

The Phoenix Benefits Group, Inc.

July 29, 2020

Michael L. Nestico
Borough Manager
Borough of Tarentum
318 Second Avenue
Tarentum, PA 15084

RE: Police pension plan

Dear Michael:

Enclosed is the Minimum Municipal Obligation (“MMO”) for the police pension plan for the fiscal year beginning January 1, 2021. The MMO should be presented to Council on or before the last business day of September 2020 (i.e. September 30, 2020). This MMO was prepared based on the result of the January 1, 2019 actuarial valuation and the payroll/participant count information that was emailed to me yesterday afternoon.

Finally, as required by Section 4.01 of the pension plan document, the Borough ***must*** adopt a resolution or ordinance on or before December 31, 2020 confirming that the employee contribution rate for the 2021 plan year will be 0%.

Please call if you have any questions or comments.

Sincerely,

The Phoenix Benefits Group, Inc.



MICHAEL L. PISULA
Actuary
F.S.A., M.A.A.A.

enclosures
/sip

cc: Alice Drisko, Finance Director

**FINANCIAL REQUIREMENT AND MINIMUM MUNICIPAL OBLIGATION
FOR 2021 MUNICIPAL BUDGET**

Borough of Tarentum Police Pension Plan

	Police
<u>A. NORMAL COST</u>	
1. Normal Cost as a percentage of payroll	16.9500%
2. 2020 Covered Payroll as reported on Form W-2 (estimated)	713,548
3. Normal Cost = (1) x (2)	120,946
<u>B. FINANCIAL REQUIREMENTS</u>	
1. Normal Cost = A(3)	120,946
2. Insurance Premiums	0
3. Anticipated Administrative Expenses = % of payroll	18,010
4. Amortization payments (if any)	0
5. % of 4 included in MMO	100%
6. (4) x (5)	0
7. Financial Requirement = (1) + (2) + (3) + (6)	138,956
<u>C. MINIMUM MUNICIPAL OBLIGATION</u>	
1. Financial Requirement = B(7)	138,956
2. Anticipated Employee Contributions:	
a. Percentage of compensation	0.00%
b. C(2a) x A(2)	0
3. Funding Adjustment (if any)	18,691
4. Minimum Municipal Obligation = (1) - (2) - (3)	120,265

NOTES:

- (1) Deposit of Minimum Municipal Obligation must be made by December 31, 2021 to avoid interest penalty.
(2) 2021 General Municipal Pension State Aid may be used to fund part or all of the 2021 Minimum Municipal Obligation.
(3) Any delinquent Minimum Municipal Obligation from prior years must be included in the 2021 budget along with an interest penalty.
(4) Prepared in July 2020 based on January 1, 2019 actuarial valuation.
(5) Number of units 18 [= 0 non-uniformed employees x 1]; PLUS [= 9 uniformed employees x 2]

I hereby certify that the above calculations, to the best of my knowledge, are true, accurate and conform with the provisions of Chapter 3 of Act 205 of 1984.

Certified by:

Chief Administrative Officer

Date

Minimum Municipal Obligation
for: 2021
Borough of Tarentum Police Pension Plan

		Police
SOURCE		
Act 205 Report	1. Present Value of Future Benefits	3,565,984
Act 205 Report	2. Actuarial value of Assets	2,967,323
CAO Estimate	3. Total W-2 payroll [see note (1)]	713,548
Act 205 Report	4. Normal Cost as % of Payroll	16.950%
Act 205 Report	5. Normal Cost = (3) x (4)	120,946
Act 205 Report	6. Estimated Administrative Expenses as % of Payroll:	
	(a) % of payroll per valuation report	2.524%
	(b) (6a) x (3)	18,010
Act 205 Report	7. Amortization Contributions	
	(a) For unfunded Accrued Liability est'd 1/1/85	0
Act 205 Report	(b) For increases (decreases) in unfunded Accrued Liability after 1/1/85	0
	(c) Total = (a) + (b)	0
	(d) % of 7(c) included in MMO	100%
	(e) (c) x (d)	0
	8. Financial Requirement = (5) + (6b) + (7e)	138,956
Act 205 Report	9. Actuarial Accrued Liability	2,780,415
	10. Assets in excess of Accrued Liability = (2) - (9)	186,908
	11. Multiply line (10) by 10%	18,691
	12. Estimated Member's contributions for year:	
	(a) % of payroll per valuation report	0.00%
	(b) (12a) x (3)	0
CAO Estimate	13. Total credits towards financial requirements = (11) + (12b)	18,691
	14. MMO due before December 31, 2021 [see note (3)]	120,265
	15. Estimated State Aid (using unit multiplier of \$5,120.4991):	92,169
	(a) Number of employees	9
	(b) Number of units	18
	16. Budget shortfall:	
	(a) Dollar value = (14) - (15), but not less than zero	28,096
	(b) (16a) as a % of W2 compensation	3.94%
	17. Funded Ratio = (2) / (9)	106.72%

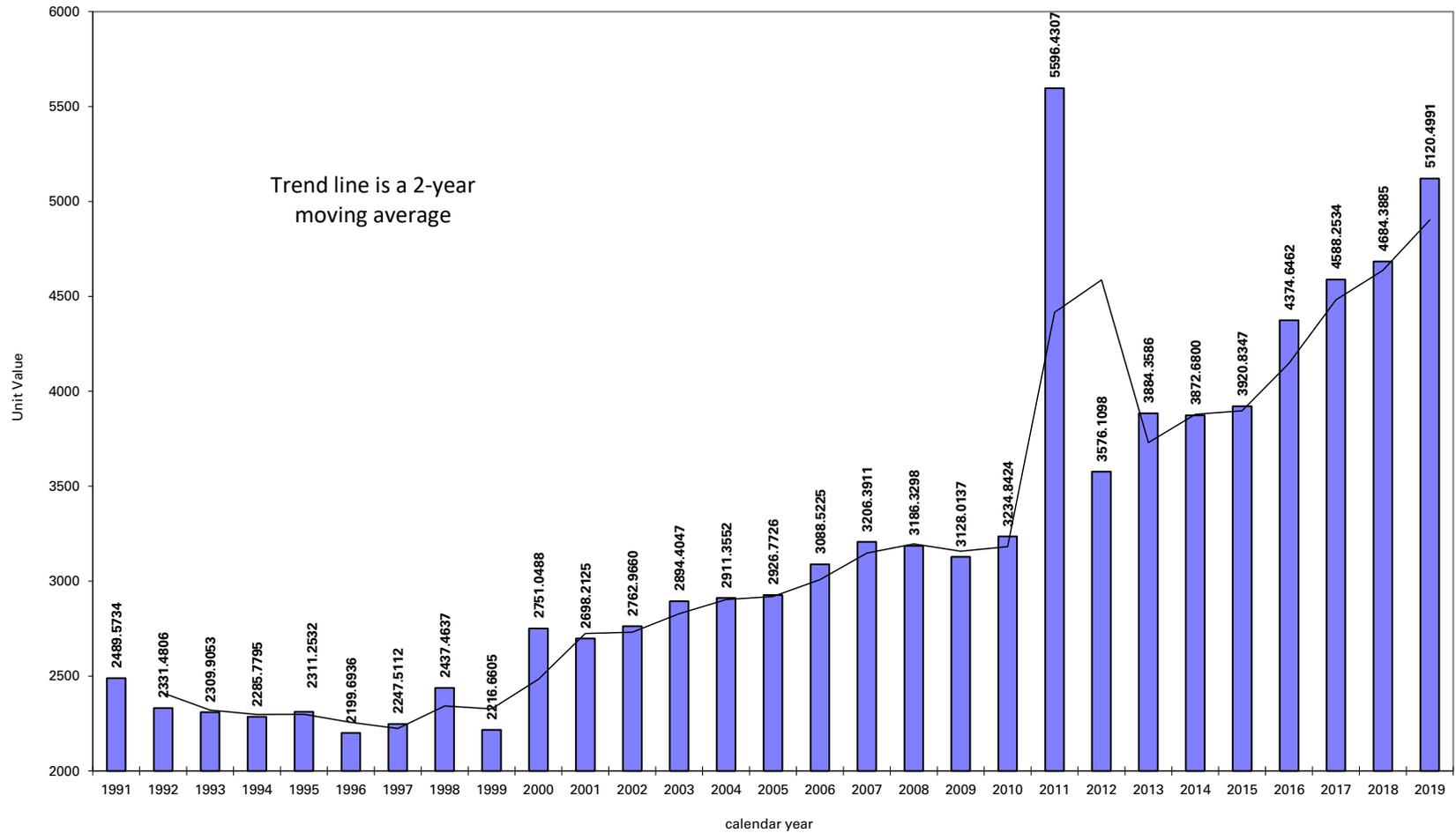
NOTES:

- (1) Total W-2 payroll to date for current year, plus payroll projected to be paid in the remaining period of the current year.
Includes payroll for participants who are at Normal Retirement Age.
- (2) Expenses as a percentage of payroll taken from most recent actuarial report. [January 1, 2019]
- (3) This amount, less whatever amount of state aid is allocated to the Plan in the following year, will determine the net amount, if any, that the municipality must contribute to the Plan.
- (4) Number of units 18 [= 0 non-uniformed employees x 1]; PLUS [= 9 uniformed employees x 2]

Prepared by: 
Michael L. Pisula, Actuary

7/29/2020
Date

State Aid - History of Unit Values



Calendar year	2002	2003	2004	2005	2006	2007	2008	2009	2010	Average	Minimum	Maximum
Unit value	2762.9660	2894.4047	2911.3552	2926.7726	3088.5225	3206.3911	3186.3298	3128.0137	3234.8424	3037.7331	2762.9660	3234.8424
Calendar year	2011	2012	2013	2014	2015	2016	2017	2018	2019	Average	Minimum	Maximum
Unit value	5596.4307	3576.1098	3884.3586	3872.6800	3920.8347	4374.6462	4588.2534	4684.3885	5120.4991	4402.0223	3576.1098	5596.4307