

ABINGTON TOWNSHIP
POLICE PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2023

Date Prepared: April 2, 2024

The accompanying financial statements and notes were prepared based upon information provided by the municipality, its financial institution(s), and actuary. The Statement of Fiduciary Net Position was prepared as of December 31, 2023. The Statement of Changes in Fiduciary Net Position was prepared for the year ended December 31, 2023. The financial statements and notes should not be considered an Audit, Review, or Compilation Report as defined by the American Institute of Certified Public Accountants.

James P. Kennedy, President

Thomas J. Anderson & Associates, Inc.

THOMAS J. ANDERSON & ASSOCIATES, INC.
115 Westtown Road, Suite 101
West Chester, PA 19382
(610) 430-3385 Fax (610) 430-3387

ABINGTON TOWNSHIP POLICE PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2023

<u>TABLE OF CONTENTS</u>	<u>PAGE</u>
Financial Statements	
- Statement of Fiduciary Net Position	2
- Statement of Changes in Fiduciary Net Position	3
Notes to the Financial Statements	4-11
GASB 67 Required Supplementary Information	13-14
GASB 68 AON Report	Appendix

ABINGTON TOWNSHIP POLICE PENSION PLAN

**Statement of Fiduciary Net Position
as of December 31, 2023**

<u>ASSETS</u>	<u>2023</u>
Cash and short-term investments	1,696,602
Receivables:	
Accrued Income	7,901
Investments, at fair value:	
Mutual Funds	<u>76,369,274</u>
TOTAL ASSETS	78,073,778

Net Position Restricted for Pensions	78,073,778
---------------------------------------------	-------------------

ABINGTON TOWNSHIP POLICE PENSION PLAN

**Statement of Changes in Fiduciary Net Position
for the year ended December 31, 2023**

<u>ADDITIONS</u>	<u>2023</u>
Contributions:	
Employer	2,145,166
Employee	614,210
Commonwealth	1,123,843
	<hr/>
Total Contributions	3,883,219
Investment Income:	
Net appreciation (depreciation) in fair value of investments	8,436,707
Dividend Income	1,563,554
Interest/Accrued Income	50,990
	<hr/>
Total Investment Income	10,051,251
Less Investment Expenses	(6,972)
	<hr/>
Net Investment Income	10,044,279
TOTAL ADDITIONS	13,927,498
<u>DEDUCTIONS</u>	
Pension Payments	5,541,388
Administrative Expenses	57,280
Refund of Employee Contributions	4,344
	<hr/>
TOTAL DEDUCTIONS	5,603,013
Net Increase in Net Position	8,324,485
Net Position Restricted for Pensions:	
Beginning of Year 2023	69,749,294
End of Year 2023	78,073,778

**ABINGTON TOWNSHIP POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023

NOTE 1 – PLAN DESCRIPTION

Plan Administration

The Abington Township Police Pension Plan is a single-employer defined benefit pension plan covering the full-time police officers. The Plan was established effective January 1, 1957 and was restated by Resolution No.14-033, effective January 1, 2014. The Plan is governed by the Board of Township Commissioners. The Board of Township Commissioners has delegated the authority to manage Plan assets to PFM Asset Management, LLC.

Plan Membership

As of December 31, 2023, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	98
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members	<u>82</u>
 TOTAL	 181

Benefits Provided

The following is a summary of the Plan benefit provisions:

- **Eligibility Requirements:**
 - Normal Retirement: Age 50 and 25 years of service.
 - Early Retirement: 20 years of service (Act 24).
 - Vesting: 100% after 12 years of service.

- **Retirement Benefit:** 50% of final 36 months average compensation plus \$20 per month for each year of service in excess of 25 years up to a maximum of \$100 per month.

- **Survivor Benefit:** Killed-in-service benefit is per Act 51. Non-killed-in-service: If retired on or after January 1, 2009, 100% of the pension which the retired member was receiving or which an active member would have received if he had been retired for the first 5 five years after the retiree’s death. After that, the survivor benefit would revert to 50% contingent annuitant form.

- **Disability Benefit Service Related:** 50% of average applicable compensation at date of disability.

ABINGTON TOWNSHIP POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

- Post Retirement Adjustments: For members who retire on or after January 1, 1993, each January 1st benefits are adjusted according to the consumer price index for all wage earners in the Philadelphia Metropolitan area. The total adjusted benefit shall not exceed 30% of the original benefit.
- Pre Act 44 DROP Benefit: An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 48 months.
- Members Contributions:
 - Amount or Rate: 5%
 - Interest Rate Credited to Member Contributions: 5%

Contributions and Funding Policy

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for Pennsylvania municipal pension plans. Under Act 205 provisions, a municipal budget must provide for the full payment of the minimum municipal obligation (MMO) to each employee pension fund of the municipality. Act 189 of 1990 amended Act 205 and redefined the calculation used to determine the MMO to employee pension funds. The MMO is now defined as the total financial requirements to the pension fund, less funding adjustments and estimated member contributions.

As a condition of participation, full-time employees are required to contribute 5% of compensation to the Plan. This contribution is governed by the Plan’s ordinances and collective bargaining agreement. In accordance with Act 205, as amended, the Township was required to contribute to the Plan for the year 2023 as shown in the exhibit below:

Financial Requirement and Minimum Municipal Obligation Budget for 2023:

Total Annual Payroll	\$12,000,000
Normal Cost as a Percentage of Payroll	12.81%
Total Normal Cost	\$1,537,200
Estimated Administrative Expenses	\$ 44,000
Amortization Contribution	\$2,287,809
Estimated Members’ Contributions	<\$ 600,000>
Minimum Municipal Obligation	\$3,269,009
<Less Actual State Aid Deposited into Plan>	<\$1,123,843>
REQUIRED MUNICIPAL OBLIGATION	\$2,145,166

ABINGTON TOWNSHIP POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

Three Year Funding Trend

<u>Year Ended</u> <u>December 31</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
2021	2,813,000	100%	0
2022	3,213,603	100%	0
2023	3,269,009	100%	0

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan pension payments and member/employer contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Expenses

Investment expenses consist of investment management, custodial fees, and other significant investment related costs. Administrative expenses consist of consulting, actuarial, legal, and accounting services, along with any other significant Plan related costs. The above expenses are allowable pension Plan expenditures in accordance with Act 205 and may be funded with Plan assets.

Adoption of Accounting Standards

GASB Statement 40, Deposit and Investment Risk Disclosures, was effective for periods beginning after June 15, 2004. GASB Statement 67, Financial Reporting for Pension Plans, was effective for fiscal years beginning after June 15, 2013. The Plan has adopted GASB 40 in previous financial statements and GASB 67 beginning with the 2014 financial statements.

ABINGTON TOWNSHIP POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 3 – INVESTMENTS

The deposits and investments of the Plan are held separately from those of the Township and are under the control of the Plan’s Board of Commissioners.

Investment Policy Summary

The Plan’s investment policy in regard to the allocation of invested assets is established and may be amended by the Township Board of Commissioners and Pension Board. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due. The Plan’s formal Investment Policy Statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

The Plan’s investment policy establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	42.00%	7.55%
International Equity	16.00%	7.06%
Emerging Equity	7.00%	7.43%
Core Fixed Income	17.50%	4.70%
Intermediate Inv. Grade Corp.	8.75%	5.40%
High Yield	4.38%	6.79%
Emerging Debt	4.38%	5.96%
Cash	0.00%	2.72%
Total Net Blended Return		4.17%*

*- Excludes 2.50% inflation assumption.

Long Term Expected Rate of Return (Including Inflation)	6.67%
---------------------------------------------------------	-------

The long-term expected rate of return on the Plan’s investments was determined using an asset allocation study conducted by the Plan’s investment management consultant in December 2023 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-

ABINGTON TOWNSHIP POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best-estimates or arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2023 are listed in the table above.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a Plan's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The Plan does have a formal investment policy that addresses concentration of credit risk. As of December 31, 2023, no investment in any one organization represented five percent (5%) or more of the Plan's fiduciary net position.

Rate of Return

For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 14.40 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits and Investments

The Plan's deposits and investments are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, Section 7302.

Deposits

The Plan does not have a formal deposit policy that addresses custodial credit risk or foreign currency risk, however, the Plan held no deposits that were exposed to custodial credit risk or foreign currency risk as of December 31, 2023.

Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Plan does not have a formal investment policy that addresses credit risk. The credit risk of a debt instrument as measured by a Nationally Recognized Statistical Rating Organization (NRSRO). (Morningstar for bond mutual funds or Moody's for bonds and mortgages) is as follows:

ABINGTON TOWNSHIP POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality</u>
Bond Mutual Fund	\$25,308,298	A
Money Market Fund	<u>\$ 1,696,602</u>	Not Rated
TOTAL	<u>\$27,004,900</u>	

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Plan does not have a formal investment policy that addresses custodial credit risk, however, the Plan held no investments that were exposed to custodial credit risk at December 31, 2023.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Plan does not have a formal investment policy that addresses foreign currency risk, however, the Plan held no investments that were exposed to foreign currency risk as of December 31, 2023.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment or a deposit. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. The Plan does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2023 the Plan's investment balance exposed to interest rate risk was as follows:

ABINGTON TOWNSHIP POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

Investment Maturities (in Years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>6 - 10 years</u>
Bond Mutual Fund	\$25,308,298	\$25,308,298
TOTAL	<u>\$25,308,298</u>	<u>\$25,308,298</u>

NOTE 4 – PENSION LIABILITY

Net Pension Liability

The components of the net pension liability of the Plan as of December 31, 2023 were as follows:

Total Pension Liability (TPL)	\$98,520,342
Plan Fiduciary Net Position	\$78,073,778
Net Pension Liability (NPL)	\$20,446,564
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.25 %

Update procedures were used to roll forward to the plan’s fiscal year ending December 31, 2023. The total pension liability was determined as part of an actuarial valuation at January 1, 2023 and rolled forward to December 31, 2023.

Actuarial Assumptions

An actuarial valuation of the total pension liability is performed biennially. This report was based upon the Plan’s actuarial assumptions, asset valuation method, and cost method as described below:

Actuarial Valuation Date	January 1, 2023
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	5 years
Asset Valuation Method	Asset Smoothing

**ABINGTON TOWNSHIP POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023

Assumptions:

Inflation	2.10%
Salary Increases	4.50%
Investment Rate of Return	7.50% (Net of pension plan investment expense including inflation)
Retirement Age	50 With Age Scale

Mortality rates were based on the RP-2021 projected to 2021 using Scale MP-2021 with separate rates for males/females and annuitants/non-annuitants.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plan's current target investment allocation and the associated long-term expected investment returns for its asset classes, the Plan's long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability. The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

Net Pension Liability Sensitivity

The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	1% Decrease <u>6.50%</u>	Current Discount Rate <u>7.50%</u>	1% Increase <u>8.50%</u>
Net Pension Liability	\$32,684,388	\$20,446,564	\$10,292,077

ABINGTON TOWNSHIP POLICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 5 – RECONCILIATION OF MEMBERS’ CONTRIBUTIONS

Members’ Contributions Deposited for 2023	\$614,210
<Less Members’ Contributions Deducted from Members’ Salaries>	<u><\$614,210></u>
Irreconcilable	\$ 0

NOTE 6 – RECONCILIATION OF PENSION PAYMENTS

Pensions Paid from Plan for 2023	\$5,541,388
<Less Pensioner Register>	<u><\$5,541,388</u>
Irreconcilable	\$ 0

NOTE 7 – DEFERRED OPTION RETIREMENT PROGRAM

An active member who has met the eligibility requirements for normal retirement may elect to participate in the DROP for a period of up to 48 months. The monthly pension shall be calculated as of the date of participation in the DROP. The DROP plan account balance is distributed to the member in a lump sum at the termination of DROP.

As of December 31, 2023, there were 8 members participating in the DROP program. The balance of the amounts held by the Plan pursuant to the DROP was \$1,322,727.

Schedule of Changes in Plan's Net Pension Liability and Related Ratios

Last 10 Fiscal Years*

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability											
Service Cost	\$ 877,587	\$ 943,406	\$ 1,009,546	\$ 1,085,262	\$ 1,137,624	\$ 1,222,946	\$ 1,242,314	\$ 1,364,163	\$ 1,418,369	\$ 1,583,862	\$ 1,655,135
Interest	4,529,637	4,675,733	4,831,429	5,013,437	5,191,690	5,544,596	5,766,887	6,104,448	6,344,500	6,637,391	6,860,276
Changes of Benefit Terms	0	0	0	0	0	0	0	0	0	0	0
Differences Between Expected and Actual Experience	0	0	242,467	0	2,071,939	0	1,409,208	0	491,348	0	3,625,276
Changes in Assumptions	0	0	0	0	0	0	0	(86,062)	200,850	0	(612,556)
Benefit Payments, Including refund of EE contributions	(3,539,619)	(3,510,550)	(3,708,136)	(3,756,615)	(3,792,111)	(3,770,210)	(3,947,199)	(4,135,072)	(4,340,783)	(5,103,713)	(5,545,733)
Net Change in Total Pension Liability	\$ 1,867,604	\$ 2,108,589	\$ 2,375,306	\$ 2,342,084	\$ 4,609,142	\$ 2,997,332	\$ 4,471,210	\$ 3,247,477	\$ 4,114,284	\$ 3,117,540	\$ 5,982,398
Total Pension Liability - Beginning	\$ 61,287,376	\$ 63,154,980	\$ 65,263,569	\$ 67,638,875	\$ 69,980,959	\$ 74,590,101	\$ 77,587,433	\$ 82,058,643	\$ 85,306,120	\$ 89,420,404	\$ 92,537,944
Total Pension Liability - Ending	\$ 63,154,980	\$ 65,263,569	\$ 67,638,875	\$ 69,980,959	\$ 74,590,101	\$ 77,587,433	\$ 82,058,643	\$ 85,306,120	\$ 89,420,404	\$ 92,537,944	\$ 98,520,342
Plan Fiduciary Net Position											
Contributions - Employer	-	\$ 390,495	\$ 422,188	\$ 429,533	\$ 354,434	\$ 843,610	\$ 689,127	\$ 1,787,023	\$ 1,872,299	\$ 2,278,016	\$ 2,145,166
Contributions - State Aid	621,497	619,629	635,175	709,731	781,810	974,752	1,238,163	990,944	940,701	935,587	1,123,843
Contributions - Member	376,868	409,246	414,495	432,237	471,816	501,917	520,887	550,522	607,268	591,313	614,210
Net Investment Income	8,291,233	2,028,414	(418,029)	3,431,294	8,772,613	(3,121,277)	11,702,832	9,870,160	10,623,657	(14,510,988)	10,044,278
Benefit Payments, Including refund of Member Contributions	(3,539,619)	(3,510,550)	(3,708,136)	(3,756,615)	(3,792,111)	(3,770,210)	(3,947,199)	(4,135,072)	(4,340,783)	(5,103,713)	(5,545,733)
Administrative Expenses	(25,845)	(26,022)	(52,927)	(30,197)	(33,904)	(25,066)	(37,434)	(41,955)	(62,638)	(45,788)	(57,280)
Net Change in Plan Fiduciary Net Position	\$ 5,724,134	\$ (88,788)	\$ (2,707,234)	\$ 1,215,983	\$ 6,554,658	\$ (4,596,274)	\$ 10,146,376	\$ 9,021,622	\$ 9,640,304	\$ (15,855,573)	\$ 8,324,484
Plan Net Position - Beginning	\$ 50,694,086	\$ 56,418,220	\$ 56,329,432	\$ 53,622,198	\$ 54,838,181	\$ 61,392,839	\$ 56,796,565	\$ 66,942,941	\$ 75,964,563	\$ 85,604,867	\$ 89,749,294
Plan Net Position - Ending	\$ 56,418,220	\$ 56,329,432	\$ 53,622,198	\$ 54,838,181	\$ 61,392,839	\$ 56,796,565	\$ 66,942,941	\$ 75,964,563	\$ 85,604,867	\$ 69,749,294	\$ 78,073,778
Plan's Net Pension Liability	\$ 6,736,761	\$ 8,834,137	\$ 14,016,677	\$ 15,142,778	\$ 13,197,262	\$ 20,790,868	\$ 15,115,702	\$ 9,341,557	\$ 3,815,537	\$ 22,788,650	\$ 20,446,564
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.33%	86.31%	79.28%	78.36%	82.31%	73.20%	81.58%	89.05%	95.73%	75.37%	79.25%
Covered Employee Payroll	\$ 7,162,963	\$ 7,485,296	\$ 8,465,052	\$ 8,845,979	\$ 8,762,102	\$ 9,156,397	\$ 10,417,732	\$ 11,010,430	\$ 12,095,724	\$ 11,700,622	\$ 12,284,141
Plans Net Pension Liability as Percentage of Covered Employee Payroll	94.05%	119.36%	165.58%	171.16%	150.62%	227.06%	145.10%	84.84%	31.54%	194.76%	166.45%

* This schedule will be presented on a prospective basis

**ABINGTON TOWNSHIP POLICE PENSION PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	\$1,010,124	\$1,057,363	\$1,139,264	\$1,136,244	\$1,818,362	\$1,907,290	\$2,777,967	\$2,813,000	\$3,213,603	\$3,269,009
Contributions made	<u>\$1,010,124</u>	<u>\$1,057,363</u>	<u>\$1,139,264</u>	<u>\$1,136,244</u>	<u>\$1,818,362</u>	<u>\$1,907,290</u>	<u>\$2,777,967</u>	<u>\$2,813,000</u>	<u>\$3,213,603</u>	<u>\$3,269,009</u>
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered-employee payroll	\$7,437,776	\$8,059,342	\$8,229,904	\$8,188,072	\$9,174,704	\$10,250,000	\$10,400,000	\$10,824,138	\$11,290,588	\$12,000,000
Contributions as a percentage of covered-employee payroll	13.58%	13.12%	13.84%	13.88%	19.82%	18.61%	26.71%	25.99%	28.46%	27.24%

**ABINGTON TOWNSHIP POLICE PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Annual money-weighted rate of return, net of investment expense	3.68%	-0.76%	6.40%	16.00%	-5.09%	20.60%	14.74%	13.99%	-16.95%	14.40%