

ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: June 13, 2011
Item No.: 13.d

Department Approval

Acting City Manager Approval

Timothy O'Neill

Christopher K. Miller

Item Description: Request to provide PERA pension benefit to part-time firefighters

1 **BACKGROUND**

2 The Roseville Fire Department first organized into a Firefighter's Relief Association in
3 September of 1947.

4
5 The relief association established its benefit program to be a defined benefit plan, which allows
6 for a specific retirement amount based off months and years of service. The employer bears the
7 full investment risk of a plan of this nature.

8
9 The current benefit level is \$30 per month of service, with the option of lump sum payout or
10 monthly pension for life and the life of any spouse upon completion of twenty years of service
11 and age 50.

12
13 The fund balance of the Relief Association as of May 2011 was \$8,058,871. The funding for the
14 pension plan is made up of two sources: The first one comes from the State of Minnesota in the
15 form of State Aid. The second comes from city contributions which are necessary when the fund
16 falls below 100% funding level.

17
18 Over the past six years the city has contributed an average of \$129,689 over and above the State
19 Aid funding. In 2011 the city is anticipating contributing \$206,000 above the State Aid funding.
20 The amount the city is required to contribute to the fund is dependent on several factors:
21 including the number of retired firefighters receiving pension, the investment market of the fund,
22 and the number of active firefighters on the fire department.

23
24 While the number of retired firefighters receiving pensions has been consistent, the other two
25 factors have seen many fluctuations resulting in many peaks and few valleys necessary to
26 stabilize the fund.

27
28 Therefore, the fire department would like to request that all new part-time firefighters hired as of
29 June 13, 2011 be offered an alternative to the current Relief Association pension plan. The city
30 would begin offering Police & Fire PERA as the pension benefit to all future part-time
31 firefighters. This change would allow the fire department the ability to better budget pension
32 costs, and over time reduce the cities exposure to the firefighter pension fund.

36 FINANCIAL IMPACTS

37 The financial impacts can be broken into two aspects. The first being the new PERA plan. The
38 financial impacts of this plan are the city is required to contribute 14.4% of wages to the
39 firefighter's pension while the employee/firefighter contributes 9.6% of wages. The amount of
40 City contribution will vary depending on the number of firefighters in the pension plan and
41 wages paid. The city and fire department are confident the change in pension will have an
42 overall positive savings impact in both the short and long term.

43

44 The second impact will be to the funding of the Relief Association. The city is required by
45 statute to continue providing the State Aid annual funding amount to the Relief Association for
46 as long as the fire department has an operating Relief Association. The funding is provided by
47 the State, so there is no financial contribution from the city once the relief fund balance achieves
48 100% funding or when the amount required to achieve 100% funding falls below the amount
49 provided by the State Aid funding. Over time the 100% funding ratio of the Relief Association
50 is likely to be achieved providing further savings to the city.

51 STAFF RECOMMENDATION

52 Staff recommends Council authorize the fire department to change future city pension benefits
53 offerings for part-time firefighters to Police & Fire PERA.

54 REQUESTED COUNCIL ACTION

55 Motion to authorize the fire department to change future city pension benefits offerings for part-
56 time (Paid on Call) firefighters to Police & Fire PERA.

57

58

59 **Prepared by: Timothy O'Neill, Fire Chief**



**NEW PART-TIME
FIREFIGHTER
PENSION CHANGE**

FIRE DEPARTMENT RELIEF ASSOCIATION

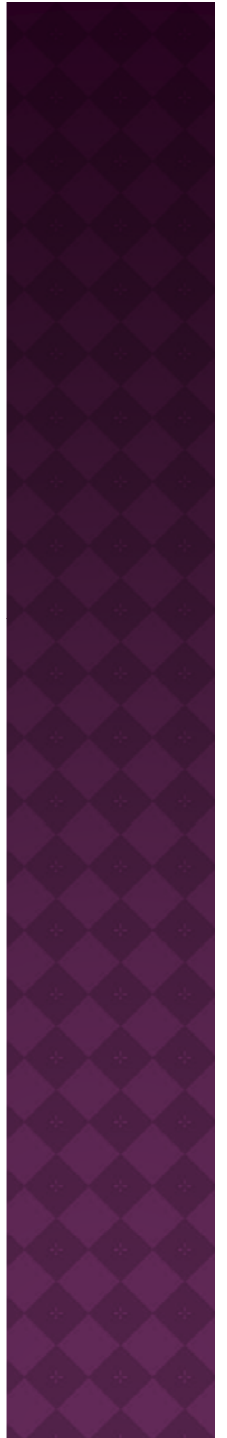
- ◉ The Roseville Fire Department organized a Firefighter's Relief Association in 1947.
- ◉ The relief association established a defined benefit retirement plan.
- ◉ Defined benefit plans provide a specific retirement amount based on years of service.

FIRE DEPARTMENT RELIEF ASSOCIATION CURRENT BENEFIT

- ◉ Currently \$30 per month of service.
- ◉ Recipient is given a lump sum payout, or monthly pension option.
- ◉ Monthly payment option provides payment for life of recipient and their spouse.
- ◉ These benefits are paid fully after 20 years of service and after reaching age 50.

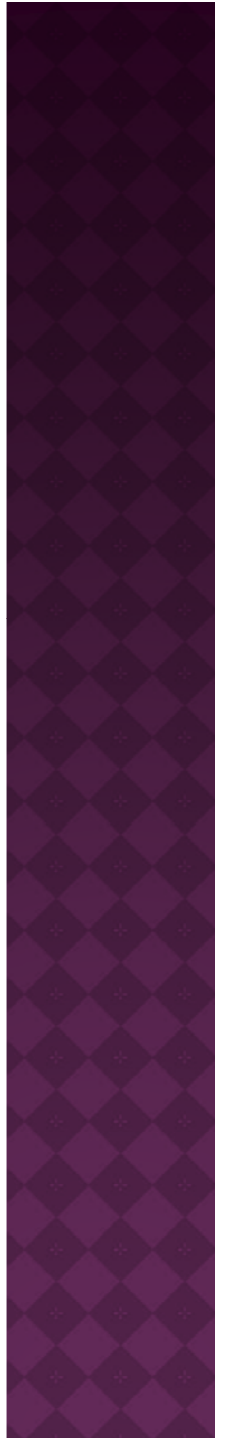
FUNDING SOURCES

- ◉ State Aid and City Contributions
- ◉ State Aid is designed to subsidize pensions and disability payments paid to firefighters.
- ◉ The City is required to supplement the state aid to assure relief association account is properly funded.



STATE AID DISTRIBUTION

- ◉ State Aid Distribution occurs through the Property Tax Division
- ◉ State Aid is generated from taxes collected on insurance premiums related to fire, lightning, sprinkler leakage, and extended coverage insurance.
- ◉ These payments are made annually by the state to the city/relief association



CITY CONTRIBUTION

- ◉ Relief Association is required to conduct a actuarial every two years.
- ◉ Actuarial is used to determine normal cost and accrued liability of plan.
- ◉ This information is used to determine the necessary payments the city must make towards the unfunded liability of the Relief Association fund.

FUNDING SUMMARY

- ◉ The next slide will give a five year view of Relief Association Funding contributions including the amount of State Aid received, and the amount the City has had to fund.

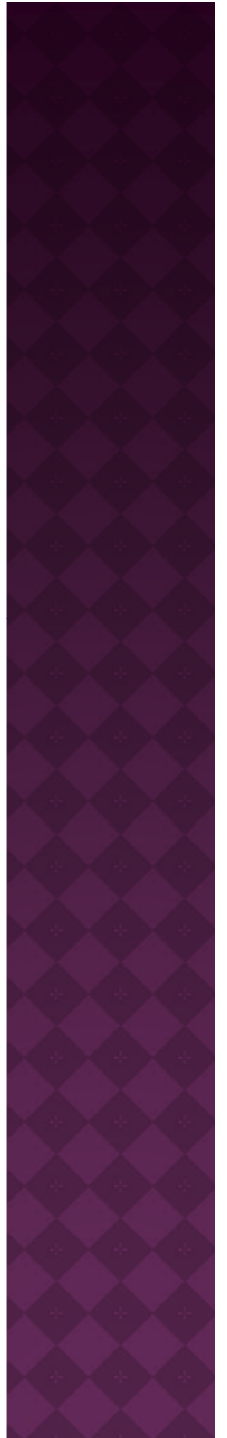
FUNDING SUMMARY

Year	State Aid	City Contribution	Total
2006	\$234,587	\$114,083	\$348,670
2007	\$200,220	\$49,780	\$250,000
2008	\$171,025	\$128,975	\$300,000
2009	\$143,353	\$63,875	\$207,228
2010	\$149,000	\$216,500	\$365,500
2011	\$149,000*	\$206,000 *	\$355,000*

*This is budgeted amount

CITY CONTRIBUTION

- ◉ The average annual city contribution to the relief association fund over the past six years has been \$129,868.
- ◉ The average number of active firefighters in the plan has been 62.
- ◉ The average funding amount per active firefighter over the past six years is \$2,095.

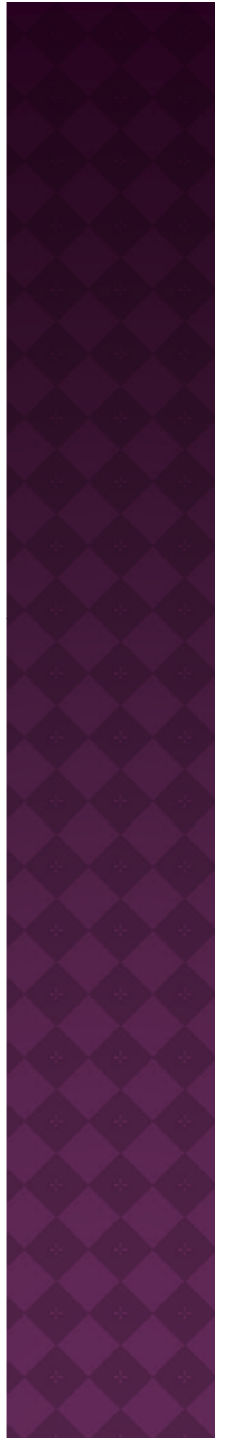


PROPOSED CHANGE

- ◉ Proposal will transition future part-time firefighters to the Part-Time PERA retirement system.
- ◉ Plan will provide a more predictable contribution amount for the city.
- ◉ Plan is similar in nature and design to current retirement plan/system offered to other city staff.

PART-TIME PERA

- ⦿ Plan is defined contribution.
- ⦿ Plan requires both the employer and employee to participate in the contribution process.
- ⦿ Would require City Council resolution for each firefighter.



PART-TIME PERA CONTRIBUTION

- The employer contributes 14.4% of employee income.
- The employee contributes 9.6% of income.
- Average part-time firefighter earns \$9,000 annually.

Contribution Amounts	Amount
Employer	\$1,296
Employee	\$864

SUMMARY COMPARISON

Relief Association	Part-Time PERA
Defined Benefit System	Defined Contribution System
Ten year vesting	Five year vesting
Non-Transferable	Transferable
Employer funded	Employee & Employer funded
Average cost to city per active firefighter \$2,095	Average cost to city per active firefighter \$1,296

