

# COMPLIANCE AUDIT

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## Pulaski Township Municipal Employee Pension Plan Lawrence County, Pennsylvania

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November 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  
Pulaski Township  
Lawrence County  
Pulaski, PA 16143

We have conducted a compliance audit of the Pulaski Township Municipal Employee 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 objectives. We believe that the evidence obtained provides a reasonable basis for our finding 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 finding 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, 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, 2023 to December 31, 2024, 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, 2023 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, 2023 to December 31, 2024, we determined whether retirement benefits calculated for the plan member who elected to vest during 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 pension benefits due to the retired individual and comparing these amounts to supporting documentation evidencing amounts determined and payable 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.

The Pulaski Township Municipal Employee 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 Pulaski Township Municipal Employee 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,

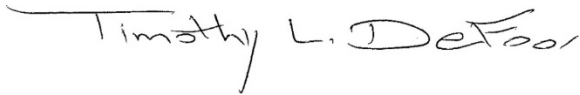
interviewed selected officials, and performed procedures to the extent necessary to provide reasonable assurance of detecting instances of noncompliance with legal and regulatory requirements or noncompliance with provisions of contracts, administrative procedures, and local ordinances and policies that are significant within the context of the audit objectives.

The results of our procedures indicated that, in all significant respects, the Pulaski Township Municipal Employee 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 – Improper Filing Of Actuarial Valuation Report For Deferred  
Compensation Plan Resulting In Incorrect State Aid Allocations

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 Pulaski 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, flowing style.

Timothy L. DeFoor  
Auditor General  
October 29, 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 Pulaski Township Municipal Employee 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 Pulaski Township Municipal Employee Pension Plan is a single-employer cash balance pension plan locally controlled by the provisions of Ordinance No. 01-2019 and a separately executed plan agreement with the plan's custodian, effective January 1, 2020, adopted pursuant to Act 15. The plan was established February 2, 1982. Active members are not required to contribute to the plan; however, they may contribute up to ten percent of their compensation. The municipality is required to contribute \$825 per quarter per member. As of December 31, 2024, the plan had two active members, three terminated members eligible for vested benefits in the future, and three retirees receiving pension benefits.

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN  
STATUS OF PRIOR FINDING

Compliance With Prior Recommendation

Pulaski Township has complied with the prior recommendation concerning the following:

- Failure To Maintain An Adequate Record-Keeping System To Effectively Monitor Activity Of The Pension Plan

For the period subject to audit, the township provided annual financial statements of transactions to the custodial account of the pension plan.

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Improper Filing Of Actuarial Valuation Report For Deferred Compensation Plan  
Resulting In Incorrect State Aid Allocations**

Condition: The township submitted actuarial valuation reports with valuation dates of January 1, 2021 and January 1, 2023 to the Municipal Pension Reporting Program (MPRP) for its deferred compensation plan. The plan was identified on the actuarial valuation reports as Situation 4, which is for plans in which the municipality provides pension benefits for municipal employees through a fixed, defined contribution amount or percentage of payroll. However, that is not the case in a deferred compensation plan, and actuarial valuation reports should not be filed for deferred compensation plans.

Criteria: Section 102 of Act 205 defines a pension plan as follows:

The various aspects of the relationship between a municipality and its employees with respect to the retirement coverage provided by a municipality to the employees.

Section 201.2 of Part IV of Title 16 of the Pennsylvania Code further elaborates on the definition included in Act 205, stating:

The term does not include a plan, program, or arrangement that is funded solely by municipal employee earnings or compensation reported as municipal employee earnings or compensation to the Internal Revenue Service on the Form W-2 Wage and Tax Statement or established under sections 8.1-8.3 of the act of March 30, 1811 (P.L. 145, 5 Sm.L. 228) (72 P.S. §§ 4521.1-4521.3).

Consequently, the former Public Employee Retirement Commission determined that IRS Section 457 Deferred Compensation plans are not eligible to participate in the state aid program.

Additionally, Section 201(a) of Act 205 states, in part:

Each municipality which has established or maintains a pension plan for its employees, including any municipality which participates in the Pennsylvania Municipal Retirement System, shall cause to be made actuarial valuation reports. Actuarial valuation reports shall be made biennially, unless the applicable municipality is applying or has previously applied for supplemental State assistance pursuant to Section 603, whereupon actuarial valuation reports shall be made annually. (Emphasis added.)



PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

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.

The description for Situation 4 on the actuarial valuation report form type A is as follows:

Situation No. 4: Municipality provides pension or retirement benefits for municipal employees of the type indicated through a FIXED, defined contribution amount or percentage specified in an ordinance, resolution or plan document, where the amount of pension or retirement benefits is determined by the monies accumulated in the individual employee accounts at retirement. (Not IRA's, SEP-IRA's or deferred compensation plans.)

Cause: Municipal officials were advised by their plan consultant to prepare and submit the actuarial reports for the deferred compensation plan to MPRP.

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Effect: Since the deferred compensation funding mechanism does not meet the definition of a pension plan as prescribed above, it is not eligible for participation in the state aid program. A municipality's state aid allocations are determined, in part, by the information contained in the actuarial valuation reports filed for its plans. Because the township submitted actuarial valuation reports for the deferred compensation plan identifying the plan as a Situation 4, data from the actuarial valuation reports was combined with data from the actuarial valuation reports filed for the township's municipal employee pension plan, resulting in a combined normal cost percentage that was less than the normal cost percentage for the municipal employee pension plan alone. Utilizing the combined normal cost percentage in the state aid calculation resulted in the municipality receiving underpayments of state aid in the years 2022, 2023, 2024, and 2025, as follows:

<u>Year</u>	<u>Township's Original State Aid Allocation</u>	<u>Township's Corrected State Aid Entitlement</u>	<u>State Aid Underpayment</u>
2022	\$ 13,028	\$ 16,844	\$ 3,816
2023	12,221	15,989	3,768
2024	17,998	20,402	2,404
2025	6,718	8,510	<u>1,792</u>
		Total	<u>\$ 11,780</u>

Although the underpayments of state aid will be allocated to the township, it should be noted that plan officials returned \$3,222 of state aid received in 2024 to the Commonwealth which could have been deposited into the township's defined benefit police pension plan. This amount will be added to the total underpayments of state aid and will be allocated to the township, and the full amount should be deposited into the township's defined benefit police pension plan upon receipt.

Further, the township received its 2022 state aid allocation in two payments totaling \$13,028. As of the completion of our audit, \$2,948 of the 2022 state aid allocation had not been deposited into an eligible pension plan.

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Recommendation: We recommend that the township cease the submission of actuarial valuation reports in the future for its deferred compensation plan, to eliminate the possibility of the report's data being utilized in the township's future state aid allocations.

We also recommend that the township deposit the undeposited 2022 state aid allocation of \$2,948 into the defined benefit police pension plan, with applicable interest.

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.

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE 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
2015	\$ 9,605	\$ 9,625	\$ (20)	\$ 111,309	8.65%
2016	10,080	10,080	-	118,211	8.53%
2017	10,080	10,080	-	119,738	8.42%
2018	10,080	7,687	2,393	122,961	6.25%
2019	10,080	12,555	(2,475)	124,765	10.06%
2020	10,080	10,080	-	128,625	7.84%
2021	10,080	10,080	-	141,907	7.10%
2022	10,080	10,080	-	140,125	7.19%
2023	10,080	10,080	-	140,264	7.19%
2024	8,410	8,410	-		

\* 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.

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

PULASKI TOWNSHIP MUNICIPAL EMPLOYEE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**Mr. Robert K. Stowe**  
Chairman, Board of Township Supervisors

**Ms. Kelly O. Smith**  
Vice Chairman, Board of Township Supervisors

**Ms. Virginia Zinza**  
Township Supervisor

**Ms. Megan Allison**  
Secretary/Treasurer

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

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).