



mockenhaupt

Experience matters

Messages from Mockenhaupt – March 2023

Our first Messages of 2023 bring you reminders, a legislative update, and an administrative reference guide to help you stay on top of plan administration throughout the year.

Year-End Financial Reporting – Pension and OPEB Disclosures

Our team has been extremely busy preparing the reports our school district and municipal clients need for their annual financial reporting! More than a quarter of the pension and OPEB financial reports we anticipate preparing this calendar year have been completed, with many more in process at this time.

Reminder - If you haven't already done so, let us know if you have a reporting deadline (CAFR release, EMMA reporting, etc.) for which you need pension and/or OPEB financial information. For pension financials, be sure to provide us with the 2022 annual pension data and account statements for your pension plan(s) at least 3 weeks before the date you need the financial report. If a new OPEB valuation is required for your reporting purposes, we ask that you provide the necessary information 6-8 weeks prior to your deadline (the sooner the better). And, please don't hesitate to contact a member of your Retirement Services Team about timing concerns or if you have a question about the data and information we need to prepare your reports.

Municipal Pension Filing Reminders

AG-385: Form AG-385 must be submitted through the Municipal Statistics website (<https://munstats.pa.gov/forms/login.aspx>) by March 31. The information you report will be used in calculating your municipality's 2023 state aid allocation.

Be sure to include employees who terminated, retired, or joined DROP on or after June 30, 2022 and new full-time employees hired by July 1, 2022 who participated in the pension plan in 2022 and had 6 consecutive months of service during the year.

AG-490: If your municipality received Form AG-490 from the Department of the Auditor General this year, they must receive the completed form from you by April 1.

Act 205: Plan Declarations will be available for completion on the Municipal Statistics website on or around April 1. These declarations are completed biennially by Plan Administrators to indicate the actuary/third party administrator who should have access to each pension plan's Act 205 filing. So, the earlier these are submitted the better!

Calendar of Pension Reporting and Administrative Requirements

While we will continue to provide periodic reminders of filing deadlines through these Messages, we've also compiled a list of filing deadlines and reminders for the calendar year which can be found on our website <http://www.mbgbenefits.com/news/>. You may wish to download a copy or bookmark the webpage for future reference.

SECURE Act and SECURE 2.0 Act

As you have likely heard, the Setting Every Community Up for Retirement Enhancement Act, otherwise known as the SECURE 2.0 Act, was signed into law late last year, building upon the SECURE Act of 2019. It contains provisions affecting various types of retirement plans including Individual Retirement Accounts (IRAs) and plans established under Internal Revenue Code (IRC) Sections 401(a), 401(k), 403(b), and 457(b).

The pension plans sponsored by our municipal clients, which are subject to the funding and reporting requirements of PA Act 205 of 1984, are established pursuant to IRC Section 401(a) and must comply with a number of IRC provisions. However, they are exempt from ERISA, the federal law governing private sector plans. Many of the changes made by the SECURE 2.0 Act don't affect governmental pension plans. The primary **mandatory** SECURE 2.0 Act provisions which do affect those plans (which have varying effective dates) include:

Required Minimum Distributions (RMDs)

- Updates to RMD Age (phased increases from age 72 to age 73 for those attaining age 72 after 12/31/2022 and age 73 before 1/1/2033, and ultimately to age 75 for those attaining age 74 after 12/31/2032)
- Reduction of excise tax on RMDs that aren't taken in a timely manner
- Surviving spouse of a participant who dies before their RMD may elect to defer RMD until the spouse's RMD age and have RMD calculated as though they were the participant.

Though governmental plans are subject to RMD rules and those rules should be included in the plan document, for practical purposes they are rarely applied because very few plans permit a participant to defer commencement of their benefit (in a defined benefit plan) or receipt of their account balance (in a defined contribution plan) beyond the later of their termination date or normal retirement date.

Early Withdrawal Penalty

An exemption to 10% early distribution tax penalty for public safety employees is broadened from age 50 to the earlier of age 50 or 25 years of service.

Plan Amendments

Governmental and collectively bargained plans must adopt SECURE 2.0 Act amendments no later than the end of the 2027 plan year unless the Secretary of the Treasury provides for a later date.

Note: This summary is not intended as legal or tax guidance. Optional provisions are not included.

While these required updates can be facilitated via a stand-alone amendment to an existing plan document, if the pension plan document is more than 7 years old or if it has been amended more than twice since the last restatement we would recommend these updates be incorporated into a full document restatement. We've assisted clients already this year with each of *these* approaches. As we complete a review of current plan documents, we will be communicating our recommendations to you. In the meantime, if you'd like to discuss the options or request a fee quote for a document restatement, please contact us!

New Client Relationships

We are happy to welcome **Edgeworth Borough** and **Easttown Township** as the newest additions to our client network! We are thankful for the referrals frequently provided by our existing clients - the highest form of praise for our services.

Where We'll be Next

Mockenhaupt representatives will be at these upcoming conferences. We hope to see you there!

Public Employer Labor Relations Advisory Service Conference (PELRAS)	Penn Stater, State College, PA	March 15 - 17
Government Finance Officers Association Conference (GFOA)	Hershey Lodge, Hershey, PA	April 2 - 4
Allegheny League of Municipalities Conference (ALOM)	Seven Springs Resort, Seven Springs, PA	April 13 - 16
Association for Pennsylvania Municipal Management Conference (APMM)	Omni William Penn, Pittsburgh, PA	May 22 - 24
Pennsylvania State Association of Boroughs Conference (PSAB)	Hershey Lodge, Hershey, PA	June 4 - 6

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