

# COMPLIANCE AUDIT

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## Susquehanna Township Non-Uniformed Pension Plan Dauphin County, Pennsylvania

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June 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  
Susquehanna Township  
Dauphin County  
Harrisburg, PA 17110

We have conducted a compliance audit of the Susquehanna Township Non-Uniformed 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 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 findings 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 annual 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 an annual basis 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.
- For the period January 1, 2022 to December 31, 2023, and through the completion of our fieldwork procedures, we determined whether retirement benefits calculated for plan members who retired or elected to vest during the current audit period, and through the completion of our fieldwork procedures, 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 individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid or payable to the recipients.
- We determined whether the January 1, 2023 actuarial valuation report was prepared and submitted by March 31, respectively, 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.

Susquehanna 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 Susquehanna 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 objectives.

The results of our procedures indicated that, in all significant respects, the Susquehanna Township Non-Uniformed 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 – Partial Compliance With Prior Audit Recommendation –  
Incorrect Data On Certification Form AG 385 Resulting In An  
Underpayment Of State Aid
- Finding No. 2 – Incorrect Pension Benefit Calculations
- Finding No. 3 – Incorrect Data Supplied To Actuary For Actuarial Valuation  
Report Preparation

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 Susquehanna 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.



Gordon R. Denlinger, CPA  
Deputy Auditor General for Audits  
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 Susquehanna 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.

The Susquehanna Township Non-Uniformed Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 08-24, as amended, and a separately executed plan agreement with the plan's custodian. The plan is also affected by the provisions of collective bargaining agreements between the township and its non-uniformed employees. The plan was established March 14, 1974. Active members are required to contribute 4.5 percent of compensation to the plan. As of December 31, 2023 the plan had 35 active members, 1 terminated member eligible for vested benefits in the future, and 34 retirees receiving pension benefits from the plan.

SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
STATUS OF PRIOR FINDING

Partial Compliance With Prior Audit Recommendation

Susquehanna Township has partially complied with the prior audit recommendation concerning the following:

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

December 18, 2019, the township returned \$14,421 to the Commonwealth for the overpayment of state aid received in 2016 and 2017; however, plan officials again failed to comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data, as further discussed in Finding No. 1 in the Findings and Recommendations section of this report.

SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

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

Condition: During the current audit period, the township returned \$14,421 to the Commonwealth for the overpayment of state aid in 2016 and 2017; however, plan officials again failed to comply with the instructions that accompany Certification Form AG 385 to assist them in accurately reporting the required pension data in 2024.

The township failed to certify an eligible non-uniformed employee (1 unit) on the Certification Form AG 385 filed in 2024. The data contained on this certification form 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: The full-time non-uniformed employee was on Family and Medical Leave Act leave, and plan officials were unaware the employee would still be eligible for certification.

Effect: The data submitted on this certification form 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 allocation was based on unit value, the township received an underpayment of state aid as identified below:

| <u>Year</u> | <u>Units<br/>Understated</u> | <u>Unit<br/>Value</u> | <u>State Aid<br/>Underpayment</u> |
|-------------|------------------------------|-----------------------|-----------------------------------|
| 2024        | 1                            | \$ 6,292              | \$ 6,292                          |

Although the additional state aid will be allocated to the township, the full amount of the 2024 state aid allocation was not available to be deposited timely and therefore was not available to pay operating expenses or for investment.

Recommendation: We 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 with the finding recommendation will be evaluated during our next audit of the plan.



SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – Incorrect Pension Benefit Calculations**

**Condition:** Three non-uniformed pension plan members had their pension benefit incorrectly determined because municipal officials failed to accurately calculate the members' final monthly average salary in accordance with the plan's governing document, as follows:

- The benefit calculation for a retired member, hired July 13, 2002 and terminated April 30, 2024, excluded elective contributions made in 2022 and 2023, totaling \$2,400.
- The benefit calculation for a vested member, hired August 8, 2016 and terminated October 4, 2024, excluded leave buyout compensation of \$6,542 and the last pay period's compensation of \$1,607. The benefit calculation also reported 2024 member contributions that were understated by \$367.
- The benefit calculation for a vested member, hired January 4, 2017 and terminated February 28, 2025, excluded the last pay period's compensation of \$4,364, but included leave buyout compensation of \$16,114. The benefit calculation also reported 2025 member contributions that were understated by \$196.

**Criteria:** Section 1.3(c) of the plan's governing document, Ordinance No. 08-24, prescribes that the retirement benefit calculation is based on the participant's average monthly compensation, and defines average monthly compensation as follows:

**Average Monthly Compensation** means 1/12 of the average of an employee's annual compensation over the 3-consecutive-year period that produces the highest average...

Section 1.3(a)(1) of the plan's governing document, Ordinance No. 08-24, defines compensation as follows:

**Compensation** means any earnings reportable as W-2 wages for federal income tax withholding purposes, plus elective contributions, for the determination period...

Section 1.3(a)(2) of the plan's governing document, Ordinance No. 08-24, defines exclusions from compensation as follows:

**Exclusions From Compensation** - Notwithstanding the provisions of Section 1.3(a)(1), the following types of remuneration shall be excluded from the participant's compensation:

- No exclusions.

SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 2 – (Continued)**

However, Section 1.3(a)(2) of the plan's governing document was amended by Ordinance No. 1703, and now excludes the following types of remuneration from the definition of compensation for non-bargaining unit participants hired after January 1, 2017:

- Unused vacation, personal day, and sick pay paid on account of termination of employment.
- Any lump sum payment made upon termination of employment

Cause: Municipal officials failed to establish adequate internal control procedures to ensure the pension benefits were properly determined in accordance with the plan's governing document.

Effect: The incorrectly determined pension benefits have resulted in one retiree receiving an underpayment of pension benefits, and have resulted in the understatement of one vested member's future pension benefit and the overstatement of another vested member's future pension benefit, as follows:

| <u>Member</u>      | <u>Hire Date</u> | <u>Termination Date</u> | <u>Monthly Benefit<br/>Excess<br/>(Underpayment)</u> |
|--------------------|------------------|-------------------------|--|
| (Retired) Member 1 | July 13, 2002    | April 30, 2024          | \$ (29)  |
| (Vested) Member 2  | August 8, 2016   | October 4, 2024         | \$ (37)  |
| (Vested) Member 3  | January 4, 2017  | February 28, 2025       | \$ 53  |

Recommendation: We recommend that municipal officials adjust the pension benefits for the retired member and recalculate pension benefits for the two vested members eligible for pension benefits in the future, in accordance with the provisions contained in the plan's governing document.

Management's Response: Municipal officials agreed with the finding and will recalculate these benefits.

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

SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – Incorrect Data Supplied To Actuary For Actuarial Valuation Report Preparation**

Condition: Actuarial valuation report form type C, for the non-uniformed pension plan, with a valuation date of January 1, 2023, submitted to the Municipal Pension Reporting Program, contained incorrect information. The information was based on data supplied by the municipality to the plan's actuary.

The municipality supplied the following incorrect information to the plan's actuary:

Retirement Benefit: 2.00% (1.67% for non-bargaining unit members hired on or after 1/1/2021) of average monthly compensation based on high 3 years of employment times years of service.

Other Benefit: A non-bargaining unit member hired on or after 1/1/2021 is eligible for normal retirement after attainment of age 65.

Section 3.2 (c) of the plan document states, in part:

The monthly benefit for a participant as of his normal retirement age shall equal:  
2.00% of average monthly compensation multiplied by years of benefit service.

Section 3.2 (a) (1) of the plan document states, in part:

Normal Retirement Age – the normal retirement age of each participant shall be the day on which he attains age 60.

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.

SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
FINDINGS AND RECOMMENDATIONS

**Finding No. 3 – (Continued)**

Cause: The discrepancies in the data submitted to the plan's actuary occurred because plan officials did not verify that the information was consistent with the plan's governing document. In addition, an actuarial cost study was prepared in 2021 to determine the cost impact on the plan of decreasing the pension benefit formula from 2.0 percent to 1.67 percent for future employees, but the township does not have record of an amendment to the governing plan document or a municipal ordinance to formally adopt the benefit modification.

Effect: Inconsistent plan documents could result in inconsistent or improper benefit calculations and incorrect benefit payments from the pension plan.

In addition, the information contained in the actuarial valuation report is used to determine the municipality's minimum municipal obligation (MMO); therefore, the incorrect data may have resulted in an erroneous MMO calculation.

Recommendation: We recommend that if it is the municipality's intent to provide the benefits reported in the 2023 actuarial valuation report, the municipality should amend the plan document and adopt the benefit changes by ordinance.

In addition, we recommend that, in the future, plan officials review and verify all information submitted to and received from the plan's actuary so that future actuarial valuation reports properly reflect the status of the pension plan.

Management's Response: Management official provided the following response:

Management agrees that greater rigor is necessary in reviewing and applying changing parameters in the non-uniformed pension plan. The Township is putting additional internal controls in place to ensure that this occurs.

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

SUSQUEHANNA TOWNSHIP NON-UNIFORMED 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<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL) -<br>Entry Age<br>(b) | Unfunded<br>(Assets in<br>Excess of)<br>Actuarial<br>Accrued<br>Liability<br>(b) - (a) | Funded<br>Ratio<br>(a)/(b) |
| 01-01-19                       | \$ 7,441,347                           | \$ 10,382,708  | \$ 2,941,361   | 71.7%                      |
| 01-01-21                       | 9,675,865                              | 11,230,891   | 1,555,026  | 86.2%                      |
| 01-01-23                       | 9,999,564                              | 11,532,806   | 1,533,242  | 86.7%                      |

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 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.

SUSQUEHANNA TOWNSHIP NON-UNIFORMED 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.

SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
SUPPLEMENTARY INFORMATION  
(UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

| <u>Year Ended<br/>December 31</u> | <u>Actuarially<br/>Determined<br/>Contribution</u> | <u>Actual<br/>Contributions</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Covered-<br/>Employee<br/>Payroll</u> | <u>Contributions as<br/>a Percentage of<br/>Covered-<br/>Employee<br/>Payroll</u> |
|-----------------------------------|--|---------------------------------|---|--|---|
| 2014                              | \$ 374,518   | \$ 374,518                      | \$ -  | \$1,848,120                              | 20.26%  |
| 2015                              | 420,446  | 420,446                         | -   | 1,826,218                                | 23.02%  |
| 2016                              | 421,742  | 421,742                         | -   | 1,870,384                                | 22.55%  |
| 2017                              | 389,903  | 389,903                         | -   | 1,972,500                                | 19.77%  |
| 2018                              | 414,225  | 414,225                         | -   | 1,906,042                                | 21.73%  |
| 2019                              | 485,763  | 485,763                         | -   | 1,951,624                                | 24.89%  |
| 2020                              | 480,768  | 480,768                         | -   | 2,128,630                                | 22.59%  |
| 2021                              | 497,003  | 497,003                         | -   | 1,960,137                                | 25.36%  |
| 2022                              | 401,480  | 401,480                         | -   | 2,441,973                                | 16.44%  |
| 2023                              | 413,855  | 413,855                         | -   | 2,564,025                                | 16.14%  |

SUSQUEHANNA TOWNSHIP NON-UNIFORMED 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 | 9 years   |
| Asset valuation method        | Each year the investment gain (excess of actual investment income including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 120% or less than 80% of market value. |
| Actuarial assumptions:        |   |
| Investment rate of return     | 7.5%  |
| Projected salary increases    | 5.0%  |
| Cost-of-living adjustments    | None assumed  |



SUSQUEHANNA TOWNSHIP NON-UNIFORMED PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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