

COMPLIANCE AUDIT

Tullytown Borough Police Pension Plan Bucks County, Pennsylvania

March 2026



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General



**Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov**

**TIMOTHY L. DEFOOR
AUDITOR GENERAL**

The Honorable Mayor and Borough Council
Tullytown Borough
Bucks County
Tullytown, PA 19007

We have conducted a compliance audit of the Tullytown Borough 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, and through the completion of our fieldwork procedures, we determined whether retirement benefits calculated for the plan member who elected to vest subsequent to December 31, 2024 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 the January 1, 2023 and January 1, 2025 actuarial valuation reports were prepared and submitted by March 31, 2024 and 2026, 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.
- We determined whether the terms and methodologies of the issuance of pension obligation notes by the municipality, and any restrictions, were in compliance with plan provisions and Act 205 through inquiry of plan officials and examination of supporting documentation.

Tullytown Borough contracted with an independent certified public accounting firm for annual audits of its financial statements prepared in conformity with the accounting practices prescribed or permitted by the Department of Community and Economic Development of the Commonwealth of Pennsylvania, which are available at the borough's offices. Those financial statements were not audited by us and, accordingly, we express no opinion or other form of assurance on them.

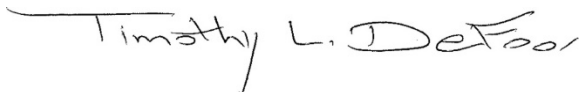
Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the Tullytown Borough Police Pension Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances 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 Tullytown Borough 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 – Disability Pension Recipient Reemployed As Police Officer

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 Tullytown Borough and, where appropriate, their responses have been included in the report. We would like to thank borough officials for the cooperation extended to us during the conduct of the audit.



Timothy L. DeFoor
Auditor General
January 7, 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 Tullytown Borough 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 Tullytown Borough Police Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 299, as amended, adopted pursuant to Act 600. The plan is also affected by the provisions of collective bargaining agreements between the borough and its police officers. The plan was established October 28, 1985. Active members are required to contribute five percent of compensation to the plan. As of December 31, 2024, the plan had three active members, three terminated members eligible for vested benefits in the future, and eight retirees receiving pension benefits from the plan.

TULLYTOWN BOROUGH POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – Disability Pension Recipient Reemployed As Police Officer

Condition: On March 4, 2018, a police officer sustained a serious injury during the course of his employment with the borough and was granted a pension for service-related Total and Permanent Disability commencing on June 1, 2019 in accordance with Act 600, the pension plan’s governing document (Ordinance No. 299), the collective bargaining agreement, and the executed Separation and Release Agreement between the Borough and the former employee.

At its March 11, 2025 council meeting, the Tullytown Borough Council unanimously voted to rehire the former employee as a part time police officer, and the individual commenced part time employment as a police officer. However, the monthly disability pension payments continued to be paid to the individual in direct violation of Ordinance No. 299 and the collective bargaining agreement.

Criteria: Section VII of Ordinance No. 299 states:

In the event of any Member’s service-related Total and Permanent Disability, the Member shall become eligible for a monthly disability pension as set forth below.

“Total and Permanent Disability” shall mean a service-related physical or mental condition of a Member incurred in the course and scope of employment as a Borough of Tullytown Police Officer, **which precludes him from engaging in any police employment.** (Emphasis added.)

The monthly Total and Permanent Disability pension benefit shall be in conformity with a uniform scale and shall be equal to sixty-five percent (65%) of the Member’s annualized salary at the time of disability. However, this disability benefit shall not be less than fifty percent (50%) of the Member’s salary on the date the disability occurred, reduced by the amount of Social Security disability benefits received for the same injury. Disability pension benefits shall commence on the first of the month coincident with or next following the date of disability, as determined by a qualified physician selected by the Employer. Such determination shall be final and conclusive.

The Employer shall have the right to require the disabled Member to undergo medical examination at monthly intervals. **Disability benefit payments shall cease upon recovery from disability as determined by the Employer’s physician.** (Emphasis added.)

TULLYTOWN BOROUGH POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Furthermore, Section XVIII, B, of the collective bargaining agreement for the period January 1, 2017 to December 31, 2021, in effect at the time the officer’s injury occurred and the disability benefit was adjudicated, states:

1. Disability Benefit – A Police Officer who is honorably discharged, after proper certification by a member of the medical profession, because such member has become afflicted with a physical or mental disability which affects his or her ability to continue in Police Service, which affliction was caused by such members performance of his or her Police duties, is considered totally and permanently disabled hereunder. A disabled Police Officer shall receive a pension of sixty-five (65%) percent of his annualized salary at the time of disability, regardless of age or length of service. Monthly pension benefits shall commence as of the date of the adjudication and **shall continue through the first day of the month before the earliest of the date of the members death or the day following the date that he or she is no longer totally and permanently disabled.** (Emphasis added.)
2. Presumption of Permanency of Work-Related Disability: If, after eighteen (18) months, an employee cannot return to work from a work-related disability, permanency of the disability shall be presumed if supported by certification from a licensed physician that the employee’s injuries are deemed permanent and that employee cannot perform the duties of a police officer.

In addition, Section 3b of the Separation and Release Agreement between Tullytown Borough, the Tullytown Borough Police Benevolent Association, and the police officer, executed May 15, 2019, states:

Disability Adjudication. Based upon the certification of a licensed physician chosen by the Borough, the Borough Council declares and adjudicates [employee name omitted] to be unable to hold gainful employment as a police officer, and to be permanently disabled from the performance of his duties as a police officer employee of the Borough as a result of the injuries he sustained in the line of duty.

Cause: Municipal officials stated they thought they could hire the disabled officer on a part-time basis, while continuing to pay the officer the disability pension.

Effect: The municipality is in direct violation of Ordinance No. 299 and the collective bargaining agreement by re-hiring an individual adjudicated “Totally and Permanently Disabled” as a result of a service-related injury while continuing to pay the monthly disability pension benefit in the approximate amount of \$4,948 per month to the officer.

TULLYTOWN BOROUGH POLICE PENSION PLAN
FINDING AND RECOMMENDATION

Finding – (Continued)

Recommendation: We recommend that municipal officials adhere to Ordinance No. 299 and the collective bargaining agreement and take action to cease payment of disability benefits to the employee and reimburse the pension plan for disability pension payments made after the officer's reemployment.

Management's Response: Municipal officials agreed with finding without exception.

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

TULLYTOWN BOROUGH 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, 2021, 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)
01-01-21	\$ 3,361,696	\$ 5,359,748	\$ 1,998,052	62.7%
01-01-23	4,699,400	5,669,117	969,717	82.9%
01-01-25	5,785,864	5,084,152	(701,712)	113.8%

TULLYTOWN BOROUGH 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.

TULLYTOWN BOROUGH POLICE PENSION PLAN
 SUPPLEMENTARY INFORMATION
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
 AND OTHER CONTRIBUTING ENTITIES

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2019	\$ 315,429	100.0%
2020	338,739	100.0%
2021	40,524	126.3%
2022	32,670	137.4%
2023	34,455	135.3%
2024	38,953	118.5%

TULLYTOWN BOROUGH 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, 2025
Actuarial cost method	Entry age normal
Amortization method	Not applicable
Remaining amortization period	None
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.5%
Projected salary increases	3.5%
Cost-of-living adjustments	3.0% per year with 15% maximum

TULLYTOWN BOROUGH POLICE PENSION PLAN
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Joshua D. Shapiro
Governor
Commonwealth of Pennsylvania

The Honorable Joe Shellenberger
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