

LIMITED PROCEDURES ENGAGEMENT

Roaring Brook Township Non-Uniformed Pension Plan Lackawanna County, Pennsylvania For the Period January 1, 2016 to December 31, 2018

March 2020



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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AUDITOR GENERAL

Board of Township Supervisors
Roaring Brook Township
Lackawanna County
Roaring Brook Township, PA 18444

We conducted a Limited Procedures Engagement (LPE) of the Roaring Brook Township Non-Uniformed Pension Plan for the period January 1, 2016 to December 31, 2018 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, 2015 and January 1, 2017 actuarial valuation reports were prepared and submitted by March 31, 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.

- Whether the terms of the plan's unallocated insurance contract, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contract with the plan's provisions, investment policies, and state regulations.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Roaring Brook 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 Roaring Brook 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.

March 12, 2020



EUGENE A. DEPASQUALE
Auditor General

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ROARING BROOK TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

The supplementary information contained on Pages 1 through 3 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, 2015, 2016, 2017, AND 2018

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability				
Service cost	\$ 9,141	\$ 9,689	\$ 9,453	\$ 10,020
Interest	12,086	13,359	14,168	15,585
Difference between expected and actual experience	-	-	(10,971)	-
Changes of assumptions	-	-	1,400	-
Net Change in Total Pension Liability	<u>21,227</u>	<u>23,048</u>	<u>14,050</u>	<u>25,605</u>
Total Pension Liability - Beginning	201,425	222,652	245,700	259,750
Total Pension Liability - Ending (a)	<u>\$ 222,652</u>	<u>\$ 245,700</u>	<u>\$ 259,750</u>	<u>\$ 285,355</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 10,618	\$ 14,128	\$ 14,047	\$ 15,326
Contributions - member	-	-	-	-
Expected Investment income	10,680	11,134	12,705	15,159
Additional Investment Return	(13,389)	3,438	16,077	(27,738)
Administrative expense	(2,039)	(2,158)	(2,764)	(2,404)
Net Change in Plan Fiduciary Net Position	<u>5,870</u>	<u>26,542</u>	<u>40,065</u>	<u>343</u>
Plan Fiduciary Net Position - Beginning	173,708	179,578	206,120	246,185
Plan Fiduciary Net Position - Ending (b)	<u>\$ 179,578</u>	<u>\$ 206,120</u>	<u>\$ 246,185</u>	<u>\$ 246,528</u>
Net Pension Liability - Ending (a-b)	<u>\$ 43,074</u>	<u>\$ 39,580</u>	<u>\$ 13,565</u>	<u>\$ 38,827</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.65%	83.89%	94.78%	86.39%
Estimated Covered Employee Payroll	\$ 96,552	\$ 97,110	\$ 103,147	\$ 85,439
Net Pension Liability as a Percentage of Covered Employee Payroll	44.61%	40.76%	13.15%	45.44%

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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 township as of December 31, 2015, 2016, 2017, and 2018, calculated using the discount rate of 6.0%, 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 (5.0%)	Current Discount Rate (6.0%)	1% Increase (7.0%)
Net Pension Liability - 12/31/15	\$ 88,478	\$ 43,074	\$ 5,043
Net Pension Liability - 12/31/16	\$ 87,924	\$ 39,580	\$ (1,123)
Net Pension Liability - 12/31/17	\$ 63,063	\$ 13,565	\$ (28,261)
Net Pension Liability - 12/31/18	\$ 91,194	\$ 38,827	\$ (5,642)

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
2009	\$ 8,893	\$ 8,893	\$ -	\$ -	
2010	11,532	11,532	-	80,513	14.32%
2011	11,882	11,882	-	-	
2012	9,708	9,708	-	83,127	11.68%
2013	9,940	9,940	-	-	
2014	10,686	10,686	-	94,716	11.28%
2015	10,618	10,618	-	96,552	11.00%
2016	14,128	14,128	-	97,110	14.55%
2017	14,047	14,047	-	103,147	13.62%
2018	15,326	15,326	-	85,439	17.94%

ROARING BROOK TOWNSHIP NON-UNIFORMED PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF INVESTMENT RETURNS

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

2018	(4.98%)
2017	13.59%
2016	7.85%
2015	(1.52%)
2014	5.46%
2013	16.09%
2012	10.72%
2011	0.10%
2010	11.39%
2009	16.23%

ROARING BROOK TOWNSHIP NON-UNIFORMED 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	\$ 126,812	\$ 136,384	\$ 9,572	93.0%
01-01-15	173,708	201,425	27,717	86.2%
01-01-17	206,120	236,129	30,009	87.3%

ROARING BROOK 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.

ROARING BROOK 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	Level dollar
Remaining amortization period	12 years
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	3.5%

ROARING BROOK 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. Anthony Jordan
Chairman, Board of Township Supervisors

Mr. Eric Schield
Vice Chairman, Board of Township Supervisors

Mr. Robert L. Farischon
Secretary/Treasurer

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