

COMPLIANCE AUDIT

Radnor Township Civilian Employees Pension Plan Delaware County, Pennsylvania For the Period January 1, 2018 to December 31, 2021

February 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 Commissioners
Radnor Township
Delaware County
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We have conducted a compliance audit of the Radnor Township Civilian Employees 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.

- 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. For the defined contribution features of the non-uniformed pension plan, employer contributions that were deposited into the pension plan for the years ended December 31, 2020 to December 31, 2021, are presented on the Summary of Deposited State Aid and Employer Contributions.
- We determined whether annual employee contributions were calculated, deducted, and deposited into the pension plan in accordance with the plan's governing document and applicable laws and regulations by testing total members' contributions on an annual basis using the rates obtained from the plan's governing document in effect for all years within the period under audit and examining documents evidencing the deposit of these employee contributions into the pension plan. For the defined contribution features of the pension plan, we also tested individual employee contributions for all active defined contribution employees employed during the audit period amounting to \$33,112 and \$73,845, for the years 2020 and 2021, respectively, made during the audit period.
- We determined whether retirement benefits calculated for plan members who retired or 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 monthly 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, 2017, January 1, 2019, and January 1, 2021, actuarial valuation reports were prepared and submitted by March 31, 2018, 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.

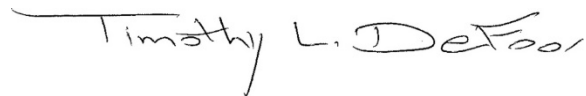
Radnor Township contracted with an independent certified public accounting firm for annual audits of its basic financial statements which are available at the township's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Radnor Township Civilian Employees 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 Radnor Township Civilian Employees Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies.

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 Radnor Township and, where appropriate, their responses have been included in the report.

A handwritten signature in cursive script that reads "Timothy L. DeFoor". The signature is written in black ink and is positioned above the typed name and title.

Timothy L. DeFoor
Auditor General
January 30, 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 Radnor Township Civilian Employees 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 including, but not limited to, the following:

Act 177 - General Local Government Code, Act of December 19, 1996 (P.L. 1158, No. 177), as amended, 53 Pa.C.S. § 101 et seq.

The Radnor Township Civilian Employees Pension Plan is a single-employer defined benefit pension plan for non-uniformed employees, who met the participation requirements of the plan prior to December 31, 2013, locally controlled by the provisions of Ordinance No. 2020-09, effective June 1, 2020. Prior to June 1, 2020, the plan was locally controlled by the provisions of Ordinance No. 99-29, 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 1, 1957. Active members are required to contribute five (5.0) percent of to the plan. As of December 31, 2021, the plan had 54 active members, 14 terminated members eligible for vested benefits in the future, and 64 retirees receiving pension benefits.

Effective June 1, 2020, the township established defined contribution features for the Radnor Township Civilian Employees Pension Plan effectively eliminating participation in the defined benefit features for any non-uniformed employees not participating in the plan on or before December 31, 2013, through adoption of Ordinance No. 2020-09. For employees subject to the defined contribution features of the plan, active members are required to contribute five (5.0) percent of basic monthly earnings to the plan. The municipality is required to contribute \$600 annually per participant and, at its discretion, may make additional contributions not to exceed five (5.0) percent of the Participant Basic Monthly Earnings. As of December 31, 2021, the plan had 25 active members.

RADNOR TOWNSHIP CIVILIAN EMPLOYEES PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS
 DEFINED BENEFIT FEATURES

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, 2017, 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)
01-01-17	\$ 27,049,044	\$ 35,834,217	\$ 8,785,173	75.5%
01-01-19	30,136,187	37,979,573	7,843,386	79.3%
01-01-21	35,484,299	40,439,409	4,955,110	87.7%

Note: The market values of the plan’s assets at 01-01-17, 01-01-19 and 01-01-21 have been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period, which will be limited to a maximum of 120 percent and a minimum of 80 percent of the fair market value of assets. This method will lower contributions in years of less than expected returns and increase contributions in years of greater than expected returns. The net effect over long periods of time is to have less variance in contribution levels from year to year.

RADNOR TOWNSHIP CIVILIAN EMPLOYEES PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

DEFINED BENEFIT FEATURES

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.

RADNOR TOWNSHIP CIVILIAN EMPLOYEES PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS
 DEFINED BENEFIT FEATURES

Year Ended December 31	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll*	Contributions as a Percentage of Covered- Employee Payroll*
2012	\$ 1,280,125	\$ 1,435,311	\$ (155,186)	\$5,532,690	25.9%
2013	1,779,371	3,214,693	(1,435,322)	-	
2014	1,979,695	1,979,695	-	5,893,475	33.6%
2015	2,020,351	2,020,351	-	5,864,834	34.4%
2016	1,845,031	1,845,031	-	5,499,334	33.6%
2017	1,852,440	1,852,440	-	5,615,678	33.0%
2018	1,580,000	1,580,042	(42)	5,359,596	29.5%
2019	1,587,000	1,587,000	-	5,262,943	30.2%
2020	1,482,300	1,482,300	-	5,173,446	28.7%
2021	1,572,900	1,572,900	-	5,010,314	31.4%

* This schedule is presented pursuant to the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans* by reporting entities responsible for administering the pension plan to improve financial reporting by state and local governmental pension plans. Due to the statement being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2014.

RADNOR TOWNSHIP CIVILIAN EMPLOYEES PENSION PLAN
SUPPLEMENTARY INFORMATION
NOTES TO SUPPLEMENTARY SCHEDULES
(UNAUDITED)

DEFINED BENEFIT FEATURES

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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	7 years
Asset valuation method	4-year smoothing – the actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the fair market value of assets.
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases *	4.5%
Cost-of-living adjustments	None assumed

* Includes inflation at 2.5%

RADNOR TOWNSHIP CIVILIAN EMPLOYEES PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

DEFINED CONTRIBUTION

Year Ended December 31	State Aid	Employer Contributions
2020	None	\$ 25,354
2021	None	65,559

Note: Municipal officials adopted Ordinance No. 2020-09, which established defined contribution features, effective June 1, 2020, for non-uniformed employees not participating in the pension plan on or before December 31, 2013.

RADNOR TOWNSHIP CIVILIAN EMPLOYEES PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joseph D. Shapiro
Governor
Commonwealth of Pennsylvania

Ms. Moira Mulroney
President, Board of Township Commissioners

Mr. Jack Larkin
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Mr. Jake Abel
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