

ABINGTON TOWNSHIP
NON-UNIFORMED 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,. 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.

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ABINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN

FINANCIAL STATEMENTS

DECEMBER 31, 2023

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ABINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN

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

<u>ASSETS</u>	<u>2023</u>
Cash and short-term investments	1,131,858
Act 44 DROP Balance	478,491
Receivables:	
Accrued Income	<u>3,484</u>
Total Receivables	3,484
Investments, at fair value:	
Mutual Funds	62,897,120
TOTAL ASSETS	64,510,952

Net Position Restricted for Pensions	64,510,952
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ABINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN

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

<u>ADDITIONS</u>	<u>2023</u>
Contributions:	
Employee	372,220
Commonwealth	741,081
	<hr/>
Total Contributions	1,113,301
Investment Income:	
Net appreciation (depreciation) in fair value of investments	7,125,795
Interest/Accrued Income	51,054
DROP Interest Income	2,267
Dividend Income	1,305,176
	<hr/>
Total Investment Income	8,484,292
Less Investment Expenses	(26,842)
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Net Investment Income	8,457,450
TOTAL ADDITIONS	9,570,751
<u>DEDUCTIONS</u>	
Pension Payments	4,110,892
DROP Lump Sum Distributions	78,621
Administrative Expenses	44,978
	<hr/>
TOTAL DEDUCTIONS	4,234,490
Net Increase in Net Position	5,336,261
Net Position Restricted for Pensions:	
Beginning of Year 2023	59,174,691
End of Year 2023	64,510,952

**ABINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2023

NOTE 1 – PLAN DESCRIPTION

Plan Administration

The Abington Township Non-Uniformed Pension Plan is a single-employer defined benefit pension plan covering the full-time non-uniformed employees hired prior to December 31, 2015. The Plan was established effective December 1, 1952 and was restated by Resolution No.14-032, 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	141
Inactive Plan Members Entitled to but not yet Receiving Benefits	10
Active Plan Members	<u>88</u>
TOTAL	239

Benefits Provided

The following is a summary of the Plan benefit provisions:

- **Eligibility Requirements:**
 - Normal Retirement: Age 65 or age plus service equals 85.
 - Early Retirement: Age 55 with 10 years of credited service.
 - Vesting: 100% after 5 years of credited service.

- **Retirement Benefit:** 2% of final average earnings multiplied by years and months of credited service.

- **Survivor Benefit:** Before retirement - a refund of employee contributions plus interest. After retirement – based upon retirement benefit option selected.

- **Disability Benefit Service & Non-Service Related:** 5 or more years of service – continued accrual of benefits until Normal Retirement Date at which time benefits commence.

ABINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

- Post Retirement Adjustments: For members who retire on or after January 1, 1991, each January 1st benefits are adjusted according to the consumer price index for all urban consumers not to exceed 4%. For retirements from 1/1/1991 to 1/1/98, the total cola shall not exceed 24%. For retirements on or after 1/1/1999 the total cola shall not exceed 50%.
- Post 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 24 months.
- Members Contributions:
 - Amount or Rate: 4%
 - 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 not 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	\$8,072,970
Normal Cost as a Percentage of Payroll	12.35%
Total Normal Cost	\$ 997,012
Estimated Administrative Expenses	\$ 40,000
Amortization Contribution	\$ 107,717
Estimated Members’ Contributions	<\$ 403,648>
Minimum Municipal Obligation	\$ 741,081
<Less Actual State Aid Deposited into Plan>	<\$ 741,081>
REQUIRED MUNICIPAL OBLIGATION	\$ 0

ABINGTON TOWNSHIP NON-UNIFORMED 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	589,632	100%	0
2022	732,518	100%	0
2023	741,081	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 NON-UNIFORMED 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%	<u>2.72%</u>
Total Net Blended Return		4.17%*

*- Excludes 2.50% inflation assumption.

Long Term Expected Rate of Return (Including Inflation)	6.67%
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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 2020 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 NON-UNIFORMED 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 14.29 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 NON-UNIFORMED PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality</u>
Bond Mutual Fund	\$20,396,235	A
Money Market Fund	\$ 1,131,858	Not Rated
TOTAL	<u>\$21,528,093</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 NON-UNIFORMED 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	\$20,396,235	\$20,396,235
TOTAL	<u>\$20,396,235</u>	<u>\$20,396,235</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)	\$75,430,202
Plan Fiduciary Net Position	\$64,510,952
Net Pension Liability (NPL)	\$10,919,250
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.52%

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	8
Asset Valuation Method	Asset Smoothing

**ABINGTON TOWNSHIP NON-UNIFORMED 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	Age 65 or age plus service equals 85 with scale by age

Mortality rates were based on the RP-2000 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net Pension Liability	\$18,947,953	\$10,919,250	\$4,043,244

ABINGTON TOWNSHIP NON-UNIFORMED PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 5 – RECONCILIATION OF MEMBERS’ CONTRIBUTIONS

Members’ Contributions Deposited for 2023	\$372,220
<Less Members’ Contributions Deducted from Members’ Salaries>	<u><\$372,139></u>
Irreconcilable	\$ 81

NOTE 6 – RECONCILIATION OF PENSION PAYMENTS

Pensions Paid from Plan for 2023	\$4,110,892
<Less Pensioner Register>	<u><\$4,110,892></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 24 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 6 members participating in the DROP program. The balance of the amounts held by the Plan pursuant to the DROP was \$334,559.

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	\$ 1,414,484	\$ 1,520,570	\$ 1,465,990	\$ 1,575,939	\$ 1,290,112	\$ 1,396,870	\$ 1,408,835	\$ 1,193,454	\$ 1,241,780	\$ 1,002,725	\$ 1,047,847
Interest	3,731,552	3,982,641	4,243,608	4,376,524	4,622,097	4,749,817	4,930,457	4,903,749	5,084,384	5,310,164	5,476,056
Changes of Benefit Terms	0	0	0	0	0	0	0	0	0	0	0
Differences Between Expected and Actual Experience	0	0	(1,966,705)	0	(1,136,534)	0	(2,732,618)	0	704,388	0	(1,825,874)
Changes in Assumptions	0	0	0	0	0	0	0	84,082	261,496	0	898,581
Benefit Payments, Including refund of EE contributions	(1,843,485)	(1,965,034)	(1,973,120)	(2,188,146)	(2,596,497)	(3,742,507)	(3,826,901)	(3,664,979)	(3,983,093)	(4,104,286)	(4,189,512)
Net Change in Total Pension Liability	\$ 3,302,550	\$ 3,538,178	\$ 1,769,773	\$ 3,764,317	\$ 2,179,178	\$ 2,394,180	\$ (220,227)	\$ 2,516,316	\$ 3,308,955	\$ 2,208,603	\$ 1,407,098
Total Pension Liability - BOY	\$ 49,261,281	\$ 52,563,831	\$ 56,102,009	\$ 57,871,782	\$ 61,636,099	\$ 63,815,277	\$ 66,209,457	\$ 65,989,230	\$ 68,505,546	\$ 71,814,501	\$ 74,023,104
Total Pension Liability - EOY	\$ 52,563,831	\$ 56,102,009	\$ 57,871,782	\$ 61,636,099	\$ 63,815,277	\$ 66,209,457	\$ 65,989,230	\$ 68,505,546	\$ 71,814,501	\$ 74,023,104	\$ 75,430,202
Plan Fiduciary Net Position											
Contributions - Employer	\$ 637,826	\$ 375,881	\$ 429,358	\$ 782,023	\$ 672,666	\$ 552,359	\$ 518,168	\$ 653,616	\$ 589,632	\$ 732,518	\$ 741,081
Contributions - State Aid	695,301	693,210	709,671	709,671	495,738	467,457	454,359	426,975	407,752	394,216	372,220
Contributions - Member	437,384	462,059	472,704	530,640	840,254	(2,907,339)	10,970,091	9,022,939	9,517,931	(12,642,442)	8,457,450
Net Investment Income	7,164,110	1,810,820	(425,016)	3,281,954	8,407,254	(3,742,507)	(3,826,901)	(3,664,901)	(3,983,093)	(4,104,286)	(4,189,512)
Benefit Payments, Including refund of EE contributions	(1,843,485)	(1,965,034)	(1,973,120)	(2,188,146)	(2,596,497)	(3,742,507)	(3,826,901)	(3,664,979)	(3,983,093)	(4,104,286)	(4,189,512)
Administrative Expenses	(39,830)	(23,938)	(55,380)	(33,453)	(32,991)	(25,505)	(36,610)	(61,511)	(57,150)	(42,821)	(44,978)
Net Change in Plan Fiduciary Net Position	\$ 7,051,305	\$ 1,352,998	\$ (841,783)	\$ 2,373,018	\$ 6,946,170	\$ (5,655,535)	\$ 8,079,107	\$ 6,377,040	\$ 6,475,072	\$ (15,662,815)	\$ 5,336,261
Plan Net Position - Beginning	\$ 42,680,114	\$ 49,731,419	\$ 51,084,417	\$ 50,242,634	\$ 52,615,652	\$ 59,561,822	\$ 53,906,287	\$ 61,985,394	\$ 68,362,434	\$ 74,837,506	\$ 59,174,691
Plan Net Position - Ending	\$ 49,731,419	\$ 51,084,417	\$ 50,242,634	\$ 52,615,652	\$ 59,561,822	\$ 53,906,287	\$ 61,985,394	\$ 68,362,434	\$ 74,837,506	\$ 59,174,691	\$ 64,510,952
Plan's Net Pension Liability	\$ 2,832,413	\$ 5,017,592	\$ 7,629,148	\$ 9,020,447	\$ 4,253,455	\$ 12,303,170	\$ 4,003,836	\$ 143,112	\$ (3,023,005)	\$ 14,848,413	\$ 10,919,250
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.61%	91.06%	86.82%	85.36%	93.33%	81.42%	93.93%	99.79%	104.21%	79.94%	85.52%
Covered Employee Payroll	\$ 10,996,227	\$ 11,491,057	\$ 11,550,355	\$ 12,070,121	\$ 10,152,399	\$ 10,609,257	\$ 9,109,059	\$ 8,213,237	\$ 8,155,003	\$ 7,860,787	\$ 7,442,755
Plan's Net Pension Liability as Percentage of Covered Employee Payroll	25.76%	43.67%	66.05%	74.73%	41.90%	115.97%	43.95%	1.74%	-37.07%	188.89%	146.71%

* This schedule will be presented on a prospective basis

**ABINGTON TOWNSHIP NON-UNIFORMED 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	\$1,069,091	\$1,139,029	\$782,023	\$672,666	\$552,359	\$518,168	\$653,616	\$589,632	\$732,518	\$741,081
Contributions made	<u>\$1,069,091</u>	<u>\$1,139,029</u>	<u>\$782,023</u>	<u>\$672,666</u>	<u>\$552,359</u>	<u>\$518,168</u>	<u>\$653,616</u>	<u>\$589,632</u>	<u>\$732,518</u>	<u>\$741,081</u>
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered-employee payroll	\$10,826,360	\$11,615,720	\$11,936,158	\$10,514,080	\$9,965,646	\$9,522,178	\$9,260,000	\$8,400,000	\$7,956,476	\$8,072,970
Contributions as a percentage of covered-employee payroll	9.87%	9.81%	6.55%	6.40%	5.54%	5.44%	7.06%	7.02%	9.21%	9.18%

**ABINGTON TOWNSHIP NON-UNIFORMED 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	3.41%	-0.84%	6.53%	16.10%	-4.93%	20.40%	14.60%	13.98%	-16.97%	14.29%