

GRFD FRA REQUEST TO JOIN SVF PERA

TRAVIS COLE, FIRE CHIEF; LANCE KUSCHEL, PRESIDENT; WILL RICHTER, TREASURER



GRAND RAPIDS FIRE RELIEF ASSOCIATION

- **OPERATES UNDER THE PROVISIONS OF MINNESOTA STATUTES 424A**
- **MANAGES FUNDS TO PROVIDE A DEFINED BENEFIT RETIREMENT FOR GRAND RAPIDS FIREFIGHTERS**
- **GOVERNED BY A SIX-MEMBER BOARD ELECTED FROM THE MEMBERSHIP ALONG WITH EX-OFFICIO OFFICERS – MAYOR, FINANCE DIRECTOR, AND FIRE CHIEF**
- **REQUEST FOR CITY COUNCIL APPROVAL TO PARTICIPATE IN THE STATEWIDE VOLUNTEER FIREFIGHTER PLAN (SVF) ADMINISTERED BY PERA ACCORDING TO MINNESOTA STATUTES 353G**

HOW THE RELIEF ASSOCIATION IS FUNDED

- **\$5,000 CONTRIBUTION FROM CITY OF GRAND RAPIDS**
- **2% MONIES COLLECTED ON INSURANCE PREMIUMS BY THE STATE OF MINNESOTA - \$146,629 (2023)**
- **THE RELIEF ASSOCIATION MANAGES THE FUND (\$3,505,906 AS OF 12-31-2023), DISTRIBUTES BENEFITS, AND REPORTS TO THE OFFICE OF THE STATE AUDITOR**

WHAT IS THE SVF PERA?

- **STATEWIDE VOLUNTEER FIREFIGHTER PLAN (SVF) ADMINISTERED BY PERA ACCORDING TO MINNESOTA STATUTES 353G**
- **STATE BOARD OF INVESTMENT MANAGES THE FUNDS**
- **PUBLIC EMPLOYEE RETIREMENT ASSOCIATION PROVIDES ADMINISTRATION**

SVF PERA COSTS ARE LOWER

2023 RELIEF ASSOCIATION EXPENSES

- **BROKER FEES \$36,260**
- **AUDIT AND ACCOUNTING \$11,289**

EXPENSES UNDER SVF PERA

- **INVESTMENT FEES ARE 1/10 OF A PRIVATE BROKER - \$3,626 VS. \$36,260**
- **ADMINISTRATION FEES ARE \$30 PER MEMBER - \$960 VS. \$11,289**

MORE SVF PERA ADVANTAGES

- **THE MARKET PERFORMANCE OF THE SVF FUND HAS OUTPERFORMED OUR INVESTMENTS RATE OF RETURN**
- **SVF 1Y 14.7% 5Y 7.7% 10Y 6.0%**
- **GR 1Y 9.6% 5Y 6.2% 10Y 4.5%**
- **THE SVF PLAN WITH PERA ADMINISTRATION PROVIDES AN OBJECTIVE RECOMMENDATION REGARDING BENEFIT LEVEL ON AN ANNUAL BASIS**
- **PERA OFFERS A BENEFITS ANALYSIS TO RELIEF ASSOCIATIONS WHO CONSIDER JOINING**

Cost Analysis Report
 Estimate of the Cost to Join the Statewide Volunteer Firefighter Plan



May 16, 2024

Governing Body and Fire Chief
 Grand Rapids Fire Department
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Estimated Cost Summary: Shown below is a summary of the calculations estimating the cost of your fire department joining the Statewide Volunteer Firefighter (SVF) Plan at different benefit levels. Detailed pension liability and asset calculations are included in the subsequent pages of this *Cost Analysis Report*.

Vesting Schedule: 40% at 5 years, increasing 4% each year until 100% at 20 years

A. Benefit Level per Year of Service	\$ 6,500	\$ 7,500	\$ 8,500	\$ 9,500
B. Projected Present Pension Assets at 12/31/2024 (details attached)	3,804,706	3,804,706	3,804,706	3,804,706
C. Projected Accrued Pension Liability at 12/31/2024 (details attached)	2,493,341	2,725,154	2,959,696	3,194,237
D. Projected Surplus/(Deficit) Funding at 12/31/2024 [B - C]	1,311,365	1,079,552	845,010	610,468
E. Projected Funding Ratio at 12/31/2024 [B ÷ C]	153%	140%	129%	119%
F. Projected Accrued Pension Liability at 12/31/2025 (details attached)	2,734,462	2,994,263	3,256,957	3,519,652
G. Increase in Pension Liability between 12/31/2024 and 12/31/2025 [F - C]	241,120	269,109	297,262	325,414
H. PERA Administrative Fees (\$60 per member)	2,340	2,340	2,340	2,340
I. 1/10th of Funding Deficit/(Surplus)* [D ÷ 10]	(131,136)	(107,955)	(84,501)	(61,047)
J. Annual Financial Requirement [G + H + I]	112,324	163,494	215,101	266,707
<u>Reductions to Annual Financial Requirement</u>				
K. Projected 2025 Fire State Aid	155,465	155,465	155,465	155,465
L. Projected 2025 Investment Earnings [6% x B]	228,282	228,282	228,282	228,282
M. Annual Financial Requirement <u>After</u> Reductions [J - K - L]	(271,424)	(220,254)	(168,647)	(117,040)
N. Estimated Required Contribution due 12/31/2025 (None if Line M is a negative amount)	None	None	None	None

* Note: Per 353G.08, the plan must have surplus assets for two years for reduction to apply - user should over-ride with \$0 when appropriate

Please note that these are estimates only. The figures shown above on Line N are estimates of required contributions that would be due from the fire department's governing body on December 31, 2025 under the benefit level(s) considered. If you choose to join the SVF Plan effective January 1, 2025, PERA will calculate and, if applicable, issue an invoice to the fire department's governing body for any required contribution due December 31, 2025. Using the most current financial and firefighter roster information available, PERA calculates required contributions in accordance with Minnesota Statutes 353G.08, Subdivision 1, after receiving both the relief association's and governing body's resolutions to join the SVF Plan.

These estimates are based on the member information available at the time PERA prepared this cost analysis. Please review the membership information and provide us with any necessary corrections. As applicable, PERA will prepare an updated cost analysis with the corrected member information provided.

If you have questions, please contact me by email at PERASVF@mnpera.org

Sincerely,

Jill Voss
 Accounting Officer Intermediate

VESTING SCHEDULE 1

Years of Service	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Vested %	40%	44%	48%	52%	56%	60%	64%	68%	72%	76%	80%	84%	88%	92%	96%	100%

TIMING IS RIGHT TO SWITCH

- **LOWER COSTS, BETTER PERFORMANCE, AND STATE INCENTIVES TO JOIN THE SVF MAKE THE TIMING RIGHT**
- **CURRENTLY 220/700 RELIEF ASSOCIATIONS HAVE SWITCHED TO THE SVF**
- **MINNESOTA LEGISLATURE HAS ALLOCATED \$5 MILLION IN INCENTIVES TO ENCOURAGE JOINING THE SVF – WE QUALIFY FOR \$42,000**
- **THE FIRST 100 RELIEF ASSOCIATIONS ARE ELIGIBLE**

PROCESS TO JOIN SVF PERA

- **ON 06-18-2024, THE GRAND RAPIDS FIRE RELIEF ASSOCIATION BOARD ADOPTED A RESOLUTION TO JOIN THE STATEWIDE VOLUNTEER FIREFIGHTER PLAN (SVF) ADMINISTERED BY PERA**
- **\$9,500 BENEFIT LEVEL**
- **ADOPTS PERA VESTING SCHEDULE**
- **STATE LAW REQUIRES THE GOVERNING BODY (CITY COUNCIL) TO ADOPT A RESOLUTION TO MAKE THE CHANGE**

KEY FACTORS

- **PERA BENEFITS ANALYSIS**
- **STAFF / COUNCIL RECOMMENDATION(S)**
- **120-DAY TIMELINE STARTED MAY 16**
- **INCENTIVE MONIES ARE LIMITED TO FIRST 100 DEPARTMENTS THAT JOIN**

- **THANK YOU FOR MEETING WITH US.**