



City Council Agenda Report

City of Long Lake

450 Virginia Avenue, PO Box 606
Long Lake, MN 55356

MEETING DATE / February 4, 2025

SUBJECT: Presentation by the Long Lake Fire Relief Association Requesting a Fire Pension Benefit Level Change

Prepared By: Scott Weske, City Administrator

Report Date: 1/29/2025

Recommended City Council Action

Staff recommends the following discussion:

The Long Lake Fire Department Relief Association is asking the City Council to consider making a motion to increase the pension benefit level to \$8,000 or \$8,500 per year of service.

Overview / Background

An earlier policy established by the Council in August of 2004 attempted to provide pension benefit increases at 3% level in future years. At that time, such 3% increases in the pension benefit was intended to be related largely to average annual pay increases provided by the three cities to their various employee groups. Clearly, economic times and perceptions have changed such that the notion of automatic annual salary increases would not be set forth in policy today.

In 2008, the Fire Relief Association investment portfolio took a severe downturn with a related material reduction in pension plan assets. By 2009, it was apparent that the automatic 3% pension increase policy was not sustainable. In the intervening three years (2009-2011), the pension investment portfolio had largely recovered from the 2008 major losses and was once again in a position of having pension assets exceed pension liability. Action taken by the Long Lake City Council in 2012 ratified a 1.0% increase from \$2,889 to 2,918 per year of service. Action was also taken by the Long Lake City Council in 2013 ratified a 1.0% increase from \$2,918 to \$2,947.

In 2012 the State Legislators enacted special funding that increased the 2% State Aid given to municipalities to fund their fire departments relief associations pensions. The 2% State Aid is a percentage of the fire insurance premiums on commercial properties. This special legislation increased this aid by about 30 percent for all municipalities. The result of this increase was a large jump in our funded ratio. The Fire Relief Association went from 111% to 129% even after a 1% increase in the benefit level.

In 2014, the Long Lake Fire Relief Association Board of Trustees worked with our auditors and created a worksheet showing what a 16% increase in the benefit level would have on the funded ratio. The funded level decreased slightly to 120% at the end of 2014. Action was taken by the Long Lake City Council in 2014 ratifying at 15.3715% increase, which brought the benefit level up to \$3,400.

In 2015, the Long Lake Fire Relief Association Board of Trustees worked with their Auditors and the City. Action was taken by the Long Lake City Council to ratify a 11.7647% increase to the benefit level. This brings the benefit level to \$3,800.

In 2016, the Long Lake Fire Relief Association Board of Trustees chose not to approach the City for an increase due to the rate of return being negative and our funding ratio dropping below 110% at the end of 2015. 2016 was a good year for the fund and the funding ratio increased from 104.90% to 114.20%. The increase is mainly due to an 8% rate of return on the investments.

In 2017, the Long Lake Fire Relief Association Board of Trustees worked with their Auditors and created a worksheet showing varying levels of pension benefit increase would do to the fund. Action was taken by the Long Lake City Council to increase the pension benefit level 14.4737% increase, which results in a pension benefit level of \$4,350. At the end of 2017 the funding ratio dropped from 114.20% to 113.90%.

In 2018, the Long Lake Fire Relief Association Board of Trustees worked with their Auditors and created projections based on varying returns in the market on the Special Fund. The Board was looking for an increase of 12.6436%. This would increase the pension benefit level from \$4,350 to \$4,900. Action was taken by the Long Lake City Council to increase the pension benefit level to \$4,900. At the end of 2018, the funding ratio was at 110.9%.

In 2019, the Long Lake Fire Relief Association Board of Trustees didn't approach the City of Long Lake for a benefit increase.

In 2020, the Long Lake Fire Relief Association Board of Trustees worked with their auditors and created projections based on varying returns in the market on the Special Fund. The Board was looking for an increase of 22.449%. This would increase the pension benefit level from \$4,900 to \$6,000. Action was taken by the Long Lake City Council to increase the pension benefit level to \$6,000. At the end of 2020, the funding ratio was at 123.5%.

In 2021, the Long Lake Fire Relief Association Board of Trustees worked with their auditors and created projections based on varying returns in the market on the Special Fund. The Board was looking for an increase of 16.667%. This would increase the pension benefit level from \$6,000 to \$7,000.

In 2025 the Long Lake Fire Relief Association Board of Trustees worked with their auditors and created projections based on varying returns in the market on the Special Fund. The Board was looking for an increase of 14.28% or 21.45%. This would increase the pension benefit level from \$7,000 to \$8,000 or \$8,500. At the end of 2024, the funding ratio was at 126%.

Supporting Information

- Benefit Projection by Abdo