
TO: Kate Thunstrom- City Administrator
FROM: Dave Schmidt- Fire Chief
SUBJECT: PERA SVF Pension Increase for Part-Time Firefighters
DATE: December 4th, 2023

OVERVIEW:

In 2017, the fire department began the transition of converting the pension management to Minnesota Public Employee Retirement Association (PERA) under the newly created State Volunteer Firefighters Fund (SVF). At that time the benefit level determined by staff, City Council and PERA landed at \$2900.00 per year of service for firefighters. Which is the current benefit level today.

Over the course of the last 7 years, the St. Francis Fire Department Fund has performed very well and currently sits at 194% of funding. Which essentially means if every firefighter was 100% vested and left the department tomorrow, the account would cover 100% percent of all liabilities and still have 94% of the overall fund balance remaining.

The retirement account is funded directly by Minnesota State Fire Aid money, which are derived legislatively from Homeowners Insurance Premiums. Additionally, the City of St. Francis contributes an additional \$500.00 per year, per firefighter.

Earlier in the year, PERA ran an updated benefit model for the City of St. Francis to adjust the benefit level per firefighter to level more in line with performance of the pension fund. Thus, increasing the annual benefit our firefighters would receive, while keeping the fund over 100% solvent.

The two identified levels of benefit provided by PERA are \$4,300 per year of service, which would leave the fund 139% funded or \$4800.00 per year of service, which would leave the pension fund 126% funded.

This pension increase does not impact the current or future tax levy for the City of St. Francis, nor does it increase the budget of the fire department to increase the pension benefit for the City of St. Francis.

If Council approves an increase of annual benefit for the firefighters, the increase would not take place until January of 2024. Nor does the benefit increase for any firefighters that have already retired or resigned. The benefit increase only applies to active firefighters as of January 2024.

Comparable benefit levels in our area are the following, Lexington \$5000.00, Linwood Township \$3400.00, Oak Grove \$6000.00, Cambridge \$5800.00, Isanti \$6500.00, Nowthen \$2500.00

ACTION TO BE CONSIDERED:

Adopt the attached Resolution 2023-69 to approve an increase to the annual benefit for Part-time Firefighters from \$2900.00 annually to \$4800.00 annually.

BUDGET IMPLICATION:

None

Attachments:

- Resolution 2023-69
- PERA Funding Analysis