

# LIMITED PROCEDURES ENGAGEMENT

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## Weatherly Borough Police Pension Plan Carbon County, Pennsylvania For the Period January 1, 2015 to December 31, 2018

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April 2019



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  
Weatherly Borough  
Carbon County  
Weatherly, PA 18255

We conducted a Limited Procedures Engagement (LPE) of the Weatherly Borough Police Pension Plan for the period January 1, 2015 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 municipal officials took appropriate corrective action to address the finding contained in our prior LPE 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 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 Weatherly 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 Weatherly 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.

April 17, 2019



EUGENE A. DEPASQUALE  
Auditor General

## CONTENTS

	<u>Page</u>
Status of Prior Finding .....	1
Supplementary Information .....	2
Report Distribution List .....	9

WEATHERLY BOROUGH POLICE PENSION PLAN  
STATUS OF PRIOR FINDING

Status Of Prior LPE Report Recommendation

· Failure To Provide A Survivor Benefit In Accordance With Act 600 Provisions

The prior LPE report recommended that plan officials continue their efforts to locate the surviving spouse of a deceased police officer and pay the monthly pension benefit due retroactive to the deceased police officer's eligibility date. During the current engagement period, the borough contacted the deceased police officer's attorney and obtained an address for the survivor. The borough sent a certified letter to this address and received no response. The plan's actuary discloses the monthly benefit due to the surviving spouse as a liability on the biannual Act 205 report and the accumulated amount is noted as a liability on the plan's financial statements. As of December 31, 2018, the total liability due to the surviving spouse was \$44,924. Borough officials should continue to take reasonable steps to locate the surviving spouse and pay the amount due. This department will continue to monitor the borough's attempts to contact the surviving spouse and the disclosure of the liability.

WEATHERLY BOROUGH POLICE 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	\$ 56,642	\$ 25,804
Interest	35,179	41,155
Difference between expected and actual experience	-	25,387
Changes of assumptions	-	(194,330)
Benefit payments, including refunds of member contributions	(18,458)	(24,819)
Net Change in Total Pension Liability	<u>73,363</u>	<u>(126,803)</u>
Total Pension Liability – Beginning	715,145	788,508
Total Pension Liability – Ending (a)	<u>\$ 788,508</u>	<u>\$ 661,705</u>
Plan Fiduciary Net Position		
Contributions – employer	\$ 4,447	\$ -
Net investment income	44,123	(1,579)
Benefit payments, including refunds of member contributions	(18,458)	(24,819)
Administrative expense	(5,863)	(12,616)
Net Change in Plan Fiduciary Net Position	<u>24,249</u>	<u>(39,014)</u>
Plan Fiduciary Net Position – Beginning	1,049,089	1,073,338
Plan Fiduciary Net Position – Ending (b)	<u>\$ 1,073,338</u>	<u>\$ 1,034,324</u>
Net Pension Liability – Ending (a-b)	<u>\$ (284,830)</u>	<u>\$ (372,619)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	136.1%	156.3%
Estimated Covered Employee Payroll	\$ 124,884	\$ 133,104
Net Pension Liability as a Percentage of Covered Employee Payroll	(228.1%)	(279.9%)

WEATHERLY BOROUGH POLICE 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	\$ 27,094	\$ 31,493
Interest	43,856	47,925
Difference between expected and actual experience	-	7,731
Changes of assumptions	-	11,933
Benefit payments, including refunds of member contributions	<u>(28,643)</u>	<u>(36,289)</u>
Net Change in Total Pension Liability	42,307	62,793
Total Pension Liability – Beginning	<u>661,705</u>	<u>704,012</u>
Total Pension Liability – Ending (a)	<u>\$ 704,012</u>	<u>\$ 766,805</u>
Plan Fiduciary Net Position		
Net investment income	\$ 65,383	\$ 154,747
Benefit payments, including refunds of member contributions	(28,643)	(36,289)
Administrative expense	<u>(10,318)</u>	<u>(8,016)</u>
Net Change in Plan Fiduciary Net Position	26,422	110,442
Plan Fiduciary Net Position – Beginning	<u>1,034,324</u>	<u>1,060,746</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 1,060,746</u>	<u>\$ 1,171,188</u>
Net Pension Liability – Ending (a-b)	<u>\$ (356,734)</u>	<u>\$ (404,383)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	150.7%	152.7%
Estimated Covered Employee Payroll	\$ 138,131	\$ 131,074
Net Pension Liability as a Percentage of Covered Employee Payroll	(258.3%)	(308.5%)

WEATHERLY BOROUGH POLICE 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 borough as of December 31, 2014, calculated using the discount rate of 4.5%, 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 (3.5%)	Current Discount Rate (4.5%)	1% Increase (5.5%)
Net Pension Liability – 12/31/14	\$ (139,415)	\$ (284,830)	\$ (401,565)

In addition, the following presents the net pension liability of the borough as of December 31, 2015, 2016, and 2017, calculated using the discount rate of 6.5%, 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 (5.5%)	Current Discount Rate (6.5%)	1% Increase (7.5%)
Net Pension Liability – 12/31/15	\$ (279,946)	\$ (372,619)	\$ (449,185)
Net Pension Liability – 12/31/16	\$ (258,552)	\$ (356,734)	\$ (438,008)
Net Pension Liability – 12/31/17	\$ (294,108)	\$ (404,383)	\$ (495,130)



WEATHERLY BOROUGH POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

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	\$ 8,405	\$ 8,405	\$ -		
2010	-	-	-	\$ 183,321	
2011	10,754	10,754	-		
2012	-	-	-	162,283	0.0%
2013	-	-	-		
2014	4,447	4,447	-	124,884	3.6%
2015	-	-	-	133,104	0.0%
2016	-	-	-	138,131	0.0%
2017	-	-	-	131,074	0.0%
2018	-	-	-		

\* 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. In addition, due to the timing of this engagement, covered-employee payroll for 2018 was not provided in this schedule.

SCHEDULE OF INVESTMENT RETURNS

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

2017	14.37%
2016	6.21%
2015	(0.15%)
2014	4.16%

WEATHERLY BOROUGH POLICE 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	\$ 1,061,110	\$ 645,954	\$ (415,156)	164.3%
01-01-15	1,073,338	619,565	(453,773)	173.2%
01-01-17	1,060,746	723,676	(337,070)	146.6%

WEATHERLY BOROUGH POLICE 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.

WEATHERLY 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	N/A
Remaining amortization period	N/A
Asset valuation method	Fair value.
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	5.0%

WEATHERLY BOROUGH POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**The Honorable Thomas Connors**  
Mayor

**Mr. Harold Pudliner**  
Borough Manager

**Ms. Lori O'Donnell**  
Borough Secretary

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