

**WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
(A COMPONENT UNIT OF  
COUNTY WESTMORELAND, PENNSYLVANIA)**

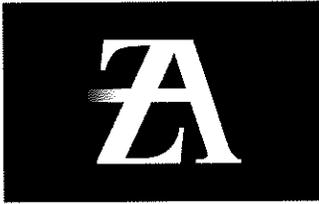
**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND

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# *Zelenkofske Axlerod LLC*

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Westmoreland County, Pennsylvania  
Employees' Retirement Fund  
Greensburg, Pennsylvania 15601

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the financial statements of the Westmoreland County, Pennsylvania Employees' Retirement Fund ("the Fund"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of Westmoreland County, Pennsylvania Employees' Retirement Fund, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

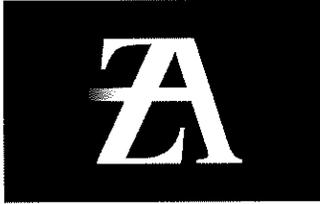
#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Westmoreland County, Pennsylvania Employees' Retirement Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Westmoreland County, Pennsylvania Employees' Retirement Fund's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Westmoreland County, Pennsylvania Employees' Retirement Fund's ability to continue as a going concern for one year after the date that the financial statements are issued.



# *Zelenkofske Axlerod LLC*

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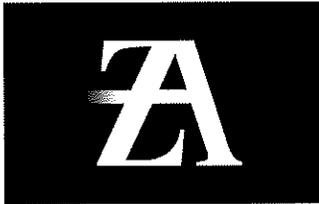
## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Westmoreland County, Pennsylvania Employees' Retirement Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Westmoreland County, Pennsylvania Employees' Retirement Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the schedule of changes in the net pension liability and related ratios, schedule of county contributions, and schedule of investment returns on pages 19 through 21 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by The Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated July 22, 2022 on our consideration of Westmoreland County, Pennsylvania Employees' Retirement Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Westmoreland County, Pennsylvania Employees' Retirement Fund's internal control over financial reporting and compliance.

*Zelenkofske Axlerod LLC*

Zelenkofske Axlerod, LLC

Pittsburgh, Pennsylvania

July 22, 2022

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021

**NOTE 1: BASIS OF FINANCIAL STATEMENTS**

Plan Description

*Plan administration.* The Retirement Board administers the Westmoreland County, Pennsylvania Employees' Retirement Fund (the Fund), a single employer, defined benefit, public employees' retirement fund for the benefit of all personnel who are regularly employed on a full time basis by Westmoreland County (the County). The County's retirement plan was organized on January 1, 1945, and is in compliance with Act 96, as amended, of the Pennsylvania Legislature, the "County Pension Law," dated August 31, 1971.

Management of the Plan is vested in the Board, which consists of five members – three elected County Commissioners, the County Controller and the County Treasurer.

*Plan Membership.* For the year 2021 measurement period, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	1,481
Inactive plan members entitled to but not yet receiving benefits	185
Active plan members	1,637
Total	<u>3,303</u>

*Benefits provided.* Westmoreland County, Pennsylvania Employees' Pension Plan provides retirement, disability and death benefits. Retirement benefits for plan members are calculated as a percent of the member's final 3-year average salary times the member's years of service depending on class basis. Plan members with 20 years of service are eligible to retire at age 55. Plan members that have attained age 60 are eligible to retire. All plan members are eligible for disability benefits after 5 years of service if disabled while in service and unable to continue as a county employee. Disability retirement benefits are equal to 25% of final average salary at time of retirement. Death benefits for a member who dies with 10 years of service prior to retirement is the total present value of member's retirement paid in a lump sum. A plan member who leaves County service with less than 5 years of service may withdraw his or her contributions, plus any accumulated interest.

On an ad hoc basis, cost-of-living adjustments to each member's retirement allowance shall be reviewed at least once in every three years subsequent to the member's retirement date. The adjustment, should the County elect to give one, is the Consumer Price Index for All Urban Consumers (CPI-U) for the Pennsylvania, New Jersey, Delaware and Maryland area for the 12-month period ending August 31.

*Contributions.* An actuarially determined contribution is recommended by the plan actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the 2021 measurement period, the active member contribution rate was 9.0 percent of annual pay, and the County average contribution rate was 152.85 percent of annual payroll.

Plan members are required to contribute 9% of their annual covered salary. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

*Non-Intervening Military Service Credit.* The County adopted a policy for the purchase of Non-Intervening Military Service Credit, effective, December 29, 2003, subject to the approval of the County Retirement Board, a member of the Retirement Fund who is a contributor, and who served actively in the armed forces of the United States, is eligible to receive full service credit for up to five (5) years of such armed forces service time; provided, that such member has at least three (3) years of County service subsequent to the military service, and provided further, that the member is not entitled to receive, eligible

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 1: BASIS OF FINANCIAL STATEMENTS (CONTINUED)**

to receive now or in the future, or is receiving retirement benefits for such service under a retirement system administered and wholly or partially paid for by any other governmental agency.

Basis of Accounting

The Fund's financial statements are presented on the accrual basis of accounting in conformity with generally accepted accounting principles, as applicable to governmental entities.

Plan member contributions are recognized as revenues in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. 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. Real estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every year to determine the fair market value of the real estate assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Adoption of Governmental Accounting Standards Board Statements

The Fund adopted the requirements of GASB Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period". The adoption of this statement had no effect on the Fund's financial statements.

The Fund adopted the requirements of GASB Statement No. 92, "Omnibus 2020". The adoption of this statement had no effect on the Fund's financial statements.

The Fund adopted the requirements of GASB Statement No. 98 "The Annual Comprehensive Financial Report". The Fund was required to adopt statement No. 98 for its fiscal year 2021 financial statements. The adoption of this statement had no effect on the Fund's financial statements.

Pending Changes in Accounting Principles

In June 2020, the GASB issued Statement No. 87, "Leases". The Fund is required to adopt Statement No. 87 for its fiscal year 2022 financial statements.

In May 2020 the GASB issued Statement No. 91, "Conduit Debt Obligations". The Fund is required to adopt Statement No. 91 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 93, "Replacement of Interbank Offered Rates". The Fund is required to adopt Statement No. 93 for its fiscal year 2022 financial statements.

In March 2020, the GASB issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". The Fund is required to adopt Statement No. 94 for its fiscal year 2022 financial statements.

In May 2020, the GASB issued Statement No. 96, "Subscription Based Information Technology Arrangements". The Fund is required to adopt Statement No. 96 for its fiscal year 2023 financial statements.

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 1: BASIS OF FINANCIAL STATEMENTS (CONTINUED)**

In June of 2020, the GASB issued statement No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32". The Fund is required to adopt paragraphs 4 and 5 of this Statement immediately. The Fund is required to adopt all other paragraphs for its fiscal year 2022 financial statements.

In April of 2022, the GASB issued statement No. 99 "Omnibus 2022". The Fund is required to adopt Statement No. 99 for its fiscal year 2024 financial statements.

In June of 2022, the GASB issued statement No. 100 "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". The Fund is required to adopt Statement No. 100 for its fiscal year 2024 financial statements.

In June of 2022, the GASB issued statement No. 101 "Compensated Absences". The Fund is required to adopt Statement No. 101 for its fiscal year 2024 financial statements.

The Fund has not yet completed the various analysis required to estimate the financial statement impact of these new pronouncements.

**NOTE 2: ORGANIZATION AND INVESTMENT PROGRAM**Reporting Entity

In evaluating how to define the Fund, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by GASB 61 "The Financial Reporting Entity." The basic--but not the only--criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Fund is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the governing reporting entity.

*Included in the reporting entity:*The Westmoreland County, Pennsylvania Employees' Retirement Fund

The funds used for the operation of the Fund are included in the reporting entity. The Westmoreland County, Pennsylvania Employees' Retirement Fund has no component units as defined above, therefore, the information contained in this report is strictly that of the Fund. However, the Fund is considered a fiduciary component unit of the County of Westmoreland and is included in the County's annual financial statements.

Investment Program

The trustees and custodians of the Fund are the County Commissioners, the Controller, the County Treasurer, and PNC Advisors, (the "Custodian"). The investment performance monitor (Financial Consultant) of the Fund is Gallagher Fiduciary Advisors, LLC. Under agreements with various investment managers, the investment performance monitor makes monthly reports to the custodian as to the investment and reinvestment of the assets of the Fund.

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 3: CONTRIBUTIONS**

The funding policy of the Westmoreland County, Pennsylvania Employees' Retirement Fund provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the entry age actuarial funding method.

The County's annual contribution of \$125,261,381 was made, which is \$109,357,788 greater than the actuarially determined contribution determined through an actuarial valuation performed at January 1, 2021. Employee contributions totaled \$9,022,405 for 2021. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in Note 9.

**NOTE 4: CASH AND SHORT-TERM INVESTMENTS**

Cash and short-term investments consist of cash, cash equivalents and investments with a maturity date of twelve months or less. At December 31, 2021, cash and cash equivalents consisted of the following:

Checking	\$ 92,460
Cash Equivalents	<u>27,035,048</u>
Total	<u>\$ 27,127,508</u>

**NOTE 5: DEPOSITS**

Custodial Credit Risk - (For deposits) is the risk that in the event of the failure of a depository financial institution a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The fund has a policy that deposits must be held in insured depositories satisfactory to the fund and must be fully collateralized. This policy is in accordance with Act 72 of the Commonwealth of Pennsylvania, dated August 6, 1971. Act 72 permits deposits to be collateralized on pooled basis with securities held by the pledging institution.

At December 31, 2021, the Fund's deposits for cash and equivalents had a carrying amount of \$27,127,508 and a bank balance of \$27,909,149 of which \$27,659,149 was collateralized as follows:

Uninsured and collateralized with securities pledged by  
the financial institution on the pooled basis.

PNC Bank	\$ 624,101
PNC Advisors	<u>27,035,048</u>
Total	<u>\$ 27,659,149</u>

At December 31, 2021, \$250,000 of the Fund's bank balance was covered by Federal Depository Insurance Corporation (FDIC) insurance.

Deposits held at PNC Bank represent 0.3 percent of the Fund's cash and equivalents. Cash equivalents held at PNC Advisors represents 99.7 percent.

**NOTE 6: INVESTMENTS**

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 6: INVESTMENTS (CONTINUED)**

The methods for valuing the Fund's investments, by significant category are as follows:

- U.S. government securities - Valued using prices quoted in active markets or quoted prices for identical securities in markets that are not active.
- Corporate and Municipal Bonds - Valued using prices quoted in active markets or quoted prices for similar securities in active markets.
- Asset and mortgage backed securities - Valued based on a compilation of primary observable market information or a broker quote in a non-active market.
- Domestic corporate stock – Valued at quoted market prices for identical assets in active markets.
- Fixed income accounts – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings.
- Mutual funds – Valued at the daily closing price as reported by the fund. Mutual funds held by the Entity are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Fund are deemed to be actively traded.
- Exchange traded funds – Valued at market prices for similar assets in active markets.
- Alternative investments – Valued at NAV of units held, as reported by the fund advisor or general partner. The Entity reviews and evaluates the values and assesses the valuation methods and assumptions used in determining the fair value of these alternative investments. Because alternative investments are not readily marketable, NAV is used as a practical expedient, and their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a readily available market for such investments existed, and differences could be material.

Concentrations. The following investments represent 5 percent or more of the Plan's assets at December 31, 2021:

263,911 shares of Vanguard, Inc., (Vanguard 500 Index) which is a Registered Investment Company and represents 16.85 percent of the Plan's Assets.

36,817,147 shares of Grosvenor Institutional Partners, LTD which is a publicly traded partnership and represents 5.34 percent of the Plan's Assets.

There were no other investments in any one organization that represents 5 percent or more of plan assets.

At December 31, 2021, the Fund had the following recurring fair value measurements:

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EMPLOYEES' RETIREMENT FUND  
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DECEMBER 31, 2021

**NOTE 6: INVESTMENTS (CONTINUED)**

<u>Investments measured by fair value level</u>	<u>12/31/2021</u>	<u>Level 1</u>	<u>Fair Value Measurements</u>	
			<u>Level 2</u>	<u>Level 3</u>
US Government Securities	\$ 66,119,430	\$ 66,119,430	\$ -	\$ -
Domestic Corporate Debt	31,208,053	31,208,053	-	-
Municipal Bonds	223,042	223,042	-	-
Domestic Corporate Stock	164,089,431	164,089,431	-	-
Fixed Income Accounts	30,537,862	30,537,862	-	-
Mutual Funds	233,274,082	233,274,082	-	-
Exchange Traded Funds	21,556,351	21,556,351	-	-
Asset Backed Securities	11,067,559	-	11,067,559	-
Mortgages	10,733,027	-	10,733,027	-
	<u>\$ 568,808,837</u>	<u>\$ 547,008,251</u>	<u>\$ 21,800,586</u>	<u>\$ -</u>
<u>Investments measured at net asset value (NAV)</u>				
Hedge funds	\$ 25,237,018			
EFT - alternative investments	281,184			
Mutual fund - alternative investments	17,299,581			
Multi-strategy hedge funds	49,875,992			
Total Investments measured at NAV	<u>92,693,775</u>			
Total investments measured at fair value	<u>\$ 661,502,612</u>			

**Custodial Credit Risk-** For investments is the risk that in the event of failure of the counter party (e.g. Broker – dealer) to a transaction, a government will not be able to recover the value of its investments in collateral securities that are held in the possession of another party. All investments of the Fund are held in trust at PNC Advisors and are subject to custodial credit risk.

**Interest Rate Risk-** Arises from investments in debt instruments and is defined as “the risk that changes in interest rate will adversely affect the fair value of the investment”. The fund has a policy that the maturities of investments held in the portfolio are at the discretion of the investment manager. However, the effective duration of the fixed income section should not exceed +/- 1.5 years of the Barclays Capital Aggregate Bond Index duration.

**Credit Risk-** Is the risk that an issuer or other counter party to an investment will not fulfill its obligation to the Fund. The Fund’s policy on credit risk is as follows:

**Equity Issues –** There are no qualitative guidelines suggested with regard to equity ratings, rankings, etc., except that prudent standards should be developed and maintained by the investment managers. Convertible bonds will be considered as an equity investment and must be rated investment grade (Baa/BBB) or better by Moody’s Investment Service or Standard & Poor’s.

**Fixed Income Securities –** Domestic bonds held in the portfolio must be rated investment grade (Baa/BBB) or better by Moody’s Investment Service or Standard and Poor’s.

**Cash Equivalents –** If commercial paper is used for short term investments, it must be of high quality, rated at least the equivalent of A-1 or P-1 by Moody’s Investment Service or Standard and Poor’s.

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 6: INVESTMENTS (CONTINUED)**

As of December 31, 2021, the Pension Trust Fund's investments in debt securities have received the following ratings from Moody's:

<u>Moody's Rating</u>	<u>Percentage of Total Pension Trust Fund Debt Securities</u>
AAA	49.27%
A1	5.53%
A2	12.98%
A3	5.07%
AA3	1.41%
AA2	3.31%
AA1	0.62%
BAA1	7.20%
BAA2	7.11%
BAA3	5.38%
BA1	1.12%
BA2	0.33%
BA3	0.28%
B1	0.38%
	100.00%

*Investment policy.* The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Board by a majority vote of its members. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation policy for the 2021 measurement period:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	27-45%
International equity	10-28
Fixed income	25-35
Real estate	7-18
Cash	<u>0-10</u>
Total	<u>100%</u>

*Rate of return.* For the 2021 measurement period, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.68 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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**NOTE 7: NET APPRECIATION IN FAIR VALUE OF INVESTMENTS**

The net appreciation in fair value of investments is the change in the relationship between cost and fair value of the investments. For the year ended December 31, 2021, the change in the relationship between cost and fair value of investments was:

	<u>Fair Value</u>	<u>Cost</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
<u>Beginning of Year:</u>			
US Government Securities	\$ 54,579,347	\$ 53,601,611	\$ 977,736
Domestic Corporate Debt	23,583,981	22,159,435	1,424,546
Municipal Bonds	456,112	427,749	28,363
Domestic Corporate Stock	118,745,667	69,755,262	48,990,405
Fixed Income Accounts	5,587,991	5,327,302	260,689
Mutual Funds	177,237,405	113,955,191	63,282,214
Alternative Investments	71,423,789	53,352,835	18,070,954
Asset Backed Securities	8,291,548	8,192,551	98,997
Mortgages	8,582,325	8,184,357	397,968
Exchange Traded Funds	29,461,251	23,088,534	6,372,717
	<u>\$ 497,949,416</u>	<u>\$ 358,044,827</u>	<u>\$ 139,904,589</u>
<u>End of Year:</u>			
US Government Securities	\$ 66,119,430	\$ 66,057,904	\$ 61,526
Domestic Corporate Debt	31,208,053	31,331,065	(123,012)
Municipal Bonds	223,042	220,335	2,707
Domestic Corporate Stock	164,089,431	95,549,184	68,540,247
Fixed Income Accounts	30,537,862	31,015,281	(477,419)
Mutual Funds	233,274,082	152,886,174	80,387,908
Alternative Investments	92,693,775	67,057,945	25,635,830
Asset Backed Securities	11,067,559	10,930,543	137,016
Mortgages	10,733,027	10,618,702	114,325
Exchange Traded Funds	21,556,351	15,684,555	5,871,796
	<u>\$ 661,502,612</u>	<u>\$ 481,351,688</u>	<u>\$ 180,150,924</u>
Net Unrealized Appreciation			40,246,335
Net Realized Gain on Sale of Investments			<u>12,815,517</u>
Net Appreciation in Fair Value of Investments			<u>\$ 53,061,852</u>

Net realized gain on sale of investments is the net gain over loss of investments sold computed as the difference between proceeds of sale and the original costs of investments sold. The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the financial statements. Unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in investment income reported for a previous year or years as part of the reported net appreciation or depreciation for those years.

WESTMORELAND COUNTY, PENNSYLVANIA  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 8: NET PENSION LIABILITY**

The components of the net position liability of the County for the 2021 measurement period were as follows:

Total Pension Liability	\$ 627,178,884
Plan Fiduciary Net Position	<u>689,417,266</u>
Net Pension Asset	<u>\$ (62,238,382)</u>

Plan fiduciary net position as a percentage

**NOTE 9: ACTUARIAL ASSUMPTIONS**

The total pension liability was determined by an actuarial valuation for the 2021 measurement period, at January 1 and rolled forward to December 31, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.5 percent, average, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PubG-2010 Mortality Tables for males and females set forward one year with generational mortality improvements using MP20.

The actuarial assumptions used in the valuation for the 2021 measurement period were based on past experience under the plan and reasonable future expectations which represent the best estimate of anticipated experience under the plan. An actuarial experience study was performed during 2016; however, no modifications to assumptions were made as a result.

Under the Act, cost-of-living adjustments to each member's retirement allowance shall be reviewed at least once every three years subsequent to the member's retirement date. The adjustment, should the Plan elect to give one, is a percentage of the change in the Consumer Price Index. The Plan did not include an assumption for projected ad hoc postemployment benefit changes as they are not considered to be substantively automatic.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for the 2021 measurement period (see the discussion of the pension plan's investment policy) are summarized in the following table:

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 9: ACTUARIAL ASSUMPTIONS (CONTINUED)**

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.4-6.4%
International Equity	5.5-6.5
Fixed Income	1.3-3.3
Real Estate / Alternative	4.5-5.5
Cash	0.0-1.0

*Discount rate.* The discount rate used to measure the total pension liability was 7.0 percent. 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 County contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension 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 (i.e. no depletion date is projected to occur).

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the County, calculated using the discount rate of 7.0 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate:

	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
County's net pension liability	\$(7,957,996)	\$(62,238,382)	\$(124,801,973)

**NOTE 10: LEGALLY REQUIRED RESERVES**

At December 31, 2021, the Fund has a balance of \$127,891,689 in the Member's Annuity Reserve account. This account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of December 31, 2021. Since those accumulations represent the present value as of December 31, 2021 of future benefits, the reserve balance and liability are equal and this reserve is fully funded.

The Fund has a balance of \$12,339,973 in the County Annuity Reserve Account as of December 31, 2021. This balance and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the County's share of the retirement allowances and this reserve is fully funded.

When a County annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County annuity reserve account to the retired members' reserve account to provide for such County annuities actually entered into.

The Retired Members' Reserve Account is the account out of which monthly retirement allowances and death benefits are paid. The balance in this account was \$549,185,604 as of December 31, 2021.

**NOTE 11: CONTINGENT LIABILITIES**

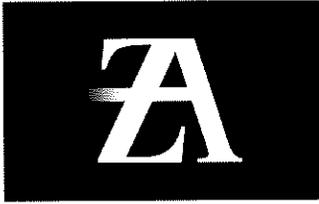
The Westmoreland County, Pennsylvania Employees' Retirement Fund, in its normal course of business, can be named as a defendant in various lawsuits arising from the conduct of its business. As of December 31, 2021, the management and the Fund's legal counsel are unaware of any such lawsuits.

WESTMORELAND COUNTY, PENNSYLVANIA  
EMPLOYEES' RETIREMENT FUND  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2021

**NOTE 12: RISKS AND UNCERTAINTIES**

As the effects of the Coronavirus pandemic continue to evolve and are dependent upon future developments, the impact of the Coronavirus on the Fund's operations and financial results are uncertain at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**



# *Zelenkofske Axlerod LLC*

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Westmoreland County, Pennsylvania  
Employees' Retirement Fund  
Greensburg, Pennsylvania 15601

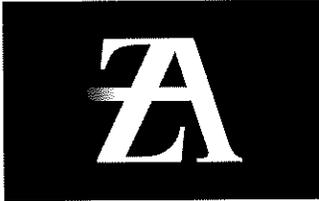
We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Westmoreland County, Pennsylvania Employees' Retirement Fund, as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2022.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Westmoreland County, Pennsylvania Employees' Retirement Fund's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Westmoreland County, Pennsylvania Employees' Retirement Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Westmoreland County, Pennsylvania Employees' Retirement Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Westmoreland County, Pennsylvania Employees' Retirement Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Zelenkofske Axlerod LLC*

Zelenkofske Axlerod LLC

Pittsburgh, Pennsylvania  
July 22, 2022