

# COMPLIANCE AUDIT

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## West Reading Borough Non-Uniformed Cash Balance Pension Plan Berks County, Pennsylvania

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November 2024



Commonwealth of Pennsylvania  
Department of the Auditor General

Timothy L. DeFoor • Auditor General



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**TIMOTHY L. DEFOOR  
AUDITOR GENERAL**

The Honorable Mayor and Borough Council  
West Reading Borough  
Berks County  
West Reading, PA 19611

We have conducted a compliance audit of the West Reading Borough Non-Uniformed Cash Balance 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 conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our 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, 2023 to December 31, 2023, 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, 2023 to December 31, 2023, 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, 2023 to December 31, 2023, 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, 2023, we determined whether retirement benefits calculated for the plan member who retired 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 actually paid 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 West Reading Borough Non-Uniformed Cash Balance 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.

Borough officials are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the West Reading Borough Non-Uniformed Cash Balance 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 West Reading Borough Non-Uniformed Cash Balance Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above.

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 West Reading 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.

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a long horizontal line extending to the left of the first letter.

Timothy L. DeFoor  
Auditor General  
October 18, 2024

## CONTENTS

|                                 | <u>Page</u> |
|---------------------------------|-------------|
| Background.....                 | 1           |
| Supplementary Information ..... | 2           |
| Report Distribution List .....  | 3           |

## **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 West Reading Borough Non-Uniformed Cash Balance 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 West Reading Borough Non-Uniformed Cash Balance Pension Plan is a single-employer defined contribution pension plan for all non-uniformed employees hired after December 31, 2014, locally controlled by the provisions of Ordinance No. 1127 and a separately executed plan agreement with the plan's custodian, adopted pursuant to Act 15. The plan is also affected by the provisions of collective bargaining agreements between the borough and its non-uniformed employees. The plan was established January 1, 2015. Active members are not required to contribute to the plan. The municipality is required to contribute 5 percent of each member's compensation. As of December 31, 2023, the plan had 21 active members and 2 retirees receiving pension benefits.

WEST READING BOROUGH NON-UNIFORMED CASH BALANCE PENSION PLAN  
 SUPPLEMENTARY INFORMATION  
 (UNAUDITED)

SCHEDULE OF CONTRIBUTIONS

| Year Ended<br>December 31 | Statutorily<br>Required<br>Contribution<br>(SRC)* | Contributions<br>in Relation to<br>the SRC* | Contribution<br>Deficiency<br>(Excess)** | Covered-<br>Employee<br>Payroll | Contributions as<br>a Percentage of<br>Covered-<br>Employee<br>Payroll |
|---------------------------|---|---|--|---------------------------------|--|
| 2015                      | \$ 35,705   | \$ 35,705                                   | \$ -                                     | \$ 708,495                      | 5.04%  |
| 2016                      | 34,892  | 34,931                                      | (39)                                     | 693,379                         | 5.04%  |
| 2017                      | 41,535  | 41,555                                      | (20)                                     | 823,555                         | 5.05%  |
| 2018                      | 45,893  | 42,745                                      | 3,148                                    | 911,062                         | 4.69%  |
| 2019                      | 51,096  | 51,095                                      | 1  | 1,014,307                       | 5.04%  |
| 2020                      | 54,666  | 54,666                                      | -  | 1,084,516                       | 5.04%  |
| 2021                      | 54,806  | 52,056                                      | 2,750                                    | 1,087,719                       | 4.79%  |
| 2022                      | 62,144  | ***53,610                                   | -  | 1,232,871                       | 5.04%  |
| 2023                      | 69,406  | ***67,320                                   | -  | 1,377,722                       | 5.04%  |

\* 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.

\*\*\* In addition to the contributions reported, in 2022, \$8,534 was transferred from the municipal reserve account to offset the SRC, and in 2023, \$2,086 was transferred from the municipal reserve account to offset the SRC.

WEST READING BOROUGH NON-UNIFORMED CASH BALANCE PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

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

**The Honorable Samantha F. Kaag**  
Mayor

**Mr. Ryan Lineaweaver**  
Council President

**Mr. Philip Wert**  
Council Vice President

**Mr. Randall Miller**  
Borough Manager

**Ms. Jeanette Rentschler**  
Treasurer

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