

# LIMITED PROCEDURES ENGAGEMENT

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## Trafford Borough Non-Uniformed Pension Plan Westmoreland County, Pennsylvania For the Period January 1, 2014 to December 31, 2017

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January 2019



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General



Commonwealth of Pennsylvania  
Department of the Auditor General  
Harrisburg, PA 17120-0018  
Facebook: Pennsylvania Auditor General  
Twitter: @PAAuditorGen  
www.PaAuditor.gov

EUGENE A. DePASQUALE  
AUDITOR GENERAL

The Honorable Mayor and Borough Council  
Trafford Borough  
Westmoreland County  
Trafford, PA 15085

We conducted a Limited Procedures Engagement (LPE) of the Trafford Borough Non-Uniformed Pension Plan for the period January 1, 2014 to December 31, 2017 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. State aid allocations that were deposited into the pension plan for the years ended December 31, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.
- 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, 2012 to December 31, 2017, are presented on the Summary of Deposited State Aid and Employer Contributions.

- Whether retirement benefits calculated for plan members who retired during the engagement 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 benefit due to retired individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to recipients.
- 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.
- We determined whether the terms of the contractual agreement with the Pennsylvania Municipal Retirement System were in accordance with the plan's governing document, if separately stated, and applicable laws and regulations by comparing the terms of the contractual agreement with the plan's governing document, if separately stated, and applicable laws and regulations.

Based on the results of our procedures performed during our LPE, nothing came to our attention indicating that the Trafford Borough 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 borough should continue to maintain documentation related to this pension plan.

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

January 15, 2019



EUGENE A. DEPASQUALE  
Auditor General

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TRAFFORD BOROUGH NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

The supplementary information contained on Pages 1 and 2 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, 2016, AND 2017

	<u>2016</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 15,000	\$ 14,481
Interest (includes interest on service cost)	102	1,487
Transfers	-	22,350
Net Change in Total Pension Liability	<u>15,102</u>	<u>38,318</u>
Total Pension Liability – Beginning	-	15,102
Total Pension Liability – Ending (a)	<u><u>\$ 15,102</u></u>	<u><u>\$ 53,420</u></u>
 Plan Fiduciary Net Position		
Contributions – employer	\$ 15,000	\$ 14,481
Contributions – PMRS assessment	100	20
PMRS investment income	102	1,347
Market value investment income	(849)	3,922
Transfers	-	22,350
Additional administrative expense	(5)	(62)
Net Change in Plan Fiduciary Net Position	<u>14,348</u>	<u>42,058</u>
Plan Fiduciary Net Position – Beginning	-	14,348
Plan Fiduciary Net Position – Ending (b)	<u><u>\$ 14,348</u></u>	<u><u>\$ 56,406</u></u>
 Net Pension Liability – Ending (a-b)	<u><u>\$ 754</u></u>	<u><u>\$ (2,986)</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.01%	105.59%
 Covered Employee Payroll	\$ 119,257	\$ 212,630
 Net Pension Liability as a Percentage of Covered Employee Payroll	0.63%	(1.40%)

TRAFFORD BOROUGH 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 borough as of December 31, 2016 and 2017, calculated using the discount rate of 5.25%, 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 (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
Net Pension Liability - 12/31/16	\$ 3,774	\$ 754	\$ (2,267)
Net Pension Liability - 12/31/17	\$ 7,698	\$ (2,986)	\$ (13,670)

TRAFFORD BOROUGH NON-UNIFORMED PENSION PLAN  
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(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.

TRAFFORD BOROUGH NON-UNIFORMED PENSION PLAN  
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2012	\$ 7,500	None
2013	12,500	None
2014	8,500	None
2015	15,000	None
2016	12,500	\$ 2,500
2017	14,481	None

Note: In 2014, the borough met the plan's \$15,000 funding requirement through the deposit of \$8,500 in state aid and \$6,500 in terminated employee forfeitures.

TRAFFORD BOROUGH NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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**The Honorable Edward Llewellyn**  
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**Ms. Ashley Stack**  
Borough Manager

**Ms. Nina Solivan**  
Borough Secretary

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