

## Kennett Township 2021 MMO

**Date Presented:** September 16, 2020  
**To:** Board of Supervisors, Kennett Township  
**From:** Amy Heinrich, Finance & HR Director  
**Subject:** 2021 Minimum Municipal Obligation (MMO) for the Pension Plan

In Pennsylvania, there are two laws that govern municipal pension systems. Act 600 provides for pension benefits for a Police Department with three (3) or more officers. Act 205 of 1984 as amended provides oversight and governs funding for all municipal pension plans.

An important provision of Act 205 is the requirement that each year the governing body of every municipality with a pension plan, review and consider the expected financial obligations for each plan for the next fiscal year. Municipalities are required to review at a public meeting the Minimum Municipal Obligation (MMO) of their plans by no later than the last business day in September. The calculation of the obligation is based on estimated eligible payroll multiplied by factors which are determined every two years when an actuarial valuation of the plans is required to be performed.

Tonight, I will be reviewing with you the MMO for each plan for the year 2021.

For 2021, the estimated payroll for the Police totals \$624,219 resulting in a pension obligation of **\$81,100**. The estimated payroll for the Non-uniformed Plan totals \$493,720 resulting in an obligation of **\$116,545**. We will be required to include the amounts in our 2021 Budget. This will be offset by the State Aid we receive in September 2021. Please note, due to the prescribed nature of the calculation, our non-uniform 2021 MMO is lower than previous years given staff turnover this year. If the budget can support a larger contribution, we will recommend making an additional optional contribution, so we do not fall behind.

As a reminder, the 2020 MMO that will be paid shortly is **\$83,611** for the Police and **\$164,454** for Non-uniform. We should receive our State Pension aid of \$133,133 soon for 2020.

Copies of the required forms are attached for your review. No official action is required.

If you have any questions, please let me know.

**The Minimum Municipal Obligation Worksheet (MMO)**  
**For The**  
**Kennett Township Pension Plan (15-084-5 N)**  
**For Plan Year 2021**

**CHARGES**

Estimated 2020 W-2 Payroll For Covered Plan Members:	(A)	493,720	
PMRS Determined Normal Cost Expressed as a Decimal:	(B)	.0894	
RESULT: (A) * (B) =			(C) <u>44,138</u>
Administrative Charge (PMRS Determined) # of Plan Members times \$20:	(D)	360.00	
Amortization of Unfunded Liability (PMRS Determined)	(E)	72,046.00	
TOTAL CHARGES: (C) + (D) + (E) =			(F) <u><u>116,545</u></u>

**CREDITS**

Repeat Estimated 2020 W-2 Payroll For Covered Plan Members:	(A)	493,720	
Employee Contribution Rate Expressed as a Decimal:	(G)	0	
RESULT: (A) * (G) =			(H) <u>0</u>
Amortization of the Actuarial Surplus (PMRS Determined)	(I)	0.00	
TOTAL CREDITS: (H) + (I) =			(J) <u><u>0</u></u>

**MINIMUM MUNICIPAL OBLIGATION**

(Based on 1/1/2019 Actuarial Valuation)		(MMO) <u><u>116,545</u></u>
Equals TOTAL CHARGES Minus TOTAL CREDITS (F) - (J) = <b>(Please round numbers to dollars)</b>		

Prepared By: Dina McIlvaine (Name) \_\_\_\_\_ (Signature)  
Finance & HR Specialist (Title) (610 ) 388 - 1300 x111 (Telephone #)

Please complete the above worksheet with your best estimates and return a copy to the Pennsylvania Municipal Retirement System by October 5. The official copy must be shared with the plan's governing board by the last business day in September.

**The Minimum Municipal Obligation Worksheet (MMO)**  
**For The**  
**Kennett Township Pension Plan (15-084-5 P)**  
**For Plan Year 2021**

**CHARGES**

Estimated 2020 W-2 Payroll For Covered Plan Members:	(A)	624,219	
PMRS Determined Normal Cost Expressed as a Decimal:	(B)	.0989	
RESULT: (A) * (B) =			(C) <u>61,735</u>
Administrative Charge (PMRS Determined) # of Plan Members times \$20:	(D)	160.00	
Amortization of Unfunded Liability (PMRS Determined)	(E)	19,205.00	
TOTAL CHARGES: (C) + (D) + (E) =			(F) <u><u>81,100</u></u>

**CREDITS**

Repeat Estimated 2020 W-2 Payroll For Covered Plan Members:	(A)	624,219	
Employee Contribution Rate Expressed as a Decimal:	(G)	0.00	
RESULT: (A) * (G) =			(H) <u>0</u>
Amortization of the Actuarial Surplus (PMRS Determined)	(I)	0.00	
TOTAL CREDITS: (H) + (I) =			(J) <u><u>0</u></u>

**MINIMUM MUNICIPAL OBLIGATION**

(Based on 1/1/2019 Actuarial Valuation)

(MMO) 81,100

Equals TOTAL CHARGES Minus

TOTAL CREDITS (F) - (J) = **(Please round numbers to dollars)**

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