	(1,658,343)	(1,924,912)	(1,686,118)	(2,206,204)
Administrative expense	(165,756)	(134,262)	(89,265)	(104,737)	(119,925)
Net Change in Plan Fiduciary Net Position	1,403,323	288,306	1,934,819	4,672,488	(1,856,763)
Plan Fiduciary Net Position – Beginning	30,473,171	31,876,494	32,164,800	34,099,619	38,772,107
Plan Fiduciary Net Position – Ending (b)	<u>\$ 31,876,494</u>	<u>\$ 32,164,800</u>	<u>\$ 34,099,619</u>	<u>\$ 38,772,107</u>	<u>\$ 36,915,344</u>
Net Pension Liability – Ending (a-b)	<u>\$ 3,367,242</u>	<u>\$ 4,489,276</u>	<u>\$ 4,242,497</u>	<u>\$ 1,855,835</u>	<u>\$ 5,541,162</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.4%	87.8%	88.9%	95.4%	86.9%
Estimated Covered Employee Payroll	\$ 5,226,062	\$ 5,370,452	\$ 5,294,009	\$ 5,864,361	\$ 5,672,283
Net Pension Liability as a Percentage of Covered Employee Payroll	64.4%	83.6%	80.1%	31.6%	97.7%

MILLCREEK TOWNSHIP AGGREGATED PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

POLICE PENSION PLAN

The following presents the net pension liability of the township as of December 31, 2015 and 2016, calculated using the discount rate of 7.5%, 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Net Pension Liability – 12/31/15	\$ 8,965,526	\$ 4,489,276	\$ 734,494
Net Pension Liability – 12/31/16	\$ 8,900,731	\$ 4,242,497	\$ 333,753

The following presents the net pension liability of the township as of December 31, 2017 and 2018, calculated using the discount rate of 7.25%, 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability – 12/31/17	\$ 6,848,950	\$ 1,855,835	\$ (2,315,249)
Net Pension Liability – 12/31/18	\$ 10,748,324	\$ 5,541,162	\$ 1,190,548

MILLCREEK TOWNSHIP AGGREGATED PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

POLICE PENSION PLAN

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a Percentage of Covered- Employee Payroll
2009	\$ 479,463	\$ 479,463	\$ -	\$ -	-
2010	903,394	903,394	-	4,610,481	19.6%
2011**	961,592	871,778	89,814	-	-
2012**	974,523	884,709	89,814	4,819,865	18.4%
2013	1,207,997	1,207,997	-	-	-
2014	1,408,495	1,408,495	-	5,226,062	27.0%
2015	1,456,482	1,456,482	-	5,370,452	27.1%
2016	1,361,906	1,361,906	-	5,294,009	25.7%
2017	1,304,786	1,304,786	-	5,864,361	22.2%
2018	1,506,406	1,506,406	-	5,672,283	26.6%

\* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

\*\* For 2011 and 2012, the contribution deficiency reflects the 25 percent reduction to the plan's amortization contribution elected by the municipality under Act 44 for distressed municipalities, which allows for such reduction.

MILLCREEK TOWNSHIP AGGREGATED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF CHANGES IN THE NET PENSION  
LIABILITY AND RELATED RATIOS  
FOR THE YEARS ENDED DECEMBER 31, 2014, 2015, 2016, 2017, AND 2018

GENERAL EMPLOYEES' PENSION PLAN

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability					
Service cost	\$ 623,394	\$ 713,357	\$ 745,458	\$ 757,112	\$ 791,182
Interest	2,107,957	2,195,623	2,318,007	2,420,275	2,540,932
Change of benefit terms	-	72,137	-	-	-
Difference between expected and actual experience	-	(622,836)	-	(759,174)	-
Changes of assumptions	-	-	-	1,597,083	-
Benefit payments, including refunds of member contributions	(985,864)	(1,221,869)	(1,399,939)	(1,473,904)	(1,623,168)
Net Change in Total Pension Liability	1,745,487	1,136,412	1,663,526	2,541,392	1,708,946
Total Pension Liability – Beginning	27,966,719	29,712,206	30,848,618	32,512,144	35,053,536
Total Pension Liability – Ending (a)	<u>\$ 29,712,206</u>	<u>\$ 30,848,618</u>	<u>\$ 32,512,144</u>	<u>\$ 35,053,536</u>	<u>\$ 36,762,482</u>
Plan Fiduciary Net Position					
Contributions – employer*	\$ 1,275,358	\$ 1,289,766	\$ 1,156,611	\$ 1,160,541	\$ 1,219,292
Contributions – member	210,285	219,975	218,498	210,429	209,449
Net investment income	1,406,812	300,580	2,023,802	4,197,676	(1,211,238)
Benefit payments, including refunds of member contributions	(985,864)	(1,221,869)	(1,399,939)	(1,473,904)	(1,623,168)
Administrative expense	(145,318)	(121,271)	(78,917)	(91,584)	(103,501)
Net Change in Plan Fiduciary Net Position	1,761,273	467,181	1,920,055	4,003,158	(1,509,166)
Plan Fiduciary Net Position – Beginning	25,588,500	27,349,773	27,816,954	29,737,009	33,740,167
Plan Fiduciary Net Position – Ending (b)	<u>\$ 27,349,773</u>	<u>\$ 27,816,954</u>	<u>\$ 29,737,009</u>	<u>\$ 33,740,167</u>	<u>\$ 32,231,001</u>
Net Pension Liability – Ending (a-b)	<u>\$ 2,362,433</u>	<u>\$ 3,031,664</u>	<u>\$ 2,775,135</u>	<u>\$ 1,313,369</u>	<u>\$ 4,531,481</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.0%	90.2%	91.5%	96.3%	87.7%
Estimated Covered Employee Payroll	\$ 7,022,989	\$ 6,733,943	\$ 6,757,962	\$ 6,542,196	\$ 6,990,709
Net Pension Liability as a Percentage of Covered Employee Payroll	33.6%	45.0%	41.1%	20.1%	64.8%

\* The 2015 employer contribution receivable of \$339 less \$315 contribution made in 2016 resulted in \$24 variance. The 2016 employer contribution difference of \$4 is due to rounding.



Sensitivity of the Net Pension Liability to Changes in the Discount Rate

GENERAL EMPLOYEES' PENSION PLAN

The following presents the net pension liability of the township as of December 31, 2015 and 2016, calculated using the discount rate of 7.5%, 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 (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Net Pension Liability – 12/31/15	\$ 6,358,711	\$ 3,031,664	\$ 161,636
Net Pension Liability – 12/31/16	\$ 6,202,818	\$ 2,775,135	\$ (183,670)

The following presents the net pension liability of the township as of December 31, 2017 and 2018, calculated using the discount rate of 7.25%, 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 (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability – 12/31/17	\$ 5,183,602	\$ 1,313,369	\$(1,999,362)
Net Pension Liability – 12/31/18	\$ 8,502,155	\$ 4,531,481	\$ 1,130,470

SCHEDULE OF CONTRIBUTIONS

GENERAL EMPLOYEES' PENSION PLAN

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a Percentage of Covered- Employee Payroll
2009	\$ 469,613	\$ 469,613	\$ -	\$ -	-
2010	718,419	718,419	-	6,233,143	11.5%
2011	717,914	657,639	60,275	-	-
2012	718,320	658,045	60,275	6,339,768	10.4%
2013	1,144,693	1,144,693	-	-	-
2014	1,275,358	1,275,358	-	7,022,989	18.2%
2015	1,289,742	1,289,427	315	6,733,943	19.1%
2016	1,156,607	1,156,607	-	6,757,962	17.1%
2017	1,160,541	1,160,541	-	6,542,196	17.7%
2018	1,219,292	1,219,292	-	6,990,709	17.4%

\* Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

For 2011 and 2012, the contribution deficiency reflects the 25 percent reduction to the plan's amortization contribution elected by the municipality under Act 44 for distressed municipalities, which allows for such reduction.

## 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:

### AGGREGATED PENSION PLAN

	(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	\$ 46,876,744	\$ 58,160,205	\$ 11,283,461	80.6%
01-01-15	57,007,573	64,029,619	7,022,046	89.0%
01-01-17	66,023,972	71,822,692	5,798,720	91.9%

Note: The market values of the plan's assets at 01-01-13, 01-01-15 and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses over a four-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

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:

POLICE PENSION PLAN

	(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	\$ 25,699,661	\$ 31,875,543	\$ 6,175,882	80.6%
01-01-15	30,678,050	34,868,112	4,190,062	88.0%
01-01-17	35,281,327	38,472,639	3,191,312	91.7%

Note: The market values of the plan’s assets at 01-01-13, 01-01-15 and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses over a four-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

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:

GENERAL EMPLOYEES’ PENSION PLAN

	(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	\$ 21,177,083	\$ 26,284,662	\$ 5,107,579	80.6%
01-01-15	26,329,523	29,161,507	2,831,984	90.3%
01-01-17	30,742,645	33,350,053	2,607,408	92.2%

Note: The market values of the plan’s assets at 01-01-13, 01-01-15 and 01-01-17 have been adjusted to reflect the smoothing of gains and/or losses over a four-year averaging period. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

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.

MILLCREEK TOWNSHIP AGGREGATED 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:

POLICE PENSION PLAN

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal.
Amortization method	Level dollar, closed.
Remaining amortization period	7 years aggregate.
Asset valuation method	Fair value, 4-year smoothing.
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	5.0%
Cost-of-living adjustments	2.75%

\* Includes inflation at 2.75%

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:

GENERAL EMPLOYEES' PENSION PLAN

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal.
Amortization method	Level dollar, closed.
Remaining amortization period	5 years aggregate.
Asset valuation method	Fair value, 4-year smoothing.
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases *	4.5%
Cost-of-living adjustments	2.75%

\* Includes inflation at 2.75%



MILLCREEK TOWNSHIP AGGREGATED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Tom W. Wolf**  
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**Mr. John E. Morgan**  
Chairman, Board of Township Supervisors

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Vice-Chairman, Board of Township Supervisors

**Mr. James S. Bock**  
Township Supervisor

**Mr. Mark Zaksheske**  
Township Treasurer

**Ms. Diane Lyons**  
Human Resources Manager

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