

2I. Consideration of setting the 2023 pension benefit level at \$5,300 per service year for current Monticello Fire Relief Association members and a deferral rate at 2.5% for past members

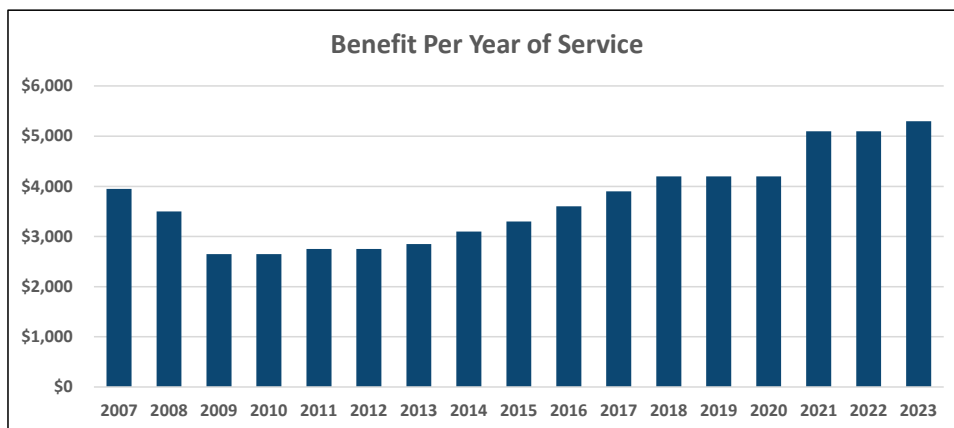
Prepared by: Finance Director	Meeting Date: 9/25/2023	<input checked="" type="checkbox"/> Consent Agenda Item <input type="checkbox"/> Regular Agenda Item
Reviewed by: N/A	Approved by: City Administrator	

ACTION REQUESTED

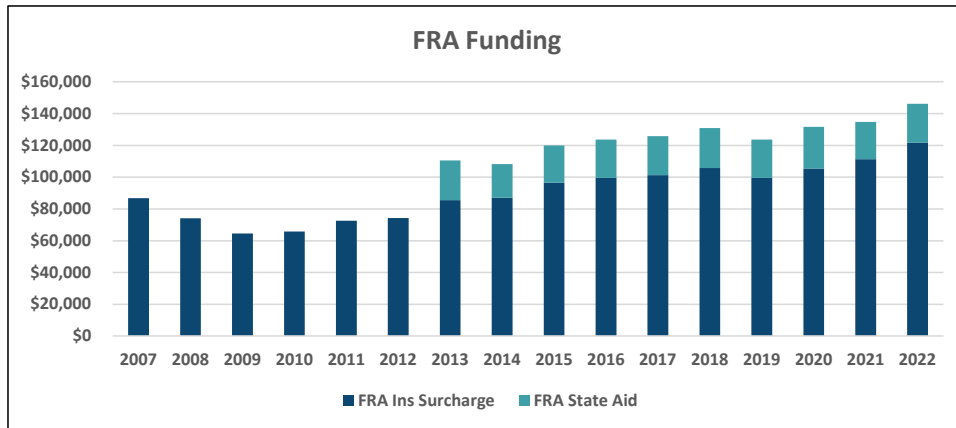
Motion to approve setting the 2023 pension benefit level at \$5,300 per service year for current Monticello Fire Relief Association members and a deferral rate at 2.5% for past members.

REFERENCE AND BACKGROUND

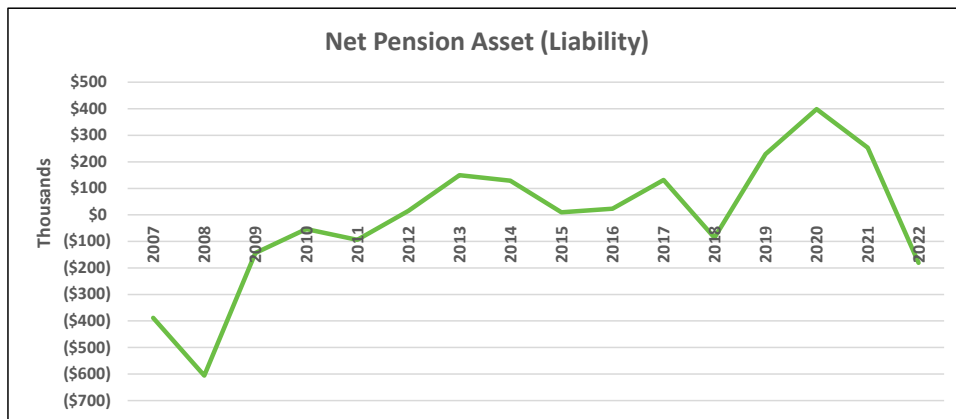
The Monticello Volunteer Firefighters Relief Association (FRA) is requesting a \$200 increase to \$5,300 per year in the benefit level used in retirement calculations. Benefit level changes are typically only brought forward to the city council for approval when the FRA’s investments are performing strongly and indicate a future excess surplus of funds. Only two benefit level changes have been requested in the last five years: in 2018 when the benefit level was increased by \$300 from \$3,900 to \$4,200 per year and in 2021 when the benefit level was increased by \$900 from \$4,200 to \$5,100 per year.



The FRA receives funding from the state of Minnesota by way of an insurance surcharge paid in homeowners insurance policies and an additional amount of state aid. The City does not voluntarily contribute to the FRA pension fund. However, approval from the City’s governing body is needed before an increase in benefits can take effect.



While the December 31, 2022 FRA results showed a net pension liability, the current interest rate environment has strengthened investment returns, and the FRA pension fund has a healthy balance. The FRA is required to file an annual Schedule Form for Lump-Sum Pension Plans (Form SC), and the accompanying excerpt from the 2023 Form projects a \$363,956 Net Pension Asset (surplus of assets over liabilities) at December 31, 2023 using the existing \$5,100 benefit level.



Fully vested members, those with 20 or more years of fire department service, would be paid \$5,300 for each year of service upon retirement from the department. Partially vested members would be paid a portion of the \$5,300 as determined by years of service. The earliest fully or partially vested members can receive their benefit is age 50, regardless of when they retire.

- I. **Budget Impact:** No impact on the city’s budget.
- II. **Staff Impact:** None.
- III. **Comprehensive Plan Impact:** N/A

STAFF RECOMMENDED ACTION

City staff recommends approval of setting the 2023 pension benefit level at \$5,300 per service year for current Monticello Fire Relief Association members and a deferral rate at 2.5% for past members.

SUPPORTING DATA

- A. Excerpt from Form SC-23 for Lump Sum Pension Plans, Reporting Year 2023
- B. Statement of Fiduciary Net Position, Fiduciary Fund – Special Pension Trust Fund as of December 31, 2022
- C. Statement of Changes in Fiduciary Net Position, Fiduciary Fund – Special Pension Trust Fund for the Year Ended December 31, 2022

Monticello Fire Relief Association

2023 Schedule Form for Lump-Sum Pension Plans (Form SC-23)

Calculation of Required Contribution

Year Incurred	Deficit Information - Original		Deficit Information - Adjusted		
	Original Amount	Amount Retired as of 12/31/2022	Original Amount	Amount Retired as of 12/31/2023	Amount Left to Retire 1/1/2024
2014	0	0	0	0	0
2015	0	0	0	0	0
2016	0	0	0	0	0
2017	0	0	0	0	0
2018	0	0	0	0	0
2019	0	0	0	0	0
2020	0	0	0	0	0
2021	0	0	0	0	0
2022	0	0	0	0	0
2023	0	0	0	0	0
Totals	0	0	0	0	0

Normal Cost		8.	133,269
2022 Administrative Expense (FIRE-22)		2022 9.	6,141
2023 Projected Administrative Expense		2023	6,356
Amortization of Deficit (Total of Original Amount X 0.10)		10.	0
10% of Surplus		11.	36,396
Fire and Supplemental Aid		12.	150,438
Member Dues		13.	0
5% of Projected Assets at December 31st, 2023		14.	71,429
Required Contribution		15.	0

**MONTICELLO VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
MONTICELLO, MINNESOTA**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - SPECIAL PENSION TRUST FUND
DECEMBER 31, 2022**

ASSETS

Cash and Cash Equivalents	\$ 943
Investments, At Fair Value:	
Mutual Funds	1,409,785
Brokered Money Markets	<u>13,421</u>
Total Investments, at fair value	1,423,206
Accounts Receivable	<u>3,000</u>
Total Assets	<u><u>\$ 1,427,149</u></u>

NET POSITION RESTRICTED FOR PENSIONS	<u>\$ 1,427,149</u>
Total Liabilities and Net Position	<u><u>\$ 1,427,149</u></u>

The notes to the financial statements are an integral part of this statement.

**MONTICELLO VOLUNTEER FIREMEN'S RELIEF ASSOCIATION
MONTICELLO, MINNESOTA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND - SPECIAL PENSION TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

ADDITIONS

Contributions	
State of Minnesota	\$ 121,633
Supplemental Aid	24,548
Supplemental Benefit Reimbursement	3,000
Total Contributions	149,181
Investment Income (Loss)	
Interest and Dividends	32,682
Capital Gains	6,203
Net Appreciation (Depreciation) in Fair Value of Investments	(255,822)
Total Investment Income	(216,937)
Less: Direct Investment Expense	12,044
Net Investment Income (Loss)	(228,981)
Total Additions (Loss)	(79,800)

DEDUCTIONS

Benefits and Related Taxes	199,527
Audit/Accounting Fees	4,240
Salaries	905
Insurance	996
Total Deductions	205,668

NET INCREASE (DECREASE) IN NET POSITION (285,468)

NET POSITION - BEGINNING OF YEAR 1,712,617

NET POSITION - END OF YEAR \$ 1,427,149

The notes to the financial statements are an integral part of this statement.