

**SPRINGETTSBURY TOWNSHIP NONUNIFORMED PENSION PLAN**

**YORK COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006, TO DECEMBER 31, 2008**





**SPRINGETTSBURY TOWNSHIP NONUNIFORMED PENSION PLAN**

**YORK COUNTY**

**COMPLIANCE AUDIT REPORT**

**FOR THE PERIOD**

**JANUARY 1, 2006, TO DECEMBER 31, 2008**



## CONTENTS

	<u>Page</u>
Background.....	1
Letter from the Auditor General .....	3
Finding and Recommendation:	
Finding – Inconsistent Pension Benefit.....	5
Supplementary Information .....	6
Report Distribution List .....	7



## **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.

Pension plan aid is provided from a 2 percent foreign casualty insurance premium tax, a portion of the foreign 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 Springettsbury Township Nonuniformed Pension Plan is also governed by implementing regulations adopted by the Public Employee Retirement Commission published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Springettsbury Township Nonuniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 85-09, as amended. The plan is also affected by the provisions of collective bargaining agreements between the township and its nonuniformed union employees. Active members are required to contribute 2 percent of earnings to the plan. The municipality is required to contribute 9 percent of each member's earnings for non-union employees and 9.5 percent of each member's earnings for union employees.





Board of Township Supervisors  
Springettsbury Township  
York County  
York, PA 17402

We have conducted a compliance audit of the Springettsbury Township Nonuniformed Pension Plan for the period January 1, 2006, to December 31, 2008. The audit was conducted pursuant to authority derived from Section 402(j) of Act 205 and in accordance with *Government Auditing Standards* applicable to performance audits issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

The objective of the audit was 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 objective identified above. Springettsbury Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are 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 an internal control structure to provide reasonable assurance that the Springettsbury Township Nonuniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. To assist us in planning and performing our audit, we obtained an understanding of the township's internal control structure as it relates to the township's compliance with those requirements. Additionally, we tested transactions, assessed official actions, performed analytical procedures and interviewed selected officials to the extent necessary to satisfy the audit objective.

The results of our tests indicated that, in all significant respects, the Springettsbury Township Nonuniformed Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, except as noted in the following finding further discussed later in this report:

Finding – Inconsistent Pension Benefit

The accompanying supplementary information is presented for purposes of additional analysis. We did not audit the information and, accordingly, express no form of assurance on it.

The contents of this report were discussed with officials of Springettsury Township and, where appropriate, their responses have been included in the report.

July 10, 2009

JACK WAGNER  
Auditor General

SPRINGETTSBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
FINDING AND RECOMMENDATION

Finding – Inconsistent Pension Benefit

Condition: The pension plan’s governing document, Resolution No. 85-09, as amended, contains a benefit provision that conflicts with the collective bargaining agreement between the nonuniformed union employees and the township, as follows:

Benefit Provision	Governing Document	Collective Bargaining Agreement
Municipal Contribution Rate	9% of gross wages	9.5% of gross wages

In addition, the actuarial valuation report for the nonuniformed pension plan with a valuation date of January 1, 2007, reported the benefit provision included in the collective bargaining agreement.

Criteria: A governing document which contains clearly defined and updated benefit provisions is a prerequisite for the consistent, sound administration of retirement benefits.

Cause: Municipal officials failed to update the plan’s governing document to reflect the updated contribution rate contained in the collective bargaining agreement.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

Recommendation: We recommend that municipal officials amend the plan’s governing document to reflect all benefit obligations of the pension plan and eliminate inconsistencies among the various plan documents.

Management’s Response: Municipal officials are in the process of amending the plan’s governing document to reflect the municipal contribution rate contained in the collective bargaining agreement.

Auditor’s Conclusion: Based on management response, it appears municipal officials intend to comply with the finding recommendation. Compliance will be evaluated during our next audit of the plan.

SPRINGETTSBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF STATE AID  
AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid Deposited	Employer Contributions
2003	\$ 164,232	\$ 41,921
2004	114,406	120,201
2005	None	245,601
2006	None	256,183
2007	None	260,573
2008	None	282,525

SPRINGETTSBURY TOWNSHIP NONUNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell  
Governor  
Commonwealth of Pennsylvania

Springettsbury Township Nonuniformed Pension Plan  
York County  
1501 Mt. Zion Road  
York, PA 17402

Mr. William H. Schenck, III	Chairman, Board of Township Supervisors
Mr. John J. Holman	Township Manager
Mr. Jack Hadge	Treasurer

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, Room 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at [www.auditorgen.state.pa.us](http://www.auditorgen.state.pa.us)