

# COMPLIANCE AUDIT

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## Manchester Township Non-Uniformed Cash Balance Pension Plan York County, Pennsylvania

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January 2025



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  
Manchester Township  
York County  
York, PA 17406

We have conducted a compliance audit of the Manchester Township Non-Uniformed Cash Balance 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and 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 findings contained in our prior report; and
2. 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 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 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 December 31, 2023, and through the completion of our fieldwork procedures, 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 December 31, 2023, and through the completion of our fieldwork procedures, 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 December 31, 2023, we determined whether 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 using the rates obtained from the plan's governing document in effect for the years in the period noted 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 period noted amounting to \$34,194 and \$41,725 for the years 2022 and 2023, respectively.
- For the period January 1, 2022 to December 31, 2023, and through the completion of our fieldwork procedures, we determined that there were no benefit calculations prepared.
- We determined whether the January 1, 2021 and January 1, 2023 actuarial valuation reports were prepared and submitted by March 31, 2022 and 2024, 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.

The Manchester Township Non-Uniformed Cash Balance Pension Plan participates in the Pennsylvania Municipal Retirement System (PMRS), which is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating municipal pension plans. PMRS issues a separate Annual Comprehensive Financial Report, copies of which are available from the PMRS accounting office. PMRS's 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 Manchester Township Non-Uniformed Cash Balance 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 objectives.

The results of our procedures indicated that, in all significant respects, the Manchester Township Non-Uniformed Cash Balance 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 findings further discussed later in this report:

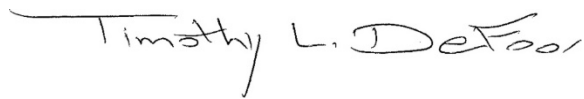
Finding No. 1 – Noncompliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

Finding No. 2 – Partial Compliance With Prior Audit Recommendation – Failure To Properly Fund Members' Accounts

The findings contained in this audit report repeat conditions that were cited in our previous report that have not been corrected by township officials. We are concerned by the township's failure to correct the previously reported findings and strongly encourage timely implementation of the recommendations noted in this audit report.

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 Manchester 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.



Timothy L. DeFoor  
Auditor General  
December 17, 2024

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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 Manchester Township Non-Uniformed Cash Balance 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 15 - Pennsylvania Municipal Retirement Law, Act of February 1, 1974  
(P.L. 34, No. 15), as amended, 53 P.S. § 881.101 et seq.

The Manchester Township Non-Uniformed Cash Balance Pension Plan is a single-employer cash balance pension plan locally controlled by the provisions of Ordinance No. 2020-01 and a separately executed plan agreement with the plan's custodian effective January 1, 2020, adopted pursuant to Act 15, for active members hired on or after July 1, 2011. Prior to January 1, 2020, the plan was locally controlled by the provisions of Ordinance No. 2012-02, as amended, and a separately executed plan agreement with the plan's custodian effective July 1, 2011, adopted pursuant to Act 15. The plan was established March 1, 1977. Active members are required to contribute 3.5 percent of their compensation to the plan and may optionally contribute up to an additional 16.5 percent of compensation to the plan. The municipality was required to contribute 5 percent of each member's compensation for the years 2019, 2020, 2021, and 2022 and 9 percent of each member's compensation for the year 2023. As of December 31, 2023, the plan had 14 active members.

MANCHESTER TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN  
STATUS OF PRIOR FINDINGS

In the prior audit, the non-uniformed defined benefit and non-uniformed cash balance plans were combined in one audit report which contained the following three findings:

- Ordinance Improperly Amended By Resolution – *addressed in the current non-uniformed defined benefit pension plan audit report*
- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid – *addressed in both current audit reports*
- Failure To Properly Fund Members' Accounts – *addressed in this audit report*

Noncompliance With Prior Audit Recommendation

Manchester Township has not complied with the prior audit recommendation concerning the following as further discussed in the Findings and Recommendations section of this report:

- Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

Partial Compliance With Prior Audit Recommendation

Manchester Township has partially complied with the prior audit recommendation concerning the following as further discussed in the Findings and Recommendations section of this report:

- Failure To Properly Fund Members' Accounts

During the period subject to audit, plan officials properly funded members' accounts in accordance with the plan document. However, the township failed to review the applicable members' accounts and make the adjustments deemed necessary to properly fund the applicable members' accounts for the years 2016, 2017, and 2018 as disclosed in the prior audit.

MANCHESTER TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – Noncompliance With Prior Audit Recommendation – Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid**

Condition: As disclosed in the prior audit report, the township failed to certify eligible non-uniformed employees and firefighters on the Certification Forms AG 385 filed in 2018 and 2019, resulting in an underpayment of state aid in the amount of \$39,657. This amount was subsequently allocated to the township on January 22, 2020.

During the current period subject to audit, the township again failed to comply with the instructions that accompanied Certification Form AG 385 to assist them in accurately reporting the required pension data. The township failed to certify an eligible non-uniformed cash balance employee (1 unit) and two eligible cash balance firefighters (4 units) and certified an ineligible non-uniformed (defined benefit) employee (1 unit) and an ineligible firefighter (2 units) on the Certification Form AG 385 filed in 2020. The township failed to certify an eligible non-uniformed cash balance employee (1 unit) and an eligible cash balance firefighter (2 units) on the Certification Form AG 385 filed in 2022. The township failed to certify an eligible non-uniformed cash balance employee (1 unit) on the Certification Form AG 385 filed in 2023. Finally, the township failed to certify an eligible non-uniformed cash balance employee (1 unit) on the Certification Form AG 385 filed in 2024. The data contained on these certification forms is based on prior calendar year information.

Criteria: Pursuant to Act 205, at Section 402(e)(2), an employee who has been employed on a full-time basis for at least six consecutive months and has been participating in a pension plan during the certification year is eligible for certification. The applicable number of units attributable to each eligible recipient city, borough, incorporated town, and township shall be two units for each police officer and firefighter and one unit for each employee other than police officer or firefighter.

Cause: Due to recent turnover in personnel responsible for the administration of the plan, current plan officials did not have a thorough understanding of the Certification Form AG 385 instructions. In addition, plan officials again failed to establish adequate internal control procedures, such as having another individual review the data certified, to ensure the accuracy of the reported data prior to submission and to ensure compliance with the prior audit recommendation.

Effect: The data submitted on these certification forms is used, in part, to calculate the state aid due to the municipality for distribution to its pension plans. Because the township's state aid allocations were based on unit value, the township received an underpayment of state aid as identified below:



MANCHESTER TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 1 – (Continued)**

Year	Type of Plan	Units Overstated (Understated)	Unit Value	State Aid Overpayment (Underpayment)
2020	Non-Uniformed	1	\$ 4,924	\$ 4,924
	Non-Uniformed Cash Balance	(1)	\$ 4,924	(4,924)
	Firefighter’s	2	\$ 4,924	9,848
	Firefighter’s Cash Balance	(4)	\$ 4,924	<u>(19,696)</u>
			Total	<u>\$ (9,848)</u>
2022	Non-Uniformed Cash Balance	(1)	\$ 5,180	\$ (5,180)
	Firefighter’s Cash Balance	(2)	\$ 5,180	<u>(10,360)</u>
			Total	<u>\$ (15,540)</u>
2023	Non-Uniformed Cash Balance	(1)	\$ 5,828	\$ (5,828)
2024	Non-Uniformed Cash Balance	(1)	\$ 6,292	<u>(6,292)</u>
			Total Underpayment of State Aid	<u><u>\$ (37,508)</u></u>

Although the additional state aid will be allocated to the township, the full amount of the 2020, 2022, 2023, and 2024 state aid allocations were not available to be deposited timely and therefore resulted in the township having to make additional municipal contributions in order to meet the plans’ funding obligations.

Recommendation: We again recommend that in the future, plan officials establish adequate internal control procedures, such as having at least two people review the data certified, to ensure compliance with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data.

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.

MANCHESTER TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Partial Compliance With Prior Audit Recommendation – Failure To Properly Fund Members’ Accounts**

Condition: As disclosed in the Status of Prior Findings section of this report, the township partially complied with the prior finding by properly funding members’ accounts in accordance with the plan document during the period subject to audit. However, the township failed to comply with the prior audit recommendation to review the applicable members’ accounts and make the adjustments deemed necessary to properly fund the applicable members’ accounts for the years 2016, 2017, and 2018.

As disclosed in the prior audit report, the township did not properly fund the accounts of all participants (2 members in 2016, 1 member in 2017, and 1 member in 2018) in the non-uniformed cash balance pension plan in accordance with the plan document, as illustrated below:

<u>Employee Hire Date</u>	<u>2016 Actual Contributions</u>	<u>2016 Required Contributions</u>	<u>Contributions Due</u>
02/01/16	\$ -	\$ 166	\$ 166
11/23/15	-	242	242
		Total	<u>\$ 408</u>

<u>Employee Hire Date</u>	<u>2017 Actual Contributions</u>	<u>2017 Required Contributions</u>	<u>Contributions Due</u>
04/10/17	\$ -	\$ 97	<u>\$ 97</u>

<u>Employee Hire Date</u>	<u>2018 Actual Contributions</u>	<u>2018 Required Contributions</u>	<u>Contributions Due</u>
04/10/17	\$ 300	\$ 400	<u>\$ 100</u>
		Total Contribution Due	<u>\$ 605</u>

MANCHESTER TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

Criteria: The plan’s governing document at Section 9.1(b), states in part:

For Members hired on or after July 1, 2011, the Municipality shall contribute one hundred dollars (\$100) to each Member’s Account per quarter in accordance with the Board’s policy regarding the treatment of member contributions.

In addition, the plan’s governing document at Section 9.1(c), states:

For Members hired on or after July 1, 2011, who do not earn Credited Service for the full quarter, the Municipality shall contribute an amount equal to a portion of the Member’s actual Credited Service earned during the quarter.

Cause: There was a recent turnover in the position responsible for administering the pension plans and the newly appointed individual was not aware that the affected members’ accounts have not yet been paid in full. In addition, the township failed to establish adequate internal control procedures to ensure compliance with this department’s prior audit recommendation.

Effect: The failure to properly allocate contributions to participating members’ accounts may result in certain plan members being denied benefits to which they are entitled in accordance with the plan’s governing document.

Recommendation: We again recommend that the township review the applicable members’ accounts and make the adjustments deemed necessary to ensure that they are properly funded in accordance with the provisions contained in the plan’s governing document.

Management’s Response: Municipal officials agreed with the finding without exception and indicated that they will take appropriate action to comply with the recommendation upon receipt of the audit report.

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

MANCHESTER TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

Year Ended December 31	Statutorily Required Contribution (SRC)*	Contributions in Relation to the SRC*	Contribution Deficiency (Excess)**	Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 800	\$ 840	\$ (40)	\$ 71,379	1.18%
2018	1,440	1,020	420	150,734	0.68%
2019	13,702	12,843	859	262,051	4.90%
2020	21,920	21,920	-	432,004	5.07%
2021	29,034	29,034	-	576,271	5.04%
2022	36,238	36,238	-	718,365	5.04%
2023	78,130	78,129	1	862,992	9.05%

\* The Statutorily Required Contribution (SRC) is a contribution amount based upon the payroll and the contribution rate as outlined under the terms of the cash balance pension plan.

\*\* The SRC and the actual Contribution were provided by PMRS. Deviation between these amounts may be due to contributions to or transfers from the municipal reserve account. In 2023, the contributions included \$8,117 transferred from the Municipal Reserve account representing terminated employee forfeitures.

Note: This plan is for employees hired on or after July 1, 2011; however, there were no plan members until 2017.

MANCHESTER TOWNSHIP NON-UNIFORMED CASH BALANCE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Rodney K. Brandstedter**  
Chairman, Board of Township Supervisors

**Mr. Timothy R. James**  
Township Manager

**Ms. Kimberly Hackett**  
Administrative Director

**Mr. Richard Cardamone, CPA, CGMA**  
Pennsylvania Municipal Retirement System

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