

COMPLIANCE AUDIT

Albion Borough Non-Uniformed Defined Contribution Pension Plan

Erie County, Pennsylvania

For the Period

January 1, 2023 to December 31, 2024

August 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and Borough Council
Albion Borough
Erie County
Albion, PA 16401

We have conducted a compliance audit of the Albion Borough Non-Uniformed Defined Contribution Pension Plan for the period January 1, 2023 to December 31, 2024. 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 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. 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.

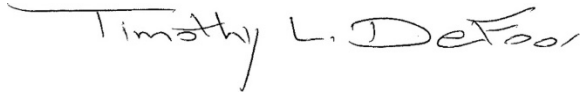
- We determined whether annual employer contributions were calculated and deposited in accordance with the plan's governing document and applicable laws and regulations by examining the municipality's calculation of the plan's annual financial requirements and minimum municipal obligation (MMO) and comparing these calculated amounts to amounts actually budgeted and deposited into the pension plan as evidenced by supporting documentation. Employer contributions that were deposited into the pension plan for the years ended December 31, 2023 to December 31, 2024, 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. We also tested individual employee contributions for all active employees employed during the audit period amounting to \$3,251 and \$1,993, for the years 2023 and 2024, respectively.
- We determined that there were no benefit calculations prepared for the years covered by our audit period.
- We determined whether the January 1, 2023 actuarial valuation report was prepared and submitted by March 31, 2024 in accordance with Act 205 and whether selected information provided on this report 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.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Albion Borough Non-Uniformed Defined Contribution 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 Albion Borough Non-Uniformed Defined Contribution 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 – Municipal Contributions Made In Excess Of Contributions
Required To Fund The Plan

The contents of this report were discussed with officials of Albion Borough and, where appropriate, their responses have been included in the report. We would like to thank borough 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 horizontal line extending from the left of the first letter.

Timothy L. DeFoor
Auditor General
July 15, 2025

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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 two 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 Albion Borough Non-Uniformed Defined Contribution 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 Albion Borough Non-Uniformed Defined Contribution Pension Plan is a single-employer defined contribution pension plan locally controlled by the provisions of Ordinance No. 04-2020 and a separately executed joinder agreement with Pennsylvania State Association of Boroughs Municipal Retirement Trust, effective January 1, 2021, for full-time non-uniformed employees hired on or after January 1, 2021. Non-uniformed employees hired before January 1, 2021 are members of the township's defined benefit non-uniformed pension plan (*separately audited*). The plan is also affected by the provisions of collective bargaining agreements between the borough and its non-uniformed employees. The plan was established January 1, 2021. Active members are required to contribute five percent of compensation to the plan. The municipality is required to contribute three percent of compensation. As of December 31, 2024, the plan had one active member.

ALBION BOROUGH NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Municipal Contributions Made In Excess Of Contributions Required To Fund The Plan

Condition: The borough made contributions to the non-uniformed defined contribution pension plan in excess of contributions required to fund the plan in 2023, as illustrated below:

Actual municipal pension costs	\$ 1,700
Forfeitures available	<u>(1,700)</u>
Municipal contributions required to fund plan	<u>\$ -</u>
Actual municipal contributions made	\$ 6,596
Municipal contributions required to fund plan	<u>-</u>
Excess municipal contributions	<u>\$ 6,596</u>

Criteria: Section 3.01 of the plan's joinder agreement states:

The Employer shall make contributions to the Plan which, together with forfeitures, shall be in an amount equal to 3% of each Eligible Participant's Compensation.

Cause: Municipal officials failed to reconcile plan forfeitures and actual employer contributions deposited to the plan to the employer contributions required to fund the plan.

Effect: As a result of the borough making contributions in excess of contributions required to fund the pension plan, an unallocated reserve fund was generated which amounted to \$6,864 as of December 31, 2024, comprised of \$5,646 in remaining excess employer contributions plus \$1,218 in investment income.

It is the opinion of this department that the borough's failure to withdraw excess municipal contributions made in prior years does not preclude the borough from withdrawing the municipal contributions maintained in the unallocated reserve fund at this time.

ALBION BOROUGH NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that the borough transfer the excess municipal contributions made in 2023, which are currently held in the plan's unallocated reserve account, to the borough's general fund. In addition, any interest income earned on the excess municipal contributions held in the reserve fund should also be transferred to the general fund.

Management's Response: Municipal officials agreed with the finding without exception.

Auditor's Conclusion: Compliance will be evaluated during our next audit of the plan.

ALBION BOROUGH NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
SUMMARY OF DEPOSITED STATE AID AND EMPLOYER CONTRIBUTIONS

Year Ended December 31	State Aid	Employer Contributions
2023	None	\$ 6,596
2024	None	None

The Department typically presents this data for the past six consecutive fiscal years. Since six years of data was not yet available, this will be done prospectively.

Note: In 2023, the borough met the plan's \$1,700 funding requirement through the deposit of \$6,596 in employer contributions and the allocation of \$1,700 in terminated employee forfeitures. (*refer to Finding*).

In 2024, the borough met the plan's \$1,185 funding requirement through the allocation of \$950 in excess employer contributions from 2023 and the allocation of \$235 in terminated employee forfeitures.

ALBION BOROUGH NON-UNIFORMED DEFINED CONTRIBUTION PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Will Rogers
Mayor

Mr. Jason Harayda
Council President

Mr. Gary L. Wells
Borough Manager

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.