



**mockenhaupt**

Experience matters

## **Messages from Mockenhaupt – December 2022**

*As we approach the end of 2022, Mockenhaupt wishes all of you a joyful holiday season and a peaceful and Happy New Year!*

### **2022 MMO Payment Reminder**

Any remaining unpaid Minimum Municipal Obligation (MMO) amounts for 2022 must be deposited into the pension fund by December 31, 2022 to avoid an interest penalty. If you have any questions about the MMO amount or payment process, your Mockenhaupt team members are ready to assist you. Our contact information is found at: <https://www.mbgbenefits.com/our-team/>

### **Legislative Update Regarding State Aid**

The passage of Act 53 earlier this year changed the source of revenue that is allocated to municipalities annually as pension state aid and volunteer fire relief funds. Though the Act may be amended in future sessions for clarity, the general implications are that rather than annual state aid being generated by a 2% tax on premiums of foreign casualty insurance written in PA as defined in Act 205, it will be equal to the greater of 38% of taxes collected on premiums for all insurance written in PA (casualty and other types of policies written by foreign and domestic companies) or \$345 million. Similarly, fire relief funds will be determined as the greater of 8.5% of tax revenue collected on all insurance premiums or \$85 million. Distributions are drawn from the Commonwealth's General Fund.

### **Worried about the Impact of 2022 Investment Losses on your 1/1/2023 Actuarial Valuation?**

The markets are having a bad investment year. However remember that for many pension plans, 2019-2021 were three consecutive years of double-digit investment returns. A majority of our clients' plans utilize an asset smoothing technique that recognizes ("smooths") investment gains and losses over a four- or five-year period. For those plans that use asset smoothing, the deferral of most of the 2022 investment loss combined with the delayed recognition of investment gains from the prior years may actually result in a small investment gain being recognized in the 1/1/2023 actuarial valuation!

### **2022 Year-End Data Requests**

The 2022 year-end pension plan data requests will be available for completion early next month. Client contacts who have access to the FTP site will be notified via e-mail when the files are available for download and completion. In an effort to best serve you, we request that all of the files are completed, including the Questionnaire and Authorization pdf file. On page 2 of the file you are able to provide us with the date by which your financial reports (if requested) will be needed by your auditors. Your accurate response allows us to accommodate your requests and those of other clients. Keep in mind that valuation and financial reports require submission of both the participant data and pension trust asset information.