

Pension Committee

Agenda

May 6, 2015

9:30 AM

1. Call to Order/Pledge of Allegiance/Moment of Silence
2. Chairman will ask if anyone is recording the meeting
3. Approval of Minutes – February 3, 2015
4. Old Business
  - a. Consider Consolidated IPS
5. New Business
  - a. Acknowledge 2014 audited pension financial statements
  - b. Review 2015 Q1 performance and Q1 transactions
6. Any Other Matter
7. Correspondence
  - a. Acknowledge letter from Janet Emanuel, Chair, Comp Plan Task Force, regarding presentation of the latest draft of the Comp Plan to all ABCs on Wednesday, June 10, 2015 at 7:00 pm.
8. Public Comment
9. Adjournment



**Draft**  
**EAST GOSHEN TOWNSHIP**  
**PENSION COMMITTEE MEETING**  
**February 3, 2015**

The East Goshen Township Pension Committee met at the East Goshen Township Building on Tuesday, February 3, 2015 at 9:30 am. Committee members present were: Tim O'Reilly (by conference call), Jon Altshul, Janet Emanuel and Mark Gordon. Others present were: Rick Smith, Township Manager.

COMMON ACRONYMS:

<i>IPS (Investment Policy Statement)</i>	<i>DCPP (Defined Contribution Pension Plan)</i>
<i>OPEB (Other Post-Employment Benefits)</i>	<i>DBPP (Defined Benefit Pension Plan)</i>
<i>BOS (Board of Supervisors)</i>	<i>DEBP-NU (Defined Benefit Plan–Non-Uniform)</i>
<i>WEGOPPT (WEGO Police Pension Trust)</i>	

1. Call to Order, Pledge of Allegiance and Moment of Silence

Jon (filling in for Tim) called the meeting to order, led those present in the Pledge of Allegiance, and asked for a moment of silence to remember our troops.

2. Recording of Meeting

Jon asked if anyone present would be recording the meeting. There was no response.

3. Minutes

Jon noted that the minutes of the November 5, 2014 meeting were approved.

4. New Business

a. Jon prepared the Quarterly Report showing the net returns for the Township pensions in 2013 and 2014. He mentioned that for 2014, InRs net return was several percentage points higher than Key Financial. He suggested that funds be redistributed between InR and Key. He reported that both managers reviewed the proposed Investment Policy Statement. Mark commented that he can appreciate the reaction to the market changes. Rick pointed out that the average quarterly returns for both managers are similar if the two new trust accounts are removed from the calculation.

b. At 10:00 am Patricia C. Brennan, CFP, CFS from Key Financial, Inc. gave an overview of 2014 and projections for the future. She reviewed the YTD returns as of 12/31/14 of the indexes; Dow Jones 7.52%; S&P500 11.39%; NASDAQ 14.75%; Russell 2000 4.89%; MSCI EAFE -7.35%; NYSE Composite 4.22% and Barclays U.S. corp Bond 2.36%. The average return for the Pension & Retirement plans managed by her was 4.2%. She pointed out that so far in January 2015 the market is down 3.1% and the accounts with Key Financial are only down .5%. Commodities were discussed. Patti uses index funds that contain some commodities. Instead of buying bonds because of the retirement potential, she would move some funds out of U.S. Large Cap into International.



1 She feels the proposed Investment Policy Statement is one of the best she has seen. She  
2 agrees with allowing the use of mutual funds that may own some of the restricted investments.  
3 She agrees with the restricted investments. The 10% in the last paragraph is fine. She will call  
4 in very volatile times.

5  
6 c. At 11:00 am Michael B. Glackin, CFP, AIF InR Advisory Services reviewed the year end values  
7 and returns. More people are moving large pension plans to index funds. He turned to page 9  
8 in each report for the 3 plans which shows the year-to-date value and return. He and his  
9 consultant think the proposed Investment Policy Statement is very good. He agrees with the  
10 10% in the last paragraph of the IPS. Mike feels that valuation and wage growth are two  
11 important indicators.

12  
13 d. Investment Policy Statement - After discussion, Jon will make the suggested revisions so the  
14 IPS can be considered at the next meeting in May.

15  
16 e. After Tim had to get off the call, the distribution of funds was discussed and the Committee  
17 members who were present voted in favor of the following motion: Pending confirmation from Giulio  
18 and Tim, allocate enough funds from the Key Non-uniformed Defined Benefit plan to the InR Non-  
19 uniformed Defined Benefit Plan, so that, in the aggregate, InR is managing half of the Township's  
20 pension and other trust assets.

21  
22 5. Next Meeting

23 The next meeting will be held on Wednesday, May 6, 2015 at 10:30 am.

24  
25 7. Adjournment

26 There being no further business to discuss, Janet made a motion to adjourn the meeting. Mark  
27 seconded the motion. The motion passed unanimously. The meeting was adjourned at 12:00  
28 pm.

29  
30 Respectfully submitted,

31  
32  
33  
34 Ruth Kiefer, Recording Secretary



# Memo

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To: Pension  
From: Jon Altshul  
Re: Pension Committee Issues  
Date: April 30, 2015

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Since our last meeting, the following pension fund transactions have occurred:

- \$1,350,000 was transferred from the (Frozen) Key Non-Uniformed DB Pension Plan to the (Frozen) INR Non-Uniformed DB Pension Plan in order to achieve parity between the two managers. Both INR and Key now manage a little less than \$3 million each.
- \$255,272 was credited to the INR Police Pension Trust for the 2015 annual contribution. However, this was incorrectly deposited to the INR DC plan. INR is working to transfer the securities between plans and hopefully this issue will be resolved in time for the meeting.
- \$80,619 was deposited to the Key WEGO OPEB Trust for the 2015 annual contribution
- \$12,138 was transferred from the Key Firefighters Pension to the INR Non-Uniformed DC Plan, which represented the year-end true-up so that 5% of Township wages were deposited in the DC plan. After this transfer, state aid to the firefighter pension exceeded the firefighters' MMO by \$9,366.

Key's returns were very strong in Q1, exceeding the benchmark by an average of about a percentage point. INR's were somewhat lower, but still ahead of the benchmark.

I have attached copies of the Consolidated IPS which has been amended to reflect the changes agreed to at the last meeting.

Copies of the 2014 Audited Pension Plan Financial Statements are attached.





# NET RETURNS-EAST GOSHEN TWP PENSIONS THRU 3-31-15

Allocation (Stocks/ Bonds)****	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2013	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2014	2015 Q1	Last 12 months	Average quarterly return ('10 Q1- Present)	3/31/15 Balance
INR Defined Benefit	5.11%	-0.43%	5.03%	5.43%	15.89%	1.63%	3.94%	-1.06%	2.46%	7.09%	1.61%	7.07%	2.70%	\$1,971,436
INR Defined Contribution	4.47%	0.86%	4.25%	5.14%	15.48%	1.59%	3.70%	-0.91%	2.73%	7.25%	1.91%	7.58%	2.99%	\$455,475*
INR Police Pension Trust**							1.69%	-1.05%	2.41%	3.04%	1.64%	4.73%	1.17%	\$523,451*
Key Firefighters - DB	4.98%	0.16%	5.36%	4.03%	15.25%	1.71%	2.79%	-2.63%	1.90%	3.73%	2.21%	4.24%	2.49%	\$1,108,516
Key Defined Benefit -														
Nonuniformed	5.04%	0.31%	5.57%	4.45%	16.19%	1.18%	2.73%	-2.51%	1.81%	3.17%	2.80%	4.82%	2.52%	\$824,408
Key WEGO OPEB***	6.44%	0.38%	5.86%	4.28%	17.94%	2.13%	3.27%	-2.59%	2.03%	4.76%	2.53%	5.24%	3.11%	\$1,050,968
Primary index:														
S&P 500	10.03%	2.91%	5.24%	10.51%	31.69%	1.30%	5.23%	1.13%	4.93%	13.69%	0.95%	12.73%	4.00%	
Barclay's Bond Index	-0.12%	-2.32%	0.57%	-0.14%	-2.02%	1.84%	2.04%	0.17%	1.79%	5.97%	1.61%	5.72%	1.24%	

\* The annual \$255,272 contribution to the Police Pension trust was deposited to the DC plan by mistake. INR is currently transferring securities to correct the error. The fund balance reported on this worksheet reflects what the fund balance should be if the contributions had been correctly deposited.

\*\* INR Police Pension Trust opened on 5/28/14

\*\*\* Key WEGO OPEB Trust transferred from Raymond James to Key on 6/18/13

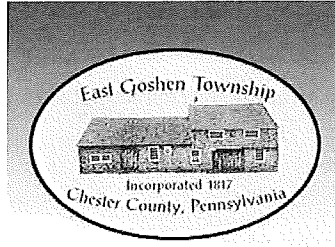
\*\*\*\* "Bonds" include cash; "Stocks" include commodities and real estate

	2015 Q1	2014 Annual	Last 12 Months
Hypothetical 70% Equity-30% Bond Index	1.15%	11.37%	10.63%
Hypothetical 60% Equity-40% Bond Index	1.21%	10.60%	9.93%



# **EAST GOSHEN TOWNSHIP**

## **PENSION & RETIREMENT PLAN**



## **INVESTMENT POLICY STATEMENT**

Combined statement for:

- Non-uniformed Defined Benefit Plan (Frozen)
- Non-uniformed Defined Contribution Plan
- Firefighters Defined Benefit Plan
- WEGO Police Pension Trust
- WEGO Other Post Employment Benefit Trust

## PURPOSE

This document provides the framework for the management of East Goshen Township's five pension and retirement funds. These five funds are as follows: 1) the frozen non-uniformed defined benefit plan; 2) the non-uniformed defined contribution plan; 3) the firefighters defined benefit plan; 4) the Westtown East Goshen Police Department ("WEGO") Pension Trust and 5) the WEGO Other Post Employment Benefit Trust.<sup>1</sup> The document is divided into five sections. As used herein, "Plan Sponsor" shall refer to the East Goshen Township Pension Committee.

1. Investment goals and responsibilities,
2. Investment policies and procedures,
3. Asset allocation, target return, funding strategy and liability guidelines,
4. Performance objectives, and
5. Investment guidelines and review.

## INVESTMENT GOALS AND RESPONSIBILITIES

- The investment goals state the philosophy and process for the management of plan assets.
- The overall goal of the five funds (the "Funds") is to provide benefits for Township, Fire Company and WEGO employees and their beneficiaries through a carefully planned and executed investment program.
- The Plan Sponsors shall be responsible for the creation of the investment policies of the Funds and provide oversight for the management of the Funds' assets.
- East Goshen Township will make the necessary contributions to the Funds annually as dictated by state law or, in absence of applicable state law, the agreements, resolutions or local ordinances governing each respective fund. Benefits will be funded through a combination of municipal contributions, member contributions, and investment earnings on the Funds' assets.
- The Plan Sponsor shall select qualified investment managers and provide those managers with specific objectives and guidelines to manage the Plan's assets, as outlined in this Policy Statement.
- The investment philosophy of the Funds is to create a management process with sufficient flexibility to capture investment opportunities as they may occur and maintain reasonable parameters to ensure prudence and care in the execution of the investment program.
- The Plan Sponsor seeks to produce a return on investment which is based on levels of investment risk that are prudent and reasonable given prevailing capital market conditions. While the Plan Sponsor recognizes the importance of the preservation of capital, it also recognizes modern portfolio theory, which maintains that varying degrees of investment risk will be rewarded with compensating returns. Consequently, prudent risk-taking is warranted and justifiable.
- The Plan Sponsor delegates individual investment decisions to the investment managers and, with the exception of investments in "restricted investments" as outlined in pages 5-6 of this document or investments that cause the asset allocation of any fund to be more than 10% greater or less than the target allocation (described in the "INVESTMENT GUIDELINES & REVIEW" section), investment managers shall have the flexibility to invest in securities that they deem, in their professional judgment, to offer the best potential for returns and/or risk mitigation.

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<sup>1</sup> Funds #4 & #5 are intended to offset East Goshen's proportionate share of the unfunded liabilities for WEGO's pension and OPEB funds.

- The retirement investment program shall at all times comply with existing and future applicable state and federal regulations.

## **INVESTMENT POLICIES AND PROCEDURES**

The policies and procedures of the investment program guide its implementation and outline the specific responsibilities of the Plan Sponsor and its investment managers. The investment policies of the Plan shall be based on a program that will consider:

- The financial condition of the Funds
- The expected long term capital market outlook
- The Plan Sponsor's risk tolerance
- Changing demographics of current or future participants
- Anticipated inflation
- Short and long-term liabilities
- Liquidity needs

It will be the fiduciary responsibility of the Plan Sponsor to determine the specific allocation of the investments (the asset policy mix) among the various asset classes considered prudent given the Plan's liability structure. The long-term allocation guidelines shall be expressed in terms of a target and ranges for each asset class to provide sufficient flexibility to take advantage of shorter-term market opportunities as they may occur.

The asset policy mix shall be sufficiently diversified to maintain a reasonable level of risk as determined by the Plan Sponsor without imprudently sacrificing return. The Plan Sponsor shall review the asset allocation of the Funds each year with current capital market assumptions to ensure the current asset mix will achieve the long-term goals of the retirement program.

In accordance with the asset allocation, target return, funding strategy and liability guidelines, the Plan Sponsor will develop a broad framework to guide the investment managers in making investment decisions and the investment manager shall make investment decisions consistent with the Plan Sponsor's direction.

### **The procedures for the management of the Plan assets are:**

1. The Plan Sponsor will exercise its fiduciary responsibilities in regard to the investment program in accordance with the provisions of the Plan documents, resolutions or ordinances.
2. The Plan Sponsor will conduct a formal review of the Plan's asset allocation policies, investment structure, fund balance, changing workforce demographics and liquidity needs **annually**, at the conclusion of the prior year.
3. The investments of the Plan shall be reviewed no less than **quarterly** (more often if unusual market conditions dictate) to ensure that policy guidelines continue to be appropriate and are met. The Plan Sponsor shall monitor investment returns on both an absolute and comparative basis.

## ASSET ALLOCATION, TARGET RETURN, FUNDING STRATEGY AND LIABILITY GUIDELINES

The Plan Sponsor has adopted the following asset allocation and other policies for the five plans:

### Non-Uniformed Defined Benefit Plan (Frozen)

<b>Target Stock Allocation</b>	<b>70.00%</b>
<b>Total Fixed Income Allocation</b>	<b>30.00%</b>
<b>Actuarial Target Rate of Return</b>	<b>8.00%</b>
<b>Balance as of 12/31/14</b>	<b>\$2,700,434</b>
<b>Future Funding Strategy</b>	<b>No future contributions planned at this time. MMO is \$0</b>
<b>Current Liability</b>	<b>\$8,664/year</b>
<b>Medium-Term Liability</b>	<b>7 additional eligible retirees within next 5 years</b>
<b>Liquidity Needs</b>	<b>Low, 1 current annuitant</b>

### Non-Uniformed Defined Contribution Plan

<b>Target Stock Allocation</b>	<b>60.00%</b>
<b>Target Fixed Income Allocation</b>	<b>40.00%</b>
<b>Actuarial Target Rate of Return</b>	<b>7.00%</b>
<b>Balance as of 12/31/14</b>	<b>\$457,288</b>
<b>Future Funding Strategy</b>	<b>Contribute MMO (via state aid)</b>
<b>Current Liability</b>	<b>n/a</b>
<b>Medium-Term Liability</b>	<b>22/26 participants are vested</b>
<b>Liquidity Needs</b>	<b>Medium</b>

### Firefighters Defined Benefit Plan

<b>Target Stock Allocation</b>	<b>70.00%</b>
<b>Target Fixed Income Allocation</b>	<b>30.00%</b>
<b>Actuarial Target Rate of Return</b>	<b>7.00%<sup>2</sup></b>
<b>Balance as of 12/31/14</b>	<b>\$1,006,510</b>
<b>Future Funding Strategy</b>	<b>Contribute at least MMO (via state aid) and 2.25% member contributions</b>
<b>Current Liability</b>	<b>\$17,808/year</b>
<b>Medium-Term Liability</b>	<b>No additional eligible retirees until 2019</b>
<b>Liquidity Needs</b>	<b>Low-Medium, currently 2 annuitants</b>

### WEGO Police Pension Trust

<b>Target Stock Allocation</b>	<b>70.00%</b>
<b>Target Fixed Income Allocation</b>	<b>30.00%</b>
<b>Actuarial Target Rate of Return</b>	<b>8.00%</b>
<b>Balance as of 12/31/14</b>	<b>\$263,040</b>
<b>Future Funding Strategy</b>	<b>Annual contributions of approx. \$250,000 through 2021</b>
<b>Current Liability</b>	<b>None</b>

<sup>2</sup> Despite the 70/30 stock/bond allocation which should generate about an 8% annual return, the 7% target return is used for the Firefighter's DB Plan to maximize the plan's eligibility for state pension aid.

<b>Medium-Term Liability</b>	<b>None</b>
<b>Liquidity Needs</b>	<b>Very Low</b>

#### WEGO Other Post Employment Benefit Trust

<b>Target Stock Allocation</b>	<b>70.00%</b>
<b>Target Fixed Income Allocation</b>	<b>30.00%</b>
<b>Actuarial Target Rate of Return</b>	<b>8.00%</b>
<b>Balance as of 6/30/14</b>	<b>\$927,527</b>
<b>Future Funding Strategy</b>	<b>Annual contributions of approx. \$80,000 through 2031</b>
<b>Current Liability</b>	<b>None</b>
<b>Medium-Term Liability</b>	<b>None</b>
<b>Liquidity Needs</b>	<b>Very Low</b>

### **Performance Objectives**

All fund objectives will be incorporated in the quarterly and annual review of the Funds' performance. Rates of return will be calculated based on a time-weighted rate of return formula.

The performance of the overall fund will be measured relative to:

- The actuarial target rate of return
- Inflation rate, and
- Each fund's level of risk tolerance

The first objective is achieving a rate of return equal to or greater than each fund's actuarial interest rate, if applicable. If the fund's assets grow at a rate equal to or greater than the actuarial rate, the fund's funding condition will be maintained. Earning a lower return will generally result in increased levels of contributions.

The second objective is achieving a real return above inflation. The fund's liabilities are sensitive to inflation as benefits are ultimately determined by future salaries. Failing to achieve the necessary real return may increase retirement costs.

The third objective is to maintain a risk level within the tolerance level of the plan fiduciaries.

### **INVESTMENT GUIDELINES & REVIEW**

The Plan Sponsor has selected a number of investment options to implement its investment policies. Each option is retained to invest a specific allocation in accordance with its style and investment process as specified in the tables above. On an ongoing basis, the Plan Sponsor will monitor the investment managers for compliance with the investment guidelines and specific objectives.

#### Permitted investments

The investment manager may invest among the following asset categories:

- Cash and cash equivalents, including money market funds
- Individual bonds (U.S. Treasuries, corporate or municipal)
- Individual stocks
- Certificates of Deposit
- Mutual funds, including broad-based mutual funds which may own any of the restricted investments listed below as part of their portfolios.
- Exchanged Traded Funds
- Annuities

#### Restricted investments

The investment manager may invest in the following asset categories with the prior consent of the Plan Sponsors:

- Private Equity
- Limited Partnerships
- Precious Metals
- Hedge Funds
- Non-Liquid Assets
- Commodities

#### Asset Allocation

The Plan Sponsors recognize that market conditions may lend themselves to temporary investment allocations in either equities or fixed assets that are different than the Funds' respective target allocations. Investment managers may determine when such diversions from the target allocations are appropriate, provided that the actual allocations are never more than 10% from the respective target allocations, unless prior consent is given from the Plan Sponsors.

### **ADOPTION OF INVESTMENT POLICY STATEMENT**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2015

SIGNED BY PLAN SPONSOR:

By: \_\_\_\_\_ (Co-Trustee)

\_\_\_\_\_ (Co-Trustee)







**EAST GOSHEN TOWNSHIP  
FIREMENS' PENSION PLAN  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

**EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

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Financial Statements	
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- Statement of Changes in Fiduciary Net Position	3
Notes to the Financial Statements	4-12
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East Goshen Township Firemens' Pension Plan

The accompanying financial statement was prepared for the East Goshen Township Firemens' Pension Plan. The Statement of Fiduciary Net Position was prepared as of December 31, 2014. The Statement of Changes in Fiduciary Net Position was prepared for the period January 1, 2014 to December 31, 2014.

*James P. Kennedy, President*

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*Thomas J. Anderson & Associates, Inc.*

*March 20, 2015*

EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN

Statement of Fiduciary Net Position  
as of December 31, 2014

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<u>ASSETS</u>	<u>2014</u>
Cash and short-term investments	56,407
Receivables:	
Members' Contributions	202
Investments, at fair value:	
Mutual Funds	765,839
Municipal Bonds	228,248
U.S. Government Obligations	<u>50,737</u>
Total Investments	1,044,824
TOTAL ASSETS	1,101,433

LIABILITIES

Transfer of Excess State Aid to Non-Uniformed Pension Plan	12,138
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Net Position Restricted for Pensions	1,089,296
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See the accompanying notes to the financial statements.

# EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN

## Statement of Changes in Fiduciary Net Position for the year ended December 31, 2014

<u>ADDITIONS</u>	<u>2014</u>
Contributions:	
Employee	10,984
Commonwealth	64,957
Total Contributions	75,941
Investment Income:	
Net appreciation (depreciation) in fair value of investments	30,156
Interest Income	10,238
Dividend Income	1,743
Total Investment Income	42,137
Less Investment Expenses	(5,044)
Net Investment Income	37,094
TOTAL ADDITIONS	113,035
<u>DEDUCTIONS</u>	<u>2014</u>
Pension Payments	6,727
Administrative Expenses	2,975
TOTAL DEDUCTIONS	9,702
Net Increase in Net Position	103,334
Net Position Restricted for Pensions:	
Beginning of Year 2014	985,962
End of Year 2014	1,089,296

See the accompanying notes to the financial statements.

## **EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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#### **NOTE 1 – PLAN DESCRIPTION**

##### **Plan Administration**

The East Goshen Township Firemen Pension Plan is a single-employer defined benefit pension plan covering the East Goshen Fire Company full-time paid fire company personnel. The Plan was established by Ordinance No. 78 effective January 1, 1987. The Plan was amended by Resolution No. 04-26 effective June 15, 2004. The Plan is governed by the Board of Township Supervisors. The Board of Township Supervisors has delegated the authority to manage Plan assets to Key Financial Inc.

##### **Plan Membership**

As of December 31, 2014, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	2
Inactive Plan Members Entitled to but not yet Receiving Benefits	1
Active Plan Members	<u>8</u>
<b>TOTAL</b>	<b>11</b>

##### **Benefits Provided**

The following is a summary of the Plan benefit provisions:

- **Eligibility Requirements:**
  - Normal Retirement: Later of age 55 or 5 years of service, whichever occurs later
  - Early Retirement: Age 52
  - Vesting: Full vesting after 5 years of service
- **Retirement Benefit:** 1.25% of final 60 month average salary multiplied by years and completed months of service. Offset by 0% social security; length of service increment - none
- **Survivor Benefit:** 50% of participants' vested pension amount
- **Disability Benefit Service & Non-Service Related:** 50% of final average salary, starting 90 days after the disability occurred.



## EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

- Post Retirement Adjustments: None
- Members Contributions: Amount or Rate: 2.25% of Compensation  
Interest Rate Credited to Member Contributions: 2%

#### 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 2.25% of base pay to the Plan. This contribution is governed by the Plan's ordinance & resolution. In accordance with Act 205, as amended, the Township was not required to contribute to the Plan for the year 2014 as shown in the exhibit below:

#### Financial Requirement and Minimum Municipal Obligation Budget for 2014:

Total Annual Payroll .....	\$587,288
Normal Cost as a Percentage of Payroll .....	9.33%
Normal Cost .....	\$ 54,794
Estimated Administrative Expenses .....	\$ 4,250
Amortization Contribution .....	\$ 9,761
Funding Adjustment .....	\$ 0
Estimated Members' Contributions .....	<\$ 13,214>
Minimum Municipal Obligation .....	\$ 55,591
<Less Actual State Aid Deposited into Plan> .....	<\$ 64,957>
<b>REQUIRED MUNICIPAL OBLIGATION</b>	<b>\$ 0</b>

## **EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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#### **Three Year Funding Trend**

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	51,412	100%	0
2013	55,396	100%	0
2014	55,591	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.

## **EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

#### **NOTE 3 – INVESTMENTS**

The deposits and investments of the Plan are held separately from those of the Township and are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, Section 7302.

#### **Investment Policy Summary**

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board of Township Supervisors. 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:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long Term Expected Real Rate of Return*</u></b>
S&P 500 Composite (Large Caps)	25.0%	9.00%
Russell 2000 (Small Cap)	11.5%	10.00%
International (EAFE)	12.0%	8.75%
Emerging Markets	2.5%	11.00%
REITs/Equity	6.0%	8.75%
Bonds/Fixed Income	29.0%	4.00%
Treasury Inflation Protected	10.0%	4.50%
GS Commodities Index	3.0%	5.00%
Total	100.0%	3.80%*

\*- Excludes 3.00 % inflation assumption and 0.5% investment expense assumption

The long-term expected rate of return on the Plan's investments was determined as stated in the Plan's Investment Policy Statement 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-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.

**EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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**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, 2014, 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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.50 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.

**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. As of December 31, 2014, the Plan had the following uninsured investment securities that are held by either the counterparty or the counterparty's trust department or agent but not in the pension plan's name that were subject to custodial credit risk:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>
Municipal Bonds	\$ 228,248
U.S. Government Obligations	\$ 50,737
<b>TOTAL</b>	<b><u>\$ 278,985</u></b>

## EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

#### 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, 2014.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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, 2014 the Plan's investment balance exposed to interest rate risk was as follows:

Investment Type	Fair Value	<u>Investment Maturities (in Years)</u>			
		Less than 1	1-5	6-10	Greater than 10
Mutual Funds	\$ 50,869	\$ 0	\$ 0	\$ 50,869	\$ 0
U.S. Government Obligations	\$ 50,737	\$ 0	\$ 38,139	\$ 12,598	\$ 0
Municipal Bonds	\$228,248	\$ 10,000	\$ 79,793	\$138,455	\$ 0
TOTAL	<u>\$329,854</u>	<u>\$ 10,000</u>	<u>\$117,932</u>	<u>\$ 201,922</u>	<u>\$ 0</u>

#### 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 investment risk. As of December 31, 2014, the credit risk of a debt instrument as measured by a NRSRO (Morningstar for bond mutual funds or Moody's for bonds and mortgages) and fair value was as follows:

**EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality</u>
Bond Mutual Funds	\$ 18,003	AAA
Bond Mutual Funds	\$ 32,866	AA
Municipal Bonds	\$195,880	AA
Municipal Bonds	\$ 16,033	A
Municipal Bonds	<u>\$ 16,335</u>	Not Rated
TOTAL	<u>\$279,117</u>	

U.S. government obligations are not considered to have credit risk and do not require disclosure of credit quality.

**NOTE 4 – PENSION LIABILITY**

**Net Pension Liability**

The components of the net pension liability of the Plan as of December 31, 2014 were as follows:

Total Pension Liability (TPL)	\$1,101,923
Plan Fiduciary Net Position	\$1,089,296
Net Pension Liability (NPL)	\$ 12,627
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	98.9%

**Actuarial Assumptions**

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2013. Update procedures were used to roll forward to the plan's fiscal plan year ending December 31, 2014. This report was based upon the Plan's actuarial assumptions, asset valuation method, and cost method as described below:

## EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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Actuarial Valuation Date	December 31, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	9 years
Asset Valuation Method	Market Value
Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment Rate of Return	7.00% (Net of pension plan investment expense including inflation)
Retirement Age	55

Mortality rates were based on the RP-2000 Mortality Table projected to 2015 using Scale AA.

#### **Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. 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 on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### **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 7.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Net Pension Liability	\$169,547	\$12,627	(\$118,980)

**EAST GOSHEN TOWNSHIP FIREMENS' PENSION PLAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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**NOTE 5 – RECONCILIATION OF MEMBERS' CONTRIBUTIONS**

Members' Contributions Deposited for 2014	\$10,984
<Less Members' Contributions Deducted from Members' Salaries>	<u>&lt;\$10,984&gt;</u>
Irreconcilable	\$ 0

**NOTE 6 – RECONCILIATION OF PENSION PAYMENTS**

Pensions Paid from Plan for 2014	\$6,727
<Less Pensioner Register>	<u>&lt;\$6,727&gt;</u>
Irreconcilable	\$ 0



**EAST GOSHEN TOWNSHIP FIREMEN'S PENSION PLAN  
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY AND  
RELATED RATIOS  
Last 10 Fiscal Years\***

	2014
<b>Total Pension Liability</b>	
Service Cost	\$ 49,337
Interest	72,308
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	(6,727)
<b>Net Change in Total Pension Liability</b>	<u>114,918</u>
<b>Total Pension Liability - Beginning</b>	<u>987,005</u>
<b>Total Pension Liability - Ending</b>	<u><u>\$ 1,101,923</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ -
Contributions - State Aid	64,957
Contributions - Member	10,984
Net Investment Income	37,095
Benefit Payments, Including Refunds of Member Contributions	(6,727)
Administrative Expense	(2,975)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>103,334</u>
<b>Plan Net Position - Beginning</b>	<u>985,962</u>
<b>Plan Net Position - Ending</b>	<u><u>\$ 1,089,296</u></u>
<b>Plan's Net Pension Liability</b>	<u><u>\$ 12,627</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	98.9%
<b>Covered Employee Payroll</b>	\$ 587,288
<b>Plan's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	2.2%

**Notes to schedules:**

None.

\* This schedule will be presented on a prospective basis.

**EAST GOSHEN TOWNSHIP FIREMEN'S PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Last 10 Fiscal Years\***

	<u>2014</u>	
Actuarially determined contribution	\$ 55,591	
Contributions made	<u>\$ 64,957</u>	
Contribution deficiency (excess)	(\$ 9,366)	<u>0</u>
Covered-employee payroll	\$ 587,288	
Contributions as a percentage of covered-employee payroll	11.06%	

\* This schedule will be presented on a prospective basis.

**EAST GOSHEN TOWNSHIP FIREMEN'S PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**  
**Last 10 Fiscal Years\***

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	2.50%

\* This schedule will be presented on a prospective basis.

**EAST GOSHEN TOWNSHIP  
NON-UNIFORMED DEFINIED  
CONTRIBUTION PENSION PLAN  
FINANCIAL STATEMENTS  
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**EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

**FINANCIAL STATEMENTS**

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*Thomas J. Anderson & Associates, Inc.*

MUNICIPAL PENSION SPECIALISTS



115 WESTTOWN RD., STE 101  
WEST CHESTER, PA 19382  
(610) 430-3385 FAX (610) 430-3387

East Goshen Township Non-Uniformed  
Defined Contribution Pension Plan

The accompanying financial statement was prepared for the East Goshen Township Non-Uniformed Defined Contribution Pension Plan. The Statement of Fiduciary Net Position was prepared as of December 31, 2014. The Statement of Changes in Fiduciary Net Position was prepared for the period January 1, 2014 to December 31, 2014.

*James P. Kennedy, President*

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*Thomas J. Anderson & Associates, Inc.*

*March 20, 2015*

EAST GOSHEN TOWNSHIP NON-UNIFORMED  
DEFINED CONTRIBUTION PENSION PLAN

Statement of Fiduciary Net Position  
as of December 31, 2014

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<u>ASSETS</u>	<u>2014</u>
Cash and short-term investments	16,662
Receivables:	
Transfer of Excess State Aid from the Firemens' Pension Plan	12,138
Investments, at fair value:	
Mutual Funds	<u>440,626</u>
TOTAL ASSETS	469,425

Net Position Restricted for Pensions	469,425
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See the accompanying notes to the financial statements.

EAST GOSHEN TOWNSHIP NON-UNIFORMED  
DEFINED CONTRIBUTION PENSION PLAN

Statement of Changes in Fiduciary Net Position  
for the year ended December 31, 2014

<u>ADDITIONS</u>	<u>2014</u>
Contributions:	
Commonwealth	92,838
Investment Income:	
Net appreciation (depreciation) in fair value of investments	19,880
Dividend Income	9,128
	<hr/>
Total Investment Income	29,007
Less Investment Expenses	(1,967)
	<hr/>
Net Investment Income	27,041
TOTAL ADDITIONS	119,879
 <u>DEDUCTIONS</u>	 <u>2014</u>
Administrative Expenses	3,800
 Net Increase in Net Position	 119,879
Net Position Restricted for Pensions:	
Beginning of Year 2014	353,347
End of Year 2014	469,425

See the accompanying notes to the financial statements.

## **EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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#### **NOTE 1 – PLAN DESCRIPTION**

##### **Plan Administration**

The East Goshen Township Non-Uniformed Pension Plan is a single-employer defined contribution pension plan. The Plan was established by Resolution No. 10-61 effective December 31, 2010. The Plan is governed by Board of Township Supervisors which may amend plan provisions, and which is responsible for the management of Plan assets. The Board of Township Supervisors has delegated the authority to manage certain Plan assets to INR Advisors.

##### **Plan Membership**

As of December 31, 2014, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	2
Inactive Plan Members Entitled to but not yet Receiving Benefits	0
Active Plan Members	<u>25</u>
 TOTAL	 27

#### **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.



## **EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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#### **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.

#### **NOTE 3 – DEPOSITS AND INVESTMENTS**

##### **Deposits and Investments**

The deposits and investments of the Plan are held separately from those of the Borough and 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, 2014.

##### **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:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Quality</u></b>
Exchange Traded Bond Funds	\$ 80,723	AA
Exchange Traded Bond Funds	\$ 80,331	BBB
<b>TOTAL</b>	<b><u>\$ 161,054</u></b>	

# **EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

### **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, 2014 the Plan's investment balance exposed to interest rate risk was as follows:

#### **Investment Maturities (in Years)**

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>	<b><u>Less Than 1</u></b>	<b><u>1 - 5</u></b>	<b><u>6 - 10</u></b>	<b><u>More Than 10</u></b>
Exchange Traded Bond Funds	\$161,054	\$ 0	\$ 0	\$161,054	\$ 0
<b>TOTAL</b>	<b>\$161,054</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$161,054</b>	<b>\$ 0</b>

### **Custodial Credit Risk, Concentration of Credit Risk, Foreign Currency Risk**

The Plan held no investments that were exposed to custodial credit risk, concentration of credit risk, or foreign currency risk as of December 31, 2014.

### **NOTE 4 - CONTRIBUTION REQUIREMENTS**

#### **Act 205**

Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, initiated actuarial funding requirements for 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.

## EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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#### **Funding Policy**

The Township will contribute into the Plan, for each eligible Participant, an amount equal to 6.0% of their covered compensation. Participants do not contribute to the Plan. In addition to the Township contribution made to Participant's account, their account will be credited annually with the pro rata share of the investment earnings or losses of the Plan and any investment related expenses. Participants who terminate for reasons other than death, disability, or retirement would not share in the allocations of contributions, earnings, or losses for the Plan year. The Township, if eligible, may allocate State Aid received from the Commonwealth of Pennsylvania to the Plan. Forfeitures due to non-vested terminations are to be used to reduce the Township's contributions to the Plan. To the extent that these fundings are not adequate to cover the Township's obligation to the Plan, the Township would then be required to contribute.

#### **Financial Requirement and Minimum Municipal Obligation Budget for 2014:**

Actual Contribution Cost .....	\$87,071
Actual Administrative Expenses .....	\$ 5,767
Minimum Municipal Obligation .....	\$92,838
<Less Actual State Aid Deposited into Plan> .....	<\$92,838>
<b>REQUIRED MUNICIPAL OBLIGATION</b>	<b><u>\$ 0</u></b>



**EAST GOSHEN TOWNSHIP  
NON-UNIFORMED PENSION PLAN  
FINANCIAL STATEMENTS  
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**EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

**FINANCIAL STATEMENTS**

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*Thomas J. Anderson & Associates, Inc.*

MUNICIPAL PENSION SPECIALISTS

**TJA**

115 WESTTOWN RD., STE 101  
WEST CHESTER, PA 19382  
(610) 430-3385 FAX (610) 430-3387

East Goshen Township Non-Uniformed Pension Plan

The accompanying financial statement was prepared for the East Goshen Township Non-Uniformed Pension Plan. The Statement of Fiduciary Net Position was prepared as of December 31, 2014. The Statement of Changes in Fiduciary Net Position was prepared for the period January 1, 2014 to December 31, 2014.

*James P. Kennedy, President*

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*Thomas J. Anderson & Associates, Inc.*

*March 20, 2015*

EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN

Statement of Fiduciary Net Position  
as of December 31, 2014

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<u>ASSETS</u>	<u>2014</u>
Cash and short-term investments	73,800
Investments, at fair value:	
Mutual Funds	1,935,660
Corporate Bonds	35,521
Municipal Bonds	501,129
Certificates of Deposit	33,137
U.S. Government Obligations	157,958
	<hr/>
Total Investments	2,663,405
TOTAL ASSETS	2,737,204

Net Position Restricted for Pensions	2,737,204
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See the accompanying notes to the financial statements.



EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN

Statement of Changes in Fiduciary Net Position  
for the year ended December 31, 2014

<u>ADDITIONS</u>	<u>2014</u>
Investment Income:	
Net appreciation (depreciation) in fair value of investments	77,352
Interest Income	26,100
Dividend Income	17,240
Total Investment Income	120,692
Less Investment Expenses	(13,732)
Net Investment Income	106,960
TOTAL ADDITIONS	106,960
<u>DEDUCTIONS</u>	<u>2014</u>
Pension Payments	8,664
Administrative Expenses	3,575
TOTAL DEDUCTIONS	12,239
Net Increase in Net Position	94,721
Net Position Restricted for Pensions:	
Beginning of Year 2014	2,642,483
End of Year 2014	2,737,204

See the accompanying notes to the financial statements.

# EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

### NOTE 1 – PLAN DESCRIPTION

#### Plan Administration

The East Goshen Township Non-Uniformed Pension Plan is a single-employer defined benefit pension plan covering the full-time non-uniformed employees. The Plan was established effective January 1, 1987. The Plan was amended by Resolution No. 10-59, which as of December 31, 2010, East Goshen Township elected to freeze the Plan for purposes of participation, benefit accrual, and vesting. The Plan is governed by the Board of Township Supervisors. The Board of Township Supervisors has delegated the authority to manage Plan assets to INR Advisors & Key Financial Inc.

#### Plan Membership

As of December 31, 2014, membership consisted of:

Inactive Plan Members Currently Receiving Benefits	1
Inactive Plan Members Entitled to but not yet Receiving Benefits	33
Active Plan Members	<u>0</u>
TOTAL	34

#### Benefits Provided

The following is a summary of the Plan benefit provisions:

- Eligibility Requirements:
  - Normal Retirement: Age 65 and 10 years of service
  - Early Retirement: Age 55 with 10 or more years of service
  - Vesting: As of 1/1/11, all members are 100% vested; Plan is now frozen
- Retirement Benefit: 1.25% times final average earnings times years and fractions of years. Final average is based on highest 5 calendar years out of the last 10 calendar years. Unmarried - life income; Married - life income, 50% to surviving spouse offset by 0% of social security.
- Survivor Benefit: Benefit to surviving spouse is automatic after participant is eligible for early retirement. Benefit is equal to 50% of the pension which would have been paid to the participant if he had retired.

## EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

Disability Benefit Service & Non-Service Related: 10 years of service and receiving social security disability benefits. No reduction if benefit starts before age 65; same benefit as B.

- Post Retirement Adjustments: None
- Members Contributions:
  - Amount or Rate: None
  - Interest Rate Credited to Member Contributions: None

#### 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 not required to contribute to the Plan. This contribution is governed by the Plan's resolution. In accordance with Act 205, as amended, the Township was not required to contribute to the Plan for the year 2014 as shown in the exhibit below:

#### Financial Requirement and Minimum Municipal Obligation Budget for 2014:

Normal Cost .....	\$ 0
Estimated Administrative Expenses .....	\$ 5,400
Amortization Contribution .....	\$ 0
Funding Adjustment .....	<\$58,842>
Minimum Municipal Obligation .....	\$ 0
<Less Actual State Aid Deposited into Plan> .....	<\$ 0>
<b>REQUIRED MUNICIPAL OBLIGATION</b>	<b>\$ 0</b>

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

**December 31, 2014**

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**Three Year Funding Trend**

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	0	N/A	0
2013	0	N/A	0
2014	0	N/A	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.

## **EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

### **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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#### **NOTE 3 – INVESTMENTS**

The deposits and investments of the Plan are held separately from those of the Township and are governed by Title 20 of the Pennsylvania Consolidated Statutes, Chapter 73 Municipalities Investments, Section 7302.

#### **Investment Policy Summary**

The Plan's investment policy in regard to the allocation of invested assets is established and may be amended by the Board of Township Supervisors. 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:

<b><u>Asset Class</u></b>	<b><u>Target</u></b>	<b><u>Long Term Expected Real Rate of Return</u></b>
Domestic Equities	70%	7.85%
Fixed Income	27%	1.02%
Cash	3%	-1.37%
Total Net Blended Return		5.33%*

\*- Excludes 2.34% inflation assumption and 0.4% investment expense assumption.

The long-term expected rate of return on the Plan's investments was determined as stated in the Plan's Investment Policy Statement 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-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.

## EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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#### **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, 2014, 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, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.59 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.

#### **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. As of December 31, 2014, the Plan had the following uninsured investment securities that are held by either the counterparty or the counterparty's trust department or agent but not in the pension plan's name that were subject to custodial credit risk:

<b><u>Investment Type</u></b>	<b><u>Fair Value</u></b>
Corporate Bonds	\$ 35,521
Municipal Bonds	\$ 501,129
Certificates of Deposit	\$ 33,137
U.S. Government Obligations	\$ 157,958
<b>TOTAL</b>	<b><u>\$ 727,745</u></b>

# **EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

### **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, 2014.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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, 2014 the Plan's investment balance exposed to interest rate risk was as follows:

Investment Type	Fair Value	<b><u>Investment Maturities (in Years)</u></b>			
		Less than 1	1-5	6-10	Greater than 10
Mutual Funds	\$185,500	\$ 0	\$ 0	\$ 185,500	\$ 0
Corporate Bonds	\$ 35,521	\$ 0	\$ 35,521	\$ 0	\$ 0
U.S. Government Obligations	\$157,958	\$ 0	\$124,745	\$ 33,213	\$ 0
Municipal Bonds	<u>\$501,129</u>	<u>\$ 0</u>	<u>\$142,301</u>	<u>\$341,700</u>	<u>\$ 17,128</u>
TOTAL	<u>\$880,108</u>	<u>\$ 0</u>	<u>\$302,567</u>	<u>\$ 560,413</u>	<u>\$ 17,128</u>

### **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 investment risk. As of December 31, 2014, the credit risk of a debt instrument as measured by a NRSRO (Morningstar for bond mutual funds or Moody's for bonds and mortgages) and fair value was as follows:

**EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

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<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality</u>
Municipal Bonds	\$ 27,060	AAA
Bond Mutual Funds	\$ 107,493	AA
Municipal Bonds	\$ 344,464	AA
Municipal Bonds	\$ 68,320	A
Corporate Bonds	\$ 17,432	A
Corporate Bonds	\$ 18,089	BAA
Bond Mutual Funds	\$ 78,007	BBB
Municipal Bonds	\$ 61,285	Not Rated
<b>TOTAL</b>	<b><u>\$722,150</u></b>	

U.S. government obligations are not considered to have credit risk and do not require disclosure of credit quality.

**NOTE 4 – PENSION LIABILITY**

**Net Pension Liability**

The components of the net pension liability of the Plan as of December 31, 2014 were as follows:

Total Pension Liability (TPL)	\$1,967,486
Plan Fiduciary Net Position	\$2,737,204
Net Pension Liability (NPL)	(\$ 769,718)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	139.1 %

**Actuarial Assumptions**

An actuarial valuation of the total pension liability is performed biennially. The total pension liability was determined as part of an actuarial valuation at January 1, 2013. Update procedures were used to roll forward to the plan's fiscal plan year ending December 31, 2014. This report was based upon the Plan's actuarial assumptions, asset valuation method, and cost method as described below:



## EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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Actuarial Valuation Date	December 31, 2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar
Remaining Amortization Period	N/A
Asset Valuation Method	Market Value
Assumptions:	
Inflation	2.25%
Salary Increases	5.00%
Investment Rate of Return	8.00% (Net of pension plan investment expense including inflation)
Retirement Age	65
Mortality rates were based on the RP-2000 Mortality Table projected to 2015 using Scale AA.	

#### **Discount Rate**

The discount rate used to measure the total pension liability was 8.00%. 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 on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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.

**EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2014**

**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 8.00% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Net Pension Liability	(\$496,115)	(\$769,718)	(\$997,217)

**NOTE 5 – RECONCILIATION OF PENSION PAYMENTS**

Pensions Paid from Plan for 2014  
<Less Pensioner Register>

\$8,664  
<\$8,664>

Irreconcilable

\$ 0

**EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN  
SCHEDULE OF CHANGES IN PLAN'S NET PENSION LIABILITY  
AND RELATED RATIOS  
Last 10 Fiscal Years\***

	<u>2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ -
Interest	146,061
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Member Contributions	<u>(8,664)</u>
<b>Net Change in Total Pension Liability</b>	<b>137,397</b>
<b>Total Pension Liability - Beginning</b>	<u>1,830,089</u>
<b>Total Pension Liability - Ending</b>	<u><u>\$ 1,967,486</u></u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ -
Contributions - State Aid	-
Contributions - Member	-
Net Investment Income	106,960
Benefit Payments, Including Refunds of Member Contributions	(8,664)
Administrative Expense	<u>(3,575)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<b>94,721</b>
<b>Plan Net Position - Beginning</b>	<u>2,642,483</u>
<b>Plan Net Position - Ending</b>	<u><u>\$ 2,737,204</u></u>
<b>Plan's Net Pension Liability</b>	<u><u>\$ (769,718)</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	139.1%
<b>Covered Employee Payroll</b>	N/A
<b>Plan's Net Pension Liability as a Percentage of Covered Employee Payroll</b>	N/A

**Notes to schedules:**

None.

\* This schedule will be presented on a prospective basis.

**EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**Last 10 Fiscal Years\***

	<u>2014</u>
Actuarially determined contribution	\$ 0
Contributions made	<u>\$ 0</u>
Contribution deficiency (excess)	\$ <u>0</u>
Covered-employee payroll	\$ 0
Contributions as a percentage of covered-employee payroll	N/A

\* This schedule will be presented on a prospective basis.

**EAST GOSHEN TOWNSHIP NON-UNIFORMED PENSION PLAN**  
**SCHEDULE OF INVESTMENT RETURNS**  
**Last 10 Fiscal Years\***

	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	4.59%

\* This schedule will be presented on a prospective basis.

# BOARD OF SUPERVISORS

EAST GOSHEN TOWNSHIP

CHESTER COUNTY

1580 PAOLI PIKE, WEST CHESTER, PA 19380-6199

April 29, 2015

East Goshen Comprehensive Plan 2015

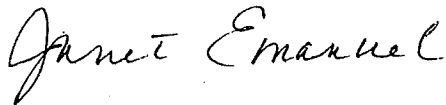
Dear ABC members,

The Comprehensive Plan Task Force, with assistance from all the ABCs, has been working for many months with multiple consultants to prepare the 2015 Comprehensive Plan. At times, it has seemed to be a never-ending process, but the end is finally in sight!

Tom Comitta is planning several meetings to get input from different sources on the latest draft of the Plan. The presentation to the ABCs is scheduled for Wednesday, June 10, 2015 at 7:00 pm. I realize that date conflicts with a Conservancy meeting so if you cannot attend on Wednesday, you may want to attend the presentation to the general public on the following evening.

I hope you will all come to see what your efforts have created and to offer comments so we produce an outstanding and usable Plan. The goal is to have the Plan approved before the end of this year.

Thanks for all your help.



Janet Emanuel  
Chair, Comp Plan Task Force

