

# COMPLIANCE AUDIT

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## Wyomissing Borough Non-Uniformed Defined Benefit Pension Plan Berks County, Pennsylvania

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July 2025



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  
Wyomissing Borough  
Berks County  
Wyomissing, PA 19610

We have conducted a compliance audit of the Wyomissing Borough Non-Uniformed Defined Benefit 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, 2023 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 plan members 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 individuals and comparing these amounts to supporting documentation evidencing amounts determined and actually paid to the recipients.
- 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.

Wyomissing Borough contracted with an independent certified public accounting firm for annual audits of its basic financial statements 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 Wyomissing Borough Non-Uniformed Defined Benefit 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.

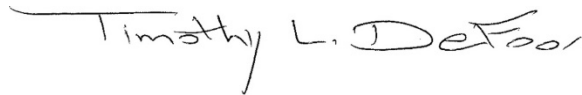
The results of our procedures indicated that, in all significant respects, the Wyomissing Borough Non-Uniformed Defined Benefit Pension Plan was administered in compliance with applicable state laws, regulations, contracts, administrative procedures, and local ordinances and policies for the periods noted above, except as noted in the following finding further discussed later in this report:

Finding – Noncompliance With Prior Audit Recommendation -  
Disability Pension Benefit Paid To Former Vested Member In  
Excess Of The Plan Document

The finding contained in this audit report repeats a condition that was cited in our previous report that has not been corrected by borough officials. We are concerned by the borough's failure to correct this previously reported finding and strongly encourage timely implementation of the recommendation noted in this audit report.

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 Wyomissing 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 horizontal line above the first name.

Timothy L. DeFoor  
Auditor General  
June 11, 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 Wyomissing Borough Non-Uniformed Defined Benefit 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 Wyomissing Borough Non-Uniformed Defined Benefit Pension Plan is a single-employer defined benefit pension plan locally controlled by the provisions of Ordinance No. 1208. All non-uniformed employees hired prior to July 1, 2016 shall have the option of remaining in the *Wyomissing Borough Non-uniformed Employees' Defined Benefit Pension Plan* or transferring to the *Wyomissing Borough Non-uniformed Employees' Defined Contribution Pension Plan*. Non-uniformed employees hired on or after July 1, 2016 are members of the township's non-uniformed defined contribution pension plan (*separately audited*). 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, 1965. Active members are not required to contribute to the plan. As of December 31, 2024, the plan had 11 active members, 4 terminated members eligible for vested benefits in the future, and 30 retirees receiving pension benefits.

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT PENSION PLAN  
STATUS OF PRIOR FINDING

Noncompliance With Prior Audit Recommendation

Wyomissing Borough has not complied with the prior audit recommendation concerning the following as further discussed in the Finding and Recommendation section of this report:

- Disability Pension Benefit Paid To Former Vested Member In Excess Of The Plan Document

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – Noncompliance With Prior Recommendation – Disability Pension Benefit Paid To Former Vested Member In Excess Of The Plan Document**

Condition: As disclosed in the prior audit report, the borough is paying a disability pension benefit to a recipient in excess of the provisions in the plan’s governing document. A former employee and plan member, who terminated employment with the borough on June 13, 2013 at age 48 after 19 years of credited service, was entitled to a monthly vested pension benefit in the amount of \$985 payable at the individual’s normal retirement date, August 1, 2030, according to borough records. However, in September 2018, the borough began paying the former member a monthly disability benefit, which is in excess of provisions in the plan’s governing document. The individual requested a disability benefit after submitting a determination letter from the Social Security Administration (SSA) indicating eligibility to receive a monthly disability benefit from SSA effective March 2017. Subsequently during 2018, the municipality decided to also begin paying the former member a monthly disability benefit in the amount of \$985 even though the member had been separated from borough employment since 2013. The municipality also made a retroactive payment for the period March 2017 (*date of SSA disability*) to September 2018 totaling \$19,701. Moreover, the borough has awarded three percent cost-of-living adjustments annually to the recipient commencing in 2018, increasing the excess monthly benefit to \$1,221 for the year 2025. Therefore, the total excess disability payments paid to the recipient from the pension plan amounted to \$108,630 as of May 31, 2025 (the month of the completion of the audit).

Criteria: Section 102 of Act 205 contains the following definitions:

“Pension plan or system.” 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.

“Defined benefit pension plan.” A type of pension benefit plan, which provides for periodic benefit payments at retirement which are predeterminable and which have a variable financing requirement dependent upon the actuarial calculation of actuarial present value requirements for projected benefits.



WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Sections 6.01 and 4.04 of the pension plan’s governing document, Ordinance No. 1208, state, in part:

Vesting and Severance of Employment: If a MEMBER who has completed less than ten (10) years of SERVICE leaves the employ of the BOROUGH or ceases to be a MEMBER whether by reason of his transfer, resignation or discharge, shall not be eligible for benefits, however, a MEMBER who has completed ten (10) or more years of SERVICE shall be entitled to receive a vested pension benefit to start at his NORMAL RETIREMENT DATE.

Disability Benefit: A MEMBER who has completed a minimum of ten (10) years of SERVICE with the BOROUGH and who retires because of a TOTAL AND PERMANENT DISABILITY, is eligible to receive a monthly disability benefit commencing as of the first day of the month coincident with or next following his date of disability retirement and ending with the payment made as of the first day of the month in which his death occurs or which the MEMBER is no longer totally and permanently disabled.

Sections 1.11, 1.12, and 1.16 of Ordinance No. 1208 provide the following definitions:

“Member” shall mean any Employee who has satisfied the eligibility requirements established in Article II hereof.

“Normal Retirement Date” shall mean the first day of the month coincident with or next following the date on which the Member attains Age 65.

“Total and Permanent Disability” shall mean any condition arising from an illness or injury in which the employee is eligible for and receives disability benefits from the Federal Social Security Program.

Article II of Ordinance No. 1208, in Sections 2.01 and 2.02, sets forth the following eligibility provisions:

All persons who are EMPLOYEES ... as of the EFFECTIVE DATE hereof shall be a MEMBER as of the EFFECTIVE DATE.

Any person who becomes an EMPLOYEE after the EFFECTIVE DATE hereof shall become a MEMBER on the first day of SERVICE as an EMPLOYEE...)

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

Section 4.06 of Ordinance No. 1208 states, in part:

Cost of Living Increases: There shall be a cost of living increase provided to all retiring MEMBERS. The benefit shall automatically increase by three percent (3%) each year after retirement, up to a maximum increase of thirty percent (30%). The annual three percent (3%) increase and the thirty percent (30%) maximum increase are based upon the MEMBER’S initial retirement benefit.

Cause: As stated in the prior audit report, borough officials consulted with their solicitor and pension advisor and relied on guidance that the ordinance did not limit the eligibility for disability pension to a member going directly from borough employment to a disability benefit. And although the individual left employment with the borough in 2013 due to termination, officials believed that the recipient retired in 2017 due to becoming totally and permanently disabled. Therefore, the borough concluded that in this context, “retired” means the individual stopped working, not that he stopped working for the borough.

In addition, in the management response included in the prior audit finding, borough officials, while disagreeing with the finding and recommendation, stated that it was their intent to seek through negotiation with the union which represents the bargaining group of which the former employee was a member while employed by the borough, an agreement to permit amendment of Ordinance No. 1208 to add language which would require any applicant for a disability pension benefit to transition directly from borough employment to disability pension benefit without any intervening employment, and for such applicant to have applied for a determination of Social Security Administration disability pension eligibility within a specific number of days after termination of employment. However, no such amendment was executed.

Effect: The plan is paying disability pension benefits to a recipient that are not in accordance with provisions of the plan’s governing document. The recipient received total excess benefits from the plan amounting to \$108,630 from March 1, 2017 through May 31, 2025.

Providing unauthorized pension benefits increases the plan’s pension costs and reduces the amount of funds available for investment purposes or for the payment of authorized benefits or administrative expenses. Since the borough received state aid based on unit value during the current audit period, it did not receive allocations attributable to the excess pension benefits provided. However, the increased costs to the pension plan as a result of the excess pension benefits could result in the receipt of excess state aid in the future and increase the municipal contributions necessary to fund the plan in accordance with Act 205 funding standards.

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT PENSION PLAN  
FINDING AND RECOMMENDATION

**Finding – (Continued)**

**Recommendation:** We again recommend that the borough limit future pension benefits to those authorized by the plan's governing document. In addition, we recommend that the plan be reimbursed for the unauthorized payments made thus far, which totaled \$108,630 from March 2017 through the completion of the audit in May 2025, and future unauthorized payments. If the borough continues to distribute excess benefits from the plan, these excess payments will be deemed ineligible for funding with state aid. Accordingly, the pension plan's actuary may be required to determine the impact, if any, of the excess benefit payments on the borough's future state aid allocations and submit this information to the Department. If it is determined the excess benefit payments had an impact on the borough's future state aid allocations after the submission of this information, the plan's actuary would then be required to contact the Department to verify the overpayment of state aid received. The Borough would then be required to reimburse the overpayment to the Commonwealth.

**Management's Response:** The finding in the prior audit report contained the borough's detailed response documenting the borough's disagreement with the finding and recommendation. The borough now provided the following response to the repeat finding:

Please note that it remains the Borough's position that the Social Security Administration determination of [name omitted]'s disability is sufficient to entitle [name omitted] to disability benefits from the pension plan. Payments from the pension plan to [name omitted] have therefore continued. Further, the Borough has deemed the cost to litigate the issue that would arise from ceasing payments and/or attempting to collect previous payments to outweigh the cost to continue payments through [name omitted]'s normal retirement date.

**Auditor's Conclusion:** As disclosed in the prior audit report, although the department understands the position taken by the borough, we respectfully disagree with the borough's position relative to this issue. As noted in the condition above, at the time of the employee's separation from employment with the borough, this individual was entitled to a vested benefit, according to the plan's governing document and records provided by the borough, which was to commence on August 1, 2030. Therefore, the finding remains as stated. Compliance will be evaluated during our next audit of the plan.

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT 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	\$ 5,881,923	\$ 7,042,234	\$ 1,160,311	83.5%
01-01-21	8,040,979	9,304,773	1,263,794	86.4%
01-01-23	7,172,928	9,974,166	2,801,238	71.9%

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT 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.

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT 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	\$ 105,810	\$ 116,941	\$ (11,131)	\$1,524,828	7.7%
2016	93,308	112,366	(19,058)	1,577,959	7.1%
2017	90,795	110,118	(19,323)	1,551,611	7.1%
2018	82,794	117,110	(34,316)	1,467,717	7.9%
2019	162,884	330,085	(167,201)	1,534,215	21.5%
2020	278,395	278,395	-	1,397,631	19.9%
2021	276,549	276,549	-	1,381,286	20.0%
2022	284,062	384,553	(100,491)	1,346,078	28.6%
2023	273,514	291,711	(18,197)	1,234,452	23.6%
2024	255,016	255,016	-	1,038,704	24.6%

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT 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
Amortization method	Level dollar
Remaining amortization period	11 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%
Cost-of-living adjustments	3.0%

WYOMISSING BOROUGH NON-UNIFORMED DEFINED BENEFIT PENSION PLAN  
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

**The Honorable Joshua D. Shapiro**  
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