

COMPLIANCE AUDIT

Lower Gwynedd Township Non-Uniformed Employees Pension Plan

Montgomery County, Pennsylvania

October 2025



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

Board of Township Supervisors
Lower Gwynedd Township
Montgomery County
Spring House, PA 19477

We have conducted a compliance audit of the Lower Gwynedd Township Non-Uniformed Employees 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 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 whether 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 area 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:

- For the period January 1, 2023 to December 31, 2024, 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, 2024 to December 31, 2024, we determined whether 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 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, 2024 to December 31, 2024, we determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations.
- For the period January 1, 2024 to December 31, 2024, and through the completion of our fieldwork procedures, we determined whether retirement benefits calculated for the plan member who retired subsequent to the period noted, 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 individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipient.
- 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.

Lower Gwynedd 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.

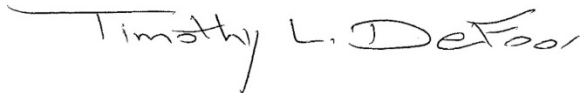
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Lower Gwynedd Township Non-Uniformed Employees Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, 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 Lower Gwynedd Township Non-Uniformed Employees Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above, except as noted in the following finding further discussed later in this report:

Finding – Pension Benefit Payments Made To Deceased Individual

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

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 side of the first letter.

Timothy L. DeFoor
Auditor General
September 17, 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 Lower Gwynedd Township Non-Uniformed 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.

The Lower Gwynedd Township Non-Uniformed Employees Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Resolution No. 2016-21, for non-uniformed employees hired prior to January 1, 2014. The plan was established January 1, 1989. Active members are not required to contribute to the plan. As of December 31, 2024, the plan had 7 active members, 7 terminated members eligible for vested benefits in the future, and 15 retirees receiving pension benefits from the plan.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Pension Benefit Payments Made To Deceased Individual

Condition: From November 2021 until October 2024, the township made improper monthly pension benefit payments from the non-uniformed pension plan to a retiree who died on October 5, 2021. The monthly benefit checks were deposited by a family member of the deceased.

Criteria: The municipality has a fiduciary responsibility to monitor the continued eligibility of individuals receiving pension benefits and ensure that each eligible individual receives only the benefits to which he or she is entitled as well as detecting timely and properly terminating payments to deceased individuals. Procedures to monitor the continued eligibility of individuals receiving pension benefits is a prerequisite for the consistent, sound administration of retirement benefits and provides assurance that each eligible individual receives only those benefits to which entitled.

Cause: The township failed to implement adequate internal control procedures to prevent or timely detect and stop payments to deceased individuals.

Effect: The plan experienced a loss totaling \$138,326 for the 36 monthly payments made to the deceased recipient.

Recommendation: We recommend that the township implement procedures to timely detect and stop payments to deceased benefit recipients. In this instance where a pension benefit payment to a deceased individual has been confirmed, we recommend that, to the extent possible, plan officials pursue recovery of the improper payments and determine whether referral to appropriate law enforcement agencies is warranted.

Management's Response: Township officials provided the following response:

In October 2024, Lower Gwynedd Township implemented a process to seek annual “proof of life” confirmation from pensioners, as well as periodically reviewing death notices. Through this process, the Township quickly learned that all pensioners except one were alive. The one exception passed away in October 2021, although pension checks were endorsed in his name between October 2021 through October 2024. The Township contacted US Bank to stop all subsequent pension payments and notified the Lower Gwynedd Township Police Department. The investigation revealed that the deceased pensioner’s daughter had been endorsing his pension checks and depositing them into her account, for a total of \$138,356.04 [sic].

The Township Solicitor sent a demand for repayment to the daughter. Following discussions with the daughter’s attorney, she and her husband agreed to repay all of the money, beginning with a \$110,000 lump sum payment received by August 1, 2025, followed by 36 monthly payments of \$786.83. Their first monthly payment was received on September 1, 2025.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

In sum, the improper pension payments were discovered because of a Township-initiated process. As soon as the Township learned of the death of the pensioner, the pension payments were stopped and collection tasks for overpayment were set in motion. Within 9 months, an agreement was executed and 80% was collected as a lump sum with the balance to be collected within 3 years. All monies received are being deposited back into the plan. Moreover, the Township will continue the annual practice of requiring Proof of Life letters from all pensioners, as well as having the Township's actuary run the list of pension recipients through their software to report any deaths.

Note that this plan is no longer in place for employees hired as of January 1, 2014. In 2024 the plan was fully funded and did not require any Minimum Municipal Obligation. The MMO was estimated for 2025 and with the same IRR has a zero MMO also.

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

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED EMPLOYEES 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 (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded (Assets in Excess of) Actuarial Accrued Liability (b) - (a)	Funded Ratio (a)/(b)
01-01-19	\$ 4,884,102	\$ 5,070,933	\$ 186,831	96.3%
01-01-21	6,741,476	5,924,864	(816,612)	113.8%
01-01-23	7,203,443	6,531,314	(672,129)	110.3%

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 subject to a corridor between 80 to 120 percent of the 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.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED EMPLOYEES 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.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN
SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

<u>Year Ended December 31</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 210,654	\$ 260,654	\$ (50,000)	\$1,395,263	18.68%
2016	207,493	207,493	-	1,004,002	20.67%
2017	173,265	177,765	(4,500)	958,383	18.55%
2018	163,365	178,934	(15,569)	978,917	18.28%
2019	170,137	237,625	(67,488)	977,952	24.30%
2020	186,052	202,993	(16,941)	928,617	21.86%
2021	177,229	177,229	-	911,540	19.44%
2022	16,655	33,755	(17,100)	808,886	4.17%
2023	3,792	26,173	(22,381)	592,011	4.42%
2024	6,028	6,028	-	*	

* Due to the timing of this audit, covered-employee payroll for 2024 was not provided in this schedule.

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED EMPLOYEES 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	Not applicable
Remaining amortization period	None
Asset valuation method	Plan assets are valued using the method described in Section 210 of Act 205, as amended, subject to a corridor between 80-120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	5.0%
Cost-of-living adjustments	None assumed

LOWER GWYNEDD TOWNSHIP NON-UNIFORMED EMPLOYEES PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Ms. Danielle A. Duckett
Chairperson, Board of Township Supervisors

Mr. Michael Twersky
Vice-Chairman, Board of Township Supervisors

Mr. Jimmy Chong
Township Supervisor

Ms. Tessie McNeely
Township Supervisor

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Ms. Mimi Gleason
Township Manager

Ms. Melinda Haldeman
Finance Director

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.