

COMPLIANCE AUDIT

Spring Garden Township Police Pension Plan York County, Pennsylvania

July 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 Commissioners
Spring Garden Township
York County
York, PA 17403

We have conducted a compliance audit of the Spring Garden 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 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, 2024 to December 31, 2024, we determined whether state aid was properly determined and deposited in accordance with Act 205 requirements by verifying the 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 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 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, 2024 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 monthly 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 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.
- For the period January 1, 2024 to December 31, 2024, we determined whether the terms of the plan's unallocated insurance contract, including ownership and any restrictions, were in compliance with plan provisions, investment policies, and state regulations by comparing the terms of the contract with the plan's provisions, investment policies, and state regulations.

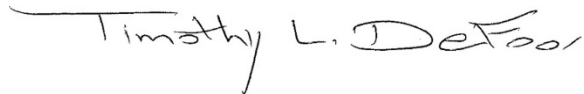
Township officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Spring Garden Township Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances 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 Spring Garden 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, except as noted in the following finding further discussed later in this report:

Finding – Collective Bargaining Agreement Provisions Not In Compliance
With Act 600

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 Spring Garden 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
June 3, 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 Spring Garden 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 Spring Garden Township Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 2008-17, as amended, and a separately executed plan agreement with the plan's custodian effective January 1, 2008, adopted pursuant to Act 600. The plan is also affected by the provisions of collective bargaining agreements between the township and its police officers. The plan was established December 18, 1957. Active members are required to contribute 5 percent of compensation to the plan. As of December 31, 2024, the plan had 18 active members, 1 terminated member eligible for vested benefits in the future, and 18 retirees receiving pension benefits from the plan.

Effective February 12, 2025, Spring Garden Township entered into a charter agreement with the townships of East Manchester, Windsor, and York to join the York County Regional Police Department. Under the terms of this agreement, the police officers of the Spring Garden Township Police Department will become police officers of the regional police department. All liabilities attributable to both active and inactive former participants of the Spring Garden Township Police Pension Plan shall be the sole and exclusive responsibility of the York County Regional Police Commission, and township police pension plan assets will be transferred to the regional police pension plan, accordingly. Transactions regarding the pension plan had not yet occurred as of the completion of this audit.

SPRING GARDEN TOWNSHIP POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Collective Bargaining Agreement Provisions Not In Compliance With Act 600

Condition: The collective bargaining agreements in effect for the periods January 1, 2018 to December 31, 2021, and January 1, 2022 to December 31, 2026, between the police officers and the township contain benefit provisions that are not in compliance with Act 600, and are also inconsistent with the provisions in the plan’s governing document, as follows:

Benefit Provision	Governing Document	Collective Bargaining Agreement	Act 600
Survivor’s benefit	<p>Section 5.01 states, in part: The survivor annuity shall be paid to the participant’s spouse until the date of the spouse’s death.</p> <p>The survivor annuity shall be equal to 50% of the amount that was payable to the participant.</p>	<p>Section 5 states, in part: The spouse of any retired officer or any officer who is eligible for retirement whose spouse dies, shall be entitled to receive or continue to receive one-half of the officer’s pension income <u>until said spouse shall die or remarry.</u> (Emphasis added.)</p>	<p>Section 1 (a) (4) states, in part: A lifetime survivor’s benefit must be provided to the surviving spouse (or if no spouse survives or if he or she subsequently dies, the child or children under 18 years of age or if attending college, under or attaining the age of 23) of no less than 50% of the pension the member was receiving or would have been entitled to receive had he been retired at the time of death. (“Attending college” shall mean the eligible children are registered at an accredited institution of higher learning and are carrying a minimum course load of 7 credit hours per semester.)</p>

SPRING GARDEN TOWNSHIP POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement	Act 600
Refund of Member Contributions	Section 5.02 states, in part: If a Participant had a Severance from employment and his Vesting Percentage is zero...the Participant will receive his Required Contribution Account.	Article 30, Section 7 states: Section 18.E of the previous collective bargaining agreement that requires a refund of all member contributions to the pension fund shall be eliminated effective January 1, 1997. However, the right to receive refunds shall be maintained under the following two conditions: a) any officer who has retired prior to January 1, 1997 who has not been refunded pension contributions shall be entitled to a full refund of all contributions so made; b) any person retiring after January 1, 1997 who has made contributions prior to January 1, 1997 shall be entitled to only those contributions made prior to 1997 to be refunded upon retirement. <u>Under no other event or circumstance may there be a refund to anyone hired after January 1, 1997 or shall there be a refund of any contributions made after January 1, 1997 regardless of the date of hire. (Emphasis added.)</u> Article 30, Section 8 states: Upon death prior to retirement, all members' contributions shall be paid to the officer's widow, children, or estate.	Section 1 (a) (5) states: The surviving spouse of a member of the police force who dies before his pension has vested or if no spouse survives or if he or she survives and subsequently dies, the child or children under the age of eighteen years, or, if attending college, under or attaining the age of twenty-three years, of the member of the police force shall be entitled to receive repayment of all money which the member invested in the pension fund plus interest or other increases in value of the member's investment in the pension fund, unless the member has designated another beneficiary for this purpose. Section 9 states: Any member of a police force of a borough, town, township or regional police department, who for any reason

SPRING GARDEN TOWNSHIP POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Benefit Provision	Governing Document	Collective Bargaining Agreement	Act 600
Refund of Member Contributions (Continued)			<p>whatsoever, shall be ineligible to receive a pension after having contributed any charges to a police pension fund established pursuant to the provisions of this act, or to a police pension fund existing on the effective date of this act supplanted by a police pension fund established pursuant to the provisions of this act, shall be entitled to a refund of all such moneys paid by him into such funds plus all interest earned by such moneys while in the police pension fund, less any return of contributions and interest made to members pursuant to Section 6, as determined by regulations of the governing body immediately upon discontinuance of his employment with the police force. If such discontinuance is due to death, such moneys shall be paid to his designated beneficiary or, in the absence thereof, to his estate.</p>

Criteria: The police pension plan's benefit structure, including collective bargaining agreement provisions, should be in compliance with Act 600.

SPRING GARDEN TOWNSHIP POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Cause: Plan officials failed to establish adequate internal control procedures to ensure that the plan's benefit structure, including collective bargaining agreement provisions, fully comply with Act 600, and failed to adhere to this department's prior verbal observation regarding inconsistent benefit provisions disclosed during the prior audit.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan. In addition, maintaining a benefit structure which is not in compliance with Act 600 could result in plan members or their beneficiaries receiving incorrect benefit amounts or being denied benefits to which they are statutorily entitled.

Recommendation: We recommend that municipal officials, after consulting with their solicitor, take whatever action is necessary to bring the police pension plan's benefit structure, including collective bargaining agreement provisions, into compliance with Act 600 at their earliest opportunity to do so.

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.

SPRING GARDEN 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 (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	\$ 6,660,530	\$ 9,026,882	\$ 2,366,352	73.8%
01-01-21	8,939,242	9,965,675	1,026,433	89.7%
01-01-23	10,136,050	11,078,029	941,979	91.5%

Note: The market value of the plan's assets at 01-01-23 has been adjusted to reflect the smoothing of gains and/or losses over a five-year averaging period 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.

SPRING GARDEN 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.

SPRING GARDEN TOWNSHIP POLICE 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	\$ 306,108	\$ 306,551	\$ (443)		
2016	284,491	284,491	-	\$1,488,635	19.1%
2017	285,983	285,983	-		
2018	292,038	292,038	-	1,588,858	18.4%
2019	387,866	387,866	-	1,746,466	22.2%
2020	414,821	414,821	-	1,786,475	23.2%
2021	521,791	521,791	-	1,798,482	29.0%
2022	519,065	519,065	-	1,894,809	27.4%
2023	423,636	423,636	-	2,109,332	20.1%
2024	395,959	395,959	-		

* This schedule is presented pursuant to the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans* by reporting entities responsible for administering the pension plan to improve financial reporting by state and local governmental pension plans. Due to the statement being implemented only recently, the amount of Covered-Employee Payroll was not provided for odd years prior to 2018. In addition, due to the timing of this audit, Covered-Employee Payroll for 2024 was not provided in this schedule.

SPRING GARDEN 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	5 years
Asset valuation method	5-year smoothing, subject to a corridor of 80% to 120% of the market value of assets.
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	5.0%

SPRING GARDEN 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. Daniel Rooney
President, Board of Township Commissioners

Mr. Luther Wike, Jr.
Township Manager

Ms. Rebecca Nicklow
Finance Administrator

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.