![Pennsylvania Municipal Retirement System logo - pmrs] **pennsylvania** MUNICIPAL RETIREMENT SYSTEM

Allocating State Aid

This decision flowchart is to assist municipalities in determing how to properly allocate, deposit and/or return state aid.

Start
Where do I deposit my state aid allocation?

Does the municipality have more than one pension plan?

- Yes → Determine the state aid applicable to each plan and then follow the questions.
- No → Allocate all state aid to the single plan and then follow the questions.

Is the pension plan a Defined Benefit (DB) plan?

- Yes → **Has the current year Minimum Municipal Obligation (MMO) been paid?**
  - Yes → Retain the amount of MMO paid and deposit excess state aid into the pension plan(s) within 30 days of receipt.
  - No → **Is the state aid less than the MMO?**
    - Yes → Deposit all state aid into the pension plan within 30 days. Pay the remaining MMO by December 31.
    - No → Deposit the entire state aid amount into the pension plan within 30 days.
- No → **Is the pension plan a Cash Balance (CB) plan?**
  - No → Follow steps for Defined Benefit Plan
  - Yes → **Are there any excess funds in the municipal reserve or forfeited member contributions?**
    - Yes → Excess funds and Forfeitures must be used to reduce the pension costs before using state aid.
    - No → **Does the state aid exceed pension costs? ***
      - No → Retain the amount of municipal-for-member contributions made year-to-date and then deposit the remaining state aid amount into the pension plan within 30 days.
      - Yes → **Special Circumstance** In certain instances, municipalities are allowed to allocate excess state aid from a CB plan to their DB plan(s).

*Pension costs are the sum of municipal-for-member contributions made to date, plus the estimated amount for the rest of the year, plus the administrative fee and any enrollment fees for the year, less any forfeitures.

Does the municipality have a Defined Benefit (DB) plan?

- No → Return excess state aid to Auditor General
- Yes → **Does the DB plan have a Normal Cost Rate of zero?**
  - No → Return excess state aid to Auditor General
  - Yes → **Do the actuarial value of assets exceed the total pension liability?**
    - No → Deposit the state aid into the DB pension plan within 30 days.
    - Yes → Return excess state aid to Auditor General