

COMPLIANCE AUDIT

Penn Township Non-Uniformed Pension Plan Snyder County, Pennsylvania For the Period January 1, 2022 to December 31, 2024

April 2026



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
Penn Township
Snyder County
Selinsgrove, PA 17870

We have conducted a compliance audit of the Penn Township Non-Uniformed Pension Plan for the period January 1, 2022 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 findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings 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.
- We determined that there were no employee contributions required by the plan's governing document and applicable laws and regulations for the years covered by our audit period.
- We determined whether retirement benefits calculated for the plan member who elected to vest during the current audit period and the plan member who retired subsequent to the audit 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 pension benefits due to the retired individual and comparing these amounts to supporting documentation evidencing amounts determined and actually paid or payable to the recipients.
- 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 Penn Township Non-Uniformed 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 Penn Township Non-Uniformed 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 Penn Township Non-Uniformed 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 findings further discussed later in this report:

Finding No. 1 – Incorrect Data Certified On Actuarial Valuation Report Resulting In An Underpayment Of State Aid

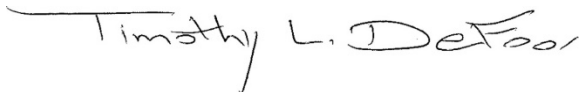
Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

Finding No. 3 – Failure To Appoint A Chief Administrative Officer

Finding No. 4 – Restated Plan Document Not Adopted By Ordinance

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 Penn 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
March 16, 2026

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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 Penn Township Non-Uniformed 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.

Act 69 - The Second Class Township Code, Act of May 1, 1933 (P.L. 103, No. 69), as reenacted and amended, 53 P.S. § 65101 et seq.

The Penn Township Non-Uniformed Pension Plan is a single-employer cash balance pension plan locally controlled by the provisions of Ordinance No. 2017-02, as amended, and a separately executed plan agreement with the plan's custodian effective January 1, 2017, adopted pursuant to Act 15. The plan was established January 1, 2017. Active members are not required to contribute to the plan, however, may optionally contribute an amount not to exceed 20 percent of compensation. The municipality was required to contribute 2 percent of each member's compensation for the year 2022, and 8 percent of each member's compensation for the years 2023 and 2024. As of December 31, 2024, the plan had 3 active members, and 2 terminated members eligible for vested benefits in the future.

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – Incorrect Data Certified On Actuarial Valuation Report Resulting In An Underpayment Of State Aid

Condition: Actuarial valuation report form Type A for the pension plan, with a valuation date of January 1, 2023, and submitted to the Municipal Pension Reporting Program (MPRP) before the March 31, 2024 submission deadline, contained incorrect information. The township incorrectly reported a municipal contribution rate of two percent (2.0%) per member; however, the contribution rate was increased to eight percent (8.0%) per member effective January 1, 2023.

Criteria: Section 201(d) of Act 205 states:

Responsibility for preparation and filing of reports and investigations. The actuarial valuation report or experience investigation required pursuant to subsection (a) shall be prepared under the supervision and at the discretion of the chief administrative officer of the municipality, who shall be responsible for the filing of the document. The actuarial valuation report or experience investigation shall be signed by the chief administrative officer, indicating that to the extent of the understanding and knowledge of the officer, the report or investigation represents a true and accurate portrayal of the actuarial, financial and demographic condition of the pension plan of the municipality.

Additionally, in a meeting of the Board of Township Supervisors on October 18, 2023, township supervisors voted to adopt Ordinance No. 2023-04 to set the required municipal contribution rate at eight percent (8.0%) of each member's compensation effective January 1, 2023.

For a defined contribution pension plan such as the one maintained by the township, the municipal contribution rate is used as the normal cost of the plan, which is a primary factor in calculating the annual state aid allocations.

Cause: Plan officials reported the information as of December 31, 2022 instead of the Act 205 defined valuation date of January 1, 2023. The contribution rate effective January 1, 2023 was increased from the previous year, and due to a lack of internal controls, plan officials did not verify that the new rate was reported correctly on the actuarial valuation report. See also Finding No. 3 regarding the failure to appoint a chief administrative officer.

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 1 – (Continued)

Effect: Because the municipality’s state aid allocations are determined, in part, by the information contained in the actuarial valuation report, the submission of the incorrect data resulted in the municipality receiving state aid allocations for the years 2024 and 2025 based on an incorrect normal cost percentage (2.0%, instead of 8.0%). For 2024, it should be noted that since the township only had pension costs (less available forfeitures) amounting to \$11,912, the township’s state aid entitlement is limited to \$11,912 for 2024 (*revised state aid would have been calculated as \$11,923 based on the certified payroll and corrected normal cost percentage*). For 2025, it should be noted that since the township only had pension costs (less available forfeitures) amounting to \$10,786, the township’s state aid entitlement is limited to \$10,786 for 2025 (*revised state aid would have been calculated as \$12,497 based on the certified payroll and corrected normal cost percentage*). As a result, the township received underpayments of state aid, as follows:

<u>Year</u>	<u>Normal Cost</u>	<u>Certified Payroll</u>	<u>State Aid Entitlement (see above)</u>	<u>State Aid Received</u>	<u>State Aid Underpayment</u>
2024	8.0%	\$ 149,038	\$ 11,912	\$ 2,981	\$ 8,931
2025	8.0%	\$ 156,213	\$ 10,786	\$ 3,124	<u>\$ 7,662</u>
<u>Total Underpayment</u>					<u><u>\$ 16,593</u></u>

Although the additional state aid will be allocated to the township, the full amount of the 2024 and 2025 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 plan’s funding obligation.

Recommendation: We recommend that, in the future, plan officials review and verify all information submitted to the Municipal Pension Reporting Program so that future actuarial valuation reports properly reflect the provisions of the pension plan.

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.

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – Incorrect Data On Certification Form AG 385 Resulting In An Underpayment Of State Aid

Condition: While the township submitted its Certification Forms AG 385 timely in 2020 and 2021, the township failed to report any eligible plan members or their corresponding payroll on the forms; therefore, the township failed to certify three eligible non-uniformed employees and payroll of \$81,399 on the Certification Form AG 385 filed in 2020, and failed to certify three eligible non-uniformed employees and payroll of \$116,741 on the Certification Form AG 385 filed in 2021. 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.

In addition, pursuant to the instructions that accompany Certification Form AG 385, the total payroll eligible to be certified should be Internal Revenue Service Form W-2 earnings pertaining to full-time positions.

Furthermore, Section 402(f)(2) of Act 205 states:

No municipality shall be entitled to receive an allocation of general municipal pension system State aid in an amount which exceeds the aggregate actual financial requirements of any municipal pension plans for police officers, paid firefighters or employees other than police officers or paid firefighters maintained by the municipality, less the amount of any aggregate annual member or employee contributions during the next succeeding plan year, as reported in the most recent complete actuarial report filed with the commission.

Cause: The township established its pension plan January 1, 2017, and was unaware that the plan could qualify for state aid beginning in 2020, after self-funding the plan for three years, per Act 205. Plan officials failed to establish adequate internal control procedures to ensure the accuracy of the data certified. See also Finding No. 3 regarding the failure to appoint a chief administrative officer.

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 2 – (Continued)

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 plan. Since the township had no reportable data on the original certifications, it did not receive state aid allocations in 2020 and 2021. Based on the correct payroll and normal cost data, the township would have been entitled to state aid allocations in the amounts of \$1,628 in 2020 and \$2,335 in 2021. However, pursuant to Section 402(f)(2) of Act 205 cited in the Criteria above, the township’s annual state aid allocations are limited to the plan’s actual annual pension costs. Accordingly, the township’s state aid allocation for the year 2021 is limited to \$2,240.

Although state aid in the amounts of \$1,628 for 2020 and \$2,240 for 2021 will be allocated to the township, these 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 plan’s funding obligation.

Recommendation: We recommend that 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 our next audit of the plan.

Finding No. 3 – Failure To Appoint A Chief Administrative Officer

Condition: Municipal officials did not appoint a chief administrative officer (CAO) for the pension plan by ordinance, resolution or by a motion recorded in the minutes of a council meeting.

Criteria: Section 102 of Act 205 defines the CAO as “The person who has primary responsibility for the execution of the administrative affairs of the municipality in the case of the municipality, or of the pension plan in the case of the pension plan, or the designee of that person.”

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 3 – (Continued)

Municipal officials may appoint two CAOs - one for the pension plan and one for the municipality or appoint one person to fill both positions. Act 205 identifies specific duties for each position, as follows:

CAO of the Municipality

- Supervise and direct the preparation of actuarial reports (Section 201(d));
- Certify and file actuarial valuation reports with the Public Employee Retirement Commission (Section 201(b)); and
- Make actuarial report information available to plan members (Section 201(e)).

CAO of the Pension Plan

- Annually, determine and submit to the governing body of the municipality the financial requirements of the pension plan and minimum municipal obligation (Section 302(b), Section 302(c), Section 303(b), Section 303(c) and Section 304); and
- Provide the governing body of the municipality with a cost estimate of the effect of any proposed benefit plan modification (Section 305(a)).

Cause: Plan officials were unaware of the need to appoint a CAO for the pension plan in accordance with Act 205 provisions.

Effect: The failure to formally appoint a CAO could result in important filing deadlines being overlooked, state aid being adversely affected (*refer to Finding Nos. 1 and 2*) or delayed and investment opportunities being lost.

Recommendation: Because of the significance of the CAO’s responsibilities to the municipality and pension plan, we recommend that the CAO be formally appointed by ordinance, resolution or motion recorded in the minutes of a council meeting. Such ordinance, resolution or motion should detail the CAO’s responsibilities and be filed with other plan documents.

Management’s Response: Municipal officials agreed with the finding without exception. At a board of township supervisors meeting on March 4, 2026, the board appointed the township manager as the pension plan’s CAO.

Auditor’s Conclusion: The township has complied with the finding recommendation.

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
FINDINGS AND RECOMMENDATIONS

Finding No. 4 – Restated Plan Document Not Adopted By Ordinance

Condition: The Penn Township Non-Uniformed Pension Plan is currently controlled by the provisions of Ordinance No. 2017-02 which adopted the terms, provisions and conditions of the non-uniformed pension plan in a separately executed plan document with Pennsylvania Municipal Retirement System (PMRS) effective January 1, 2017. On January 15, 2025, the terms, provisions and conditions of the non-uniformed pension plan were amended and restated in a separately executed plan document with PMRS, retroactive to January 1, 2017. However, the amended and restated plan agreement has not been formally adopted by an ordinance.

Criteria: Sound internal control dictates that benefit provisions should be consistent within the plan documents to avoid the payment of improper or inconsistent benefits for plan members and their beneficiaries.

Furthermore, in Wynne v. Lower Merion Twp., 181 Pa. Super. 524, 529, 124 A.2d 487, 490 (1956), the Pennsylvania Superior Court held that an ordinance may be amended only by another ordinance and not by a resolution.

Cause: Plan officials were unaware that the township should formally adopt the provisions of the restated plan agreement through a properly executed ordinance.

Effect: The failure to properly adopt the plan agreement could result in improper or inconsistent benefit payments to plan members and their beneficiaries.

Recommendation: We recommend that municipal officials take appropriate action to formally adopt the restated plan document through a properly executed ordinance.

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.

PENN TOWNSHIP NON-UNIFORMED 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	\$ 1,677	\$ 1,717	\$ (40)	\$ 83,824	2.05%
2018	1,554	293	1,261	82,297	0.36%
2019	1,724	2,321	(597)	89,624	2.59%
2020	2,415	2,415	0	116,741	2.07%
2021	2,250	2,250	0	109,515	2.05%
2022	2,669	2,669	0	130,431	2.05%
2023	11,995	11,995	0	148,432	8.08%
2024	12,617	12,617	0	156,213	8.08%

* 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 Statutorily Required Contribution 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.

PENN TOWNSHIP NON-UNIFORMED PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

Mr. Isaac Ramer, Jr.
Chairman, Board of Township Supervisors

Mr. Mark Strawser
Vice-Chairman, Board of Township Supervisors

Mr. Ross Smoker
Township Supervisor

Ms. Julie Hartley
Township Manager

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

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