

COMPLIANCE AUDIT

Antis Township Non-Uniformed Pension Plan Blair County, Pennsylvania For the Period January 1, 2018 to December 31, 2021

March 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Board of Township Supervisors
Antis Township
Blair County
Bellwood, PA 16617

We have conducted a compliance audit of the Antis Township Non-Uniformed Pension Plan for the period January 1, 2018 to December 31, 2021. We also evaluated compliance with some requirements subsequent to that period when possible. The audit was conducted pursuant to authority derived from the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984, as amended, 53 P.S. § 895.402(j)), which requires the Auditor General, as deemed necessary, to audit every municipality which receives general municipal pension system state aid and every municipal pension plan and fund in which general municipal pension system state aid is deposited. The audit was not conducted, nor was it required to be, in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our 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. 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2016 to December 31, 2021, are presented on the Summary of Deposited State Aid and Employer Contributions.

- 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. Employer contributions that were deposited into the pension plan for the years ended December 31, 2016 to December 31, 2021, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.
- We determined whether retirement benefits calculated for the plan member who separated employment and received a lump-sum distribution during the current audit period and the 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 and disbursed in accordance with the plan's governing document, applicable laws, and regulations by recalculating the amount of the pension benefits due to the retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid or payable to the recipients.
- We determined whether the January 1, 2019, and January 1, 2021, actuarial valuation reports were prepared and submitted by March 31, 2020, and 2022, 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.
- We determined 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.

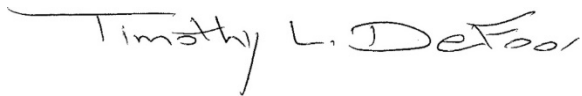
Antis Township contracted with an independent certified public accounting firm audits of its basic financial statements which are available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Antis Township Non-Uniformed Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies. As previously described, we tested transactions, interviewed selected officials, and performed procedures to the extent necessary 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 objective.

The results of our procedures indicated that, in all significant respects, the Antis Township Non-Uniformed 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 – Incorrect Data On Actuarial Valuation Report Resulting In An Underpayment Of State Aid

The contents of this report were discussed with officials of Antis 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General
February 14, 2023

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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.

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 Antis Township Non-Uniformed Pension Plan is also governed by implementing regulations published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes.

The Antis Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Resolution No. 14-1997 as, amended. The plan is also affected by the provisions of collective bargaining agreements between the township and its non-uniformed employees. The plan was established January 11, 1974. Active members are not required to contribute to the plan. The municipality is required to contribute 10 percent of members' wages. As of December 31, 2021, the plan had seven active members and two terminated members eligible for vested benefits in the future.

ANTIS TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Incorrect Data On Actuarial Valuation Report Resulting In An Underpayment Of State Aid

Condition: Actuarial valuation report form Type A, with a valuation date of January 1, 2021, submitted to the Municipal Pension Reporting Program (*formerly the Public Employee Retirement Commission*) on March 16, 2022, contained incorrect information. The township enacted a supplemental discretionary (401 (a)) plan for its administrative employees, effective January 1, 2019, with no fixed or defined contribution amount or percentage (*The township contributes up to six (6.0) percent of compensation based on participating members' elective deferral amounts or Situation 1 for Act 205 purposes*). However, the actuarial report submitted by the township indicated that this supplemental plan provides benefits to participants through a fixed, defined contribution percentage (*six (6.0) percent or Situation 4 for Act 205 purposes*). The report was filed in addition to the valuation report submitted for the township's defined contribution pension plan with a valuation date of January 1, 2021, which combined, formulated the basis for the determination of the municipality's 2022 state aid.

Criteria: Section 201(d) of Act 205 states:

Responsibility for preparation and filing of reports and investigations. The actuarial valuation report or experience investigation required pursuant to subsection (a) shall be prepared under the supervision and at the discretion of the chief administrative officer of the municipality, who shall be responsible for the filing of the document. The actuarial valuation report or experience investigation shall be signed by the chief administrative officer, indicating that to the extent of the understanding and knowledge of the officer, the report or investigation represents a true and accurate portrayal of the actuarial, financial and demographic condition of the pension plan of the municipality.

Section 102 of Act 205 defines a pension plan as follows:

The various aspects of the relationship between a municipality and its employees with respect to the retirement coverage provided by a municipality to the employees.

Cause: Municipal officials recently enacted this pension plan, effective January 1, 2019, for its administrative personnel which contained a discretionary contribution feature as well as a deferred compensation feature and did not originally believe that this plan was eligible for participation in the general municipal state aid program but filed the 2021 actuarial valuation report based on the recommendation of their plan consultant. However, plan officials did not verify that the information was consistent with the plan's governing document and the township's internal control procedures were not adequate to timely identify the errors on the report prior to submission.

ANTIS TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Effect: Because the municipality's state aid allocation is determined, in part, by the information contained in the actuarial valuation report, the submission of incorrect data to the actuary may have resulted in the municipality receiving an incorrect allocation of state aid during 2022.

Recommendation: We recommend that plan officials immediately contact the Municipal Pension Reporting Program to determine whether a revised actuarial valuation report may be filed. If a revised report is prepared and accepted by the Municipal Pension Reporting Program, a copy should be submitted to: Department of the Auditor General, Bureau of Municipal Pension & Liquor Control Audits, 314 Finance Building, Harrisburg, PA 17120.

We also recommend that, in the future, plan officials review and verify all information submitted to the Municipal Pension Reporting Program so that future actuarial valuation reports properly reflect the structure and status of the pension plan.

Management's Response: Municipal officials agreed with the finding without exception. According to plan officials, the deferred compensation plan was a benefit awarded to administrative employees of the township, and it was their understanding the plan was not eligible to participate in the Commonwealth's General Municipal Pension System of State Aid.

Auditor's Conclusion: The department acknowledges that there was some confusion between the township and the plan's consultant relative to their understanding of the pension plan. The township was under the understanding that this newly enacted plan was a deferred compensation plan which was not eligible for participation in the general municipal state aid program. However, the consultant prepared the actuarial report to reflect only the profit-sharing, discretionary contribution portion of the pension plan (*the township's contributory requirement towards the 401 (a) portion of this hybrid plan is based on the elective deferrals of its participants, up to 6 percent of compensation, under the deferred compensation feature of the plan*). The department does not take exception to the plan itself, merely that the information certified in the Act 205 report needs to be consistent with the plan's governing document and funded in accordance with Act 205. The department does, however, further recommend that the township contact the plan consultant to obtain a further understanding of the plan as currently established and determine whether the plan is structured in accordance with the intent of the township and/or whether changes are warranted. The finding remains as stated and compliance will be evaluated during our next audit of the plan.

ANTIS TOWNSHIP NON-UNIFORMED PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

| Year Ended December 31 | State Aid | Employer Contributions |
|------------------------|-----------|------------------------|
| 2016 | \$ 36,252 | \$ 3,212 |
| 2017 | 38,937 | 1,945 |
| 2018 | 37,904 | 6,688 |
| 2019 | 42,696 | 4,180 |
| 2020 | 44,314 | 3,560 |
| 2021 | 42,068 | None |

ANTIS TOWNSHIP NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Ms. Janet Lantz
Chairman, Board of Township Supervisors

Mr. Douglas Brown
Township Manager

Ms. Lori Del Biondo
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.