

LIMITED PROCEDURES ENGAGEMENT

Woodbury Township Non-Uniformed Pension Plan Blair County, Pennsylvania For the Period January 1, 2015 to December 31, 2018

August 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
Woodbury Township
Blair County
Williamsburg, PA 16693

We conducted a Limited Procedures Engagement (LPE) of the Woodbury Township Non-Uniformed 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 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 plans governing document and applicable laws and regulations by examining the municipality's calculation of the plans 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 the plan member who retired subsequent to the engagement period, represent payments to all (and only) those entitled to receive them and were properly determined and disbursed in accordance with the plans governing document, applicable laws and regulations by recalculating the amount of the monthly pension benefit due to the retired individual and comparing this amount to supporting documentation evidencing the amount determined and actually paid to recipient.

- 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.
- 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 Woodbury 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 Woodbury 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 25, 2019



EUGENE A. DEPASQUALE
Auditor General

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

The supplementary information contained on Pages 1 through 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, 2009, 2010, 2011, 2012, AND 2013

	<u>2009*</u>	<u>2010</u>	<u>2011*</u>	<u>2012</u>	<u>2013*</u>
Total Pension Liability – Ending (a)		\$ 38,823		\$ 60,816	
Plan Fiduciary Net Position					
Contributions – employer	\$ 715	\$ 320	\$ 327	\$ 5,692	\$ 5,319
Net investment income	1,200	1,055	1,177	997	1,157
Benefit payments, including refunds of member contributions	(508)	(508)	(551)	(508)	(508)
Administrative expense	(449)	(454)	(448)	(604)	(676)
Net Change in Plan Fiduciary Net Position	<u>958</u>	<u>413</u>	<u>505</u>	<u>5,577</u>	<u>5,292</u>
Plan Fiduciary Net Position – Beginning	<u>27,617</u>	<u>28,575</u>	<u>28,988</u>	<u>29,493</u>	<u>35,070</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 28,575</u>	<u>\$ 28,988</u>	<u>\$ 29,493</u>	<u>\$ 35,070</u>	<u>\$ 40,362</u>
Net Pension Liability – Ending (a-b)		<u>\$ 9,835</u>		<u>\$ 25,746</u>	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		74.67%		57.67%	
Estimated Covered Employee Payroll		\$ 27,374		\$ 50,775	
Net Pension Liability as a Percentage of Covered Employee Payroll		35.93%		50.71%	

* Complete data not provided for 2009, 2011, and 2013.

WOODBURY 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, 2014, 2015, 2016, 2017, AND 2018

	<u>2014*</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Pension Liability					
Service cost		\$ 4,972	\$ 5,270	\$ -	\$ -
Interest		4,095	4,609	4,062	4,275
Difference between expected and actual experience		-	-	(18,823)	-
Changes of assumptions		-	-	344	-
Benefit payments, including refunds of member contributions		(508)	(508)	(508)	(508)
Net Change in Total Pension Liability		8,559	9,371	(14,925)	3,767
Total Pension Liability – Beginning		68,503	77,062	86,433	71,508
Total Pension Liability – Ending (a)	<u>\$ 68,503</u>	<u>\$ 77,062</u>	<u>\$ 86,433</u>	<u>\$ 71,508</u>	<u>\$ 75,275</u>
Plan Fiduciary Net Position					
Contributions – employer	\$ 7,691	\$ 7,764	\$ 8,752	\$ 8,980	\$ -
Net investment income	1,362	(360)	4,549	8,193	(2,694)
Benefit payments, including refunds of member contributions	(508)	(508)	(508)	(508)	(508)
Administrative expense	(752)	(831)	(923)	(979)	(958)
Net Change in Plan Fiduciary Net Position	7,793	6,065	11,870	15,686	(4,160)
Plan Fiduciary Net Position – Beginning	40,362	48,155	54,220	66,090	81,776
Plan Fiduciary Net Position – Ending (b)	<u>\$ 48,155</u>	<u>\$ 54,220</u>	<u>\$ 66,090</u>	<u>\$ 81,776</u>	<u>\$ 77,616</u>
Net Pension Liability – Ending (a-b)	<u>\$ 20,348</u>	<u>\$ 22,842</u>	<u>\$ 20,343</u>	<u>\$ (10,268)</u>	<u>\$ (2,341)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.3%	70.36%	76.46%	114.36%	103.11%
Estimated Covered Employee Payroll	\$ 53,095	\$ 52,940	\$ 46,313	\$ 683	\$ 32,300
Net Pension Liability as a Percentage of Covered Employee Payroll	38.32%	43.15%	43.93%	-1,503.37%	-7.25%

* Pension Liability section not provided for 2014.

WOODBURY TOWNSHIP NON-UNIFORMED PENSION PLAN
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 (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, 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:

	<u>1% Decrease (5.0%)</u>	<u>Current Discount Rate (6.0%)</u>	<u>1% Increase (7.0%)</u>
Net Pension Liability – 12/31/15	\$ 31,029	\$ 22,842	\$ 15,752
Net Pension Liability – 12/31/16	\$ 29,050	\$ 20,343	\$ 12,731
Net Pension Liability – 12/31/17	\$ (3,603)	\$ (10,268)	\$ (16,055)
Net Pension Liability – 12/31/18	\$ 3,945	\$ (2,341)	\$ (7,819)

WOODBURY TOWNSHIP NON-UNIFORMED PENSION PLAN
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 (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	\$ 715	\$ 715	\$ -		
2010	320	320	-	\$ 27,374	1.17%
2011	327	327	-		
2012	5,508	5,692	(184)	50,775	11.21%
2013	5,319	5,319	-		
2014	7,629	7,691	(62)	53,095	14.49%
2015	7,734	7,764	(30)	52,940	14.67%
2016	8,752	8,752	-	46,313	18.90%
2017	8,980	8,980	-	683	1,314.79%
2018	-	-	-	32,300	0.0%

* 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 all years prior to 2014.

SCHEDULE OF INVESTMENT RETURNS

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

2018	-3.32%
2017	11.73%
2016	7.86%
2015	-0.70%
2014	3.13%
2013	3.12%
2012	3.14%
2011	4.11%
2010	3.73%
2009	4.36%

WOODBURY 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	\$ 35,070	\$ 60,816	\$ 25,746	57.7%
01-01-15	48,155	68,503	20,348	70.3%
01-01-17	66,090	67,954	1,864	97.2%

WOODBURY 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.

WOODBURY 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	Not applicable
Remaining amortization period	Not applicable
Asset valuation method	Fair market value
Actuarial assumptions:	
Investment rate of return	6.0%
Projected salary increases	3.5%

WOODBURY 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. Joseph L. Lansbury
Chairman, Board of Township Supervisors

Ms. Eleanor K. Harclerode
Secretary/Treasurer

This report is a matter of public record and is available online at 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.