



STAFF REPORT

TO: Mayor Keis and Members of the City Council

FROM: Chris Heineman, City Administrator

DATE: June 8, 2022

RE: Fire Relief Benefit Increase

ACTION TO BE CONSIDERED

Consideration of a request from the Little Canada Fire Department to increase to the benefit level for the Little Canada Fire Relief Association by \$710 per year pursuant to contractual provisions.

BACKGROUND

The City of Little Canada has a contract with the Little Canada Fire Department which includes a formula for determining increases to the Fire Relief benefit level. The last time this benefit level was increased was August 11, 2021. A request from Fire Chief Don Smiley on behalf of the Little Canada Fire Department (LCFD) Board of Directors requesting an increase of \$485 to the benefit amount for the Little Canada Fire Relief Association (LCFRA) is attached for your consideration. If approved, this would increase the LCFRA benefit level from \$4,680 to \$5,390 per year of service.

According to Attachment A of the City contract with the LCFD, the benefit level increases can only be requested once per year and the funding level ratio must be at or above 110% on December 31 of the previous year. Based on the LCFRA annual audit, the funded ratio of the investment account on December 31, 2021 was 124.4 %. The following table demonstrates the basic formula.

Benefit per year of Service	\$4,680	(current benefit)
Ending Assets	\$2,163,734	(as of 12/31/2021)
Pension Liability	<u>\$1,738,925</u>	
(Unfunded)/Overfunded	\$424,809	
Percent Funded	124.4%	

All benefit increases must be approved by the City Council. According to the contract, if the percent funded is at 110% or above, the increase will be granted. If the requested increase is approved, the funding level would be brought to 110.4%. The goal of this formula is to provide sustainable benefit increases to the Little Canada Fire Relief Association while avoiding potential the levy requirements for the City due to investment volatility or account losses.

In addition to the basic formula above, staff prepared the following sensitivity analysis:

Current Benefit Level		
Assets-12/31/2021	\$2,163,734	
Liabilities	<u>1,738,925</u>	(Based on Current Benefit Level of \$4,680)
Surplus	\$424,809	124.4%

With Benefit Increase to \$5,390		
Assets-12/31/2021	\$2,163,734	
Liabilities	<u>\$1,959,577</u>	(Based on Proposed Benefit Level of \$5,390)
Surplus	\$204,157	110.4%

If there is a 20% loss in asset balance with benefit increase to \$5,390		
Assets	\$1,730,987	
Liabilities	<u>1,959,577</u>	(Based on Proposed Benefit Level of \$5,390)
Surplus/(deficit)	\$(228,590)	
Required Contribution Calculation:		
Normal Costs	\$140,400	
Administrative Costs	7,166	
Amortization of deficit	22,859	
Less: State Aid	(52,109)	
Less: 5% Return on Assets	<u>(86,549)</u>	Based on 20% reduction of 12/31/2021 balance
Required Contribution	\$31,767	(This is less than City's current contribution of \$32,537)

It is estimated that the City would be required to make a smaller contribution than the current budgeted City Contribution (\$32,537) if the Fire Relief Investment holdings lost 20% of market value in 2022. This does not reflect any adjustments that are made to the Administrative Costs or State Aid during the 2023 budget process. The following table shows the benefit levels since 1999:

Year	Increase	Pension Level
1999	\$100	\$2,500
2001	\$200	\$2,700
2002	\$100	\$2,800
2006	\$50	\$2,850
2007	\$250	\$3,100
2011	\$50	\$3,150
2013	\$50	\$3,200
2014	\$65	\$3,265
2015	\$35	\$3,300
2017	\$80	\$3,380
2018	\$560	\$3,940
2020	\$255	\$4,195
2021	\$485	\$4,680
2022	\$710 (Proposed)	\$5,390 (Proposed)

RECOMMENDED ACTION

Staff recommends approval of an increase to the benefit level for the Little Canada Fire Relief Association by \$710 per year pursuant to Attachment A of the City contract with the LCFD.

Little Canada Fire Department, Inc.



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To: Mayor Keis and Members of the City Council
From: Don Smiley, Fire Chief
Date: June 3, 2022
RE: Fire relief increase

ACTION TO BE CONSIDERED: The Little Canada Fire Relief Association received their annual audit for the year 2021. The funded ratio of the account was 124.4% as of December 31, 2021. Per our agreement a benefit level increase can be requested if the funding ratio is at or above 110% after the increase. The Little Canada Fire Department Board of Directors is requesting a \$710 a year benefit level increase starting in 2022. This increase would bring the funded ratio to 110.4%.

Here are the calculations from Attachment A of the 2022 Little Canada Fire Department contract.

Benefit per year of service:	\$4,680
Ending assets:	\$2,163,734 as of 12/31/2021
Pension liability:	\$1,738,925
Overfunded:	\$424,809
Percent funded:	124.4%

Thank you for considering this request.

Don Smiley
Fire Chief