

# COMPLIANCE AUDIT

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## Lawrence Township Police Pension Plan Clearfield County, Pennsylvania

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August 2024



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  
Lawrence Township  
Clearfield County  
Clearfield, PA 16830

We have conducted a compliance audit of the former Lawrence Township Police Pension Plan 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 objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

The objectives of the audit were:

1. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior report; and
2. To determine if the former 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 objectives identified above. To determine if municipal officials took appropriate corrective action to address the finding contained in our prior report, we inquired of plan officials and evaluated supporting documentation provided by officials evidencing that the suggested corrective action has been appropriately taken. To determine whether the former pension plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies, our methodology included the following:

- For the period January 1, 2022 to June 23, 2023, 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 the period January 1, 2022 to June 23, 2023, 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 period January 1, 2022 to June 23, 2023, 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 the period noted and examining documents evidencing the deposit of these employee contributions into the pension plan.
- For the period January 1, 2022 to June 23, 2023, we determined that there were no benefit calculations prepared.
- 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.

Lawrence 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.

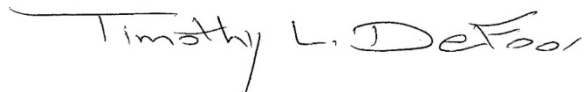
Township officials were responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the former Lawrence Township Police Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local 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 objectives.

The results of our procedures indicated that, in all significant respects, the former Lawrence Township Police Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above.

On November 9, 2022, Lawrence Township entered into a Charter Agreement with the Borough of Clearfield to create the Clearfield Regional Police Department, effective January 1, 2023. On June 23, 2023, all assets and related pension liabilities were transferred to the newly established Clearfield Regional Police Pension Plan. As a result, this report represents the final audit of the former police pension plan.

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 Lawrence 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 horizontal line above the first name.

Timothy L. DeFoor  
Auditor General  
July 23, 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 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 Lawrence Township Police 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 600 - Police Pension Fund Act, Act of May 29, 1956 (P.L. 1804, No. 600), as amended, 53 P.S. § 767 et seq.

The Lawrence Township Police Pension Plan was a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 2002-09, as amended, adopted pursuant to Act 600. The plan was also affected by the provisions of collective bargaining agreements between the township and its police officers. The plan was established September 15, 1971. Active members were required to contribute four percent of compensation to the plan. As of June 23, 2023, the plan no longer had active members.

On November 9, 2022, Lawrence Township entered into a Charter Agreement with the Borough of Clearfield, effective January 1, 2023, to create the Clearfield Regional Police Department. Article X of the Charter Agreement mandated that both municipalities transfer their existing pension funds into the regional police pension plan, accordingly. On June 23, 2023, the township transferred the former police pension plan's assets of \$3,005,494, along with the related pension liabilities, to the newly established Clearfield Regional Police Pension Plan.

LAWRENCE TOWNSHIP POLICE PENSION PLAN  
STATUS OF PRIOR FINDING

Status Of Prior Recommendation

· Awarding Of Professional Services Contract Inconsistent With Provisions Of Act 205

The township did not change service providers for its pension plans during the period subject to audit although the township did have procedures in place to be followed in that event. However, effective March 5, 2023, the township's police pension plan merged with the Clearfield Borough Police Pension Plan to create the Clearfield Regional Police Pension Plan via Resolution No. 2023-01. All assets and liabilities were transferred to the regional pension plan on June 23, 2023. Therefore, no further action is required regarding this prior disclosure.

LAWRENCE TOWNSHIP POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF FUNDING PROGRESS

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, 2019, is as follows:

|                          | (1)                              | (2)  | (3)   | (4)                     |
|--------------------------|----------------------------------|--|---|-------------------------|
| Actuarial Valuation Date | Actuarial Value of Assets<br>(a) | Actuarial Accrued Liability (AAL) - Entry Age<br>(b) | Unfunded (Assets in Excess of) Actuarial Accrued Liability<br>(b) - (a) | Funded Ratio<br>(a)/(b) |
| 01-01-19                 | \$ 2,534,719                     | \$ 3,186,655   | \$ 651,936  | 79.5%                   |
| 01-01-21                 | 3,094,440                        | 3,318,854  | 224,414   | 93.2%                   |
| 01-01-23                 | 3,606,995                        | 3,726,507  | 119,512   | 96.8%                   |

Note: The market values of the plan’s assets at 01-01-19, 01-01-21, and 01-01-23 have been adjusted to reflect the smoothing of gains and/or losses over a 4-year averaging period. 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.

*As noted earlier in this report, Lawrence Township consolidated police departments with Clearfield Borough forming the Clearfield Regional Police Department and transferred all remaining plan assets, along with the related pension liabilities to the newly consolidated Clearfield Regional Police Pension Plan during June 2023. The above information represents the funding status of the former plan prior to consolidation.*



LAWRENCE TOWNSHIP POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(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.

LAWRENCE TOWNSHIP POLICE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER  
 AND OTHER CONTRIBUTING ENTITIES

| Year Ended December 31 | Annual Required Contribution | Percentage Contributed |
|------------------------|------------------------------|------------------------|
| 2018                   | \$ 222,180                   | 100.0%                 |
| 2019                   | 228,701                      | 100.0%                 |
| 2020                   | 225,619                      | 100.0%                 |
| 2021                   | 221,020                      | 100.0%                 |
| 2022                   | 192,098                      | 100.0%                 |
| 2023                   | 193,336*                     | None                   |

*\* On June 23, 2023, all assets of the pension plan were transferred to the Clearfield Regional Police Pension Plan. The 2023 annual required contribution was deposited to the Clearfield Regional Police Pension Plan.*

LAWRENCE TOWNSHIP POLICE PENSION PLAN  
SUPPLEMENTARY INFORMATION  
NOTES TO SUPPLEMENTARY SCHEDULES  
(UNAUDITED)

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, 2023                |
| Actuarial cost method         | Entry age normal               |
| Amortization method           | Level dollar                   |
| Remaining amortization period | 2 years                        |
| Asset valuation method        | Market value, 4-year smoothing |
| Actuarial assumptions:        |                                |
| Investment rate of return     | 6.50%                          |
| Projected salary increases *  | 4.50%                          |

\* Includes inflation at 2.50%

LAWRENCE TOWNSHIP POLICE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
Governor  
Commonwealth of Pennsylvania

**Mr. Jeremy Ruffner**  
Chairman, Board of Township Supervisors

**Ms. Candice Holt**  
Secretary/Treasurer

This report is a matter of public record and is available online at [www.PaAuditor.gov](http://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](mailto:news@PaAuditor.gov).