



Watertown City Council
Work Session
June 28, 2022

Mayor Steve Washburn
Lindsay Guetzkow
Adam Pawelk
Michael Walters
Dan Schuette

1. Call To Order And Roll Call
2. New Business
 - 2.1. June 2022 - PERA Fire Benefit And Compost Site Operation

Documents:

[JUNE 2022 - PERA FIRE BENEFIT AND COMPOST SITE OPERATION.PDF](#)

3. Adjournment

All minutes are available on the website or can be requested by contacting City Hall.

309 Lewis Avenue South; P.O. Box 279, Watertown, MN 55388



To: Honorable Mayor and City Council
From: Jake Foster, City Administrator
Date: June 28, 2022
Re: PERA Fire Benefit/City Composite Site Operation

Sharyn North from PERA will be presenting at the June 28, 2022 Work Session on the current state of the City of Watertown's Fire Pension Fund and respective benefit levels. Included are several attachments. I would like to draw special attention to the document titled, "**AD HOC INCREASE ANALYSIS EFFECTIVE JANUARY 1, 2023.**" This documents displays the impact of various levels of benefit increase. The second column demonstrates the impact to the fund if benefit levels are increased to utilize 100% of Fire State Aid.

If time allows, Public Services Superintendent, Mike Dressel would like to get general direction on operations to the City's composite site and brush collecting in light of recent significant cost increases.

subd1(a) determined using a mathematical procedure developed and certified as accurate by the approved actuary based on present value factors using a six percent interest rate, without any decrement assumptions certified to the entity or entities associated with the fire department whose active firefighters are covered by the retirement plan

subd1(b) determine overall funding balance of each lump-sum account for the **current calendar year**

- (1) **calculate total accrued liability** for all active and deferred members of the account as of December 31 of the current year based on the good time service credit of active and deferred members as of that date
- (2) **calculate total present assets** of the account projected to December 31 of the current year, including receipts by and disbursements from the account anticipated to occur on or before December 31. To the extent possible, the market value of assets must be utilized in making this calculation.
- (3) **subtract** the total **present assets** calculated under clause (2) from the total **accrued liability** calculated under clause (1). total present assets exceeds the total accrued liability, then the account is considered to have a **surplus over full funding**. total present assets is less than the total accrued liability, then the account is considered to have a **deficit from full funding**. total present assets is equal to the total accrued liability, then the special fund is considered to be **fully funded**

subd1(c) determine financial requirements of each lump-sum account for the **following calendar year**

- (1) **calculate total accrued liability** under paragraph (b), clause (1), **increased by one year**
- (2) **calculate the increase** in the total accrued liability for the following calendar year over the total accrued liability for the current year
- (3) **calculate administrative expenses** by multiplying \$30 per by the number of active and deferred firefighters reported to PERA on the most recent good time service credit certification form
- (4) If the account is **fully funded, the financial requirement** of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3)
- (5) If the account has a **deficit from full funding, the financial requirement** of the account for the following calendar year is the total of the amounts calculated under clauses (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full funding of the account
- (6) If the account has a **surplus over full funding, the financial requirement** of the account for the following calendar year is the financial requirement of the account calculated as though the account was fully funded under clause (4) and, if the account has also had a surplus over full funding during the prior two years, additionally reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the account

subd1(d) The required contribution is the annual **financial requirements** under paragraph (c)

reduced by the amount of any FSA or supplemental state aid that is to be received during the following calendar year (prior year @1.035), **and** an amount of interest on the assets projected to be received during the following calendar year calculated at 6% per annum

subd1(e) The required contribution calculated in paragraph (d) **must be paid** to the retirement plan on or before **December 31 of the year for which it was calculated**. If the contribution is not received, by December 31, it is payable with interest of 6% at an annual compound rate from the date due until the date payment is received

Public Employees Retirement Association of Minnesota

60 Empire Drive, Suite 200

St. Paul, MN 55103-2088

Phone: 651-296-7460 or 1-800-652-9026

Website: www.mnpera.org



06/23/2022 DRAFT

PERA ID:
8284-00

Governing Body and Fire Chief
Watertown Fire Department

mreisdorf@watertownmn.gov; thanson@watertownmn.gov

In accordance with Minnesota Statutes 353G.08, we have determined the 2023 required contribution to cover your volunteer firefighters enrolled in the statewide volunteer firefighter plan. Any amount payable is due to PERA before December 31, 2023. Please refer to attached schedules for detailed information regarding the calculations.

Service Pension Level:	\$3,100
Overall Funding Balance For Current Calendar Year	\$719,569
Funding Ratio	163%
This account is considered to have:	Surplus Over Full Funding

Financial Requirement at 12/31/2023	\$9,513
Reductions to the Financial Requirement:	(\$165,223)

Required Contribution Due by 12/31/2023 None

Contributions to the statewide volunteer firefighter plan above and beyond any required contributions may be made at any time. Please contact me if you would like to make a voluntary contribution to your plan account.

On behalf of the statewide volunteer firefighter plan advisory board, I hereby direct you to distribute this report to your membership.

If you have any questions, please do not hesitate to contact me by phone (651-201-2666) or by email (sharyn.north@mnpera.org).

Sincerely,

A handwritten signature in cursive script that reads "Sharyn North".

Sharyn North
Accounting Officer Principal, PERA

1. Overall Funding Balance For Current Calendar Year

Projection of Present Assets

2022

Anticipated receipts (disbursements)	
Fire State Aid	\$ 43,383
Fire Supplemental Aid	8,807
Supplemental Benefit Reimbursement	1,000
Voluntary Municipal Contribution	19,400
Required Municipal Contribution	-
Adjustment to Initial Asset Transfer	-
Net Investment Income	101,158
PERA Administrative Fee	(1,050)
Auditor/Accounting Fee	-
SBI Investment Fee	(101)
Benefit Payments	-
Net Change in Present Assets	<u>\$ 172,597</u>

Assets - Beginning 12/31/2021	\$ 1,685,974
Projected Assets - Ending 12/31/2022	<u>\$ 1,858,571</u>

Calculation of total accrued liability 12/31/2022

See attached member report	<u>\$ 1,139,002</u>
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Conclusion on overall funding balance:

Projected Present Assets 12/31/2022	\$ 1,858,571
Accrued Liability 12/31/2022	<u>\$ 1,139,002</u>
Amount of surplus/(deficit) 12/31/2022	<u>\$ 719,569</u>
Funding Ratio	163.18%

This account is considered to have:

Surplus Over Full Funding

2. Financial Requirement For Following Calendar Year

Calculation of total accrued liability 12/31/2023

See attached member report	\$ 1,219,422
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Calculation of the increase in total liability

Total Accrued Liability 12/31/2023	\$ 1,219,422
Total Accrued Liability 12/31/2022	\$ 1,139,002
Amount increase in accrued liability	\$ 80,419

Calculation of administrative fees

Per member rate of \$30	\$ 1,050
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Financial Requirement: Fully Funded

Increase in total liability	\$ 80,419	
Administrative fees	\$ 1,050	N/A

Financial Requirement: Deficit From Full Funding

Increase in total liability	\$ 80,419	
Administrative fees	\$ 1,050	
Charge one-tenth of deficit	\$ -	N/A

Financial Requirement: Surplus Over Full Funding

Increase in total liability	\$ 80,419	
Administrative fees	\$ 1,050	
Credit one-tenth of surplus if third year	\$ (71,956.91)	\$ 9,513

Financial Requirement at 12/31/2023	\$ 9,513
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3. Required Contribution of the Sponsoring Entity**Determination of the required contribution due by 12/31/2023**

Financial Requirement at 12/31/2023	\$ 9,513
Reductions to the financial requirement:	
Fire State Aid Current Year @ 1.035	\$ (44,901)
Supplemental State Aid Current Year	\$ (8,807)
6% Interest on Projected Present Assets	\$ (111,514)

Required Contribution Due by 12/31/2023	NONE
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June 22, 2022

PERA ID
 8284-00

Governing Body and Fire Chief
 Watertown Fire Dept

AD HOC INCREASE ANALYSIS EFFECTIVE JANUARY 1, 2023

A. Benefit Level (per year of service):	\$ 3,400	\$ 3,500	\$ 3,600	\$ 3,700
B. Projected Present Assets 12/31/2022 [Attached]	1,536,099	1,536,099	1,536,099	1,536,099
C. Accrued Liability 12/31/2022 [Attached]	1,210,061	1,233,663	1,257,265	1,281,007
D. Surplus/ (Deficit) [B-C]	326,038	302,436	278,834	255,092
E. Funding Ratio at 12/31/2022 [B/C]	127%	125%	122%	120%
F. Accrued Liability 12/31/2023[Attached]	1,297,106	1,322,904	1,348,702	1,374,661
G. Annual Financial Requirement: Increase in Liability [F -C]	87,045	89,241	91,437	93,654
H. Annual Financial Requirement: PERA Fees [\$30/member]	1,050	1,050	1,050	1,050
I. Annual Financial Requirement: 1/10th of Deficit/(Surplus) [D/10]	(32,604)	(30,244)	(27,883)	(25,509)
J. 12/31/2023 Annual Financial Requirement: Total [G+H+I]	55,491	60,048	64,604	69,195
K. Reductions to Annual Financial Requirement:				
2023 Projected Fire State Aid [2022 Amount @1.035]	53,708	53,708	53,708	53,708
2023 Projected Investment Earnings [6% future benefits]	1,783	6,339	10,896	15,487
2023 Projected Investment Earnings [6% surplus funding]	90,383	85,827	81,270	76,679
L. Reductions in excess of Financial Requirement	\$ 90,383	\$ 85,827	\$ 81,270	\$ 76,679

Prepared by: Sharyn North
 Principal Accounting Officer, PERA



June 22, 2022

PERA ID
8284-00

Governing Body and Fire Chief
Watertown Fire Dept

AD HOC INCREASE ANALYSIS EFFECTIVE JANUARY 1, 2023

		Utilize FSA	Utilize FSA + 20% earnings	Utilize FSA + 30% earnings
A. Benefit Level (per year of service):	\$ 3,100	\$ 3,400	\$ 3,700	\$ 4,000
B. Projected Present Assets 12/31/2022 [Attached]	1,536,099	1,536,099	1,536,099	1,536,099
C. Accrued Liability 12/31/2022 [Attached]	1,139,002	1,210,061	1,281,007	1,351,926
D. Surplus/ (Deficit) [B-C]	397,097	326,038	255,092	184,174
E. Funding Ratio at 12/31/2022 [B/C]	135%	127%	120%	114%
F. Accrued Liability 12/31/2023[Attached]	1,219,422	1,297,106	1,374,661	1,452,185
G. Annual Financial Requirement: Increase in Liability [F -C]	80,419	87,045	93,654	100,259
H. Annual Financial Requirement: PERA Fees [\$30/member]	1,050	1,050	1,050	1,050
I. Annual Financial Requirement: 1/10th of Deficit/(Surplus) [D/10]	(39,710)	(32,604)	(25,509)	(18,417)
J. 12/31/2023 Annual Financial Requirement: Total [G+H+I]	41,760	55,491	69,195	82,892
K. Reductions to Annual Financial Requirement:				
2023 Projected Fire State Aid [2022 Amount @1.035]	53,708	53,708	53,708	53,708
2023 Projected Investment Earnings [6% future benefits]		1,783	15,487	29,183
2023 Projected Investment Earnings [6% surplus funding]	92,166	90,383	76,679	62,983
L. Reductions in excess of Financial Requirement	\$ 104,114	\$ 90,383	\$ 76,679	\$ 62,983

Prepared by: Sharyn North
Principal Accounting Officer, PERA

Watertown Fire Dept
Total Projected Present Assets at December 31, 2022

Anticipated receipts and disbursements during 2022:

Fire State Aid	2021 Actual x 1.035	43,383
Fire Supplemental Aid	2021 Actual	8,807
Contributions	add'l to tally \$19,400	17,000
Net Investment Income	6% Annual Prorata to year end	44,797
Net Change in Total Present Assets		<u>\$ 113,986</u>

Plan Assets: 6/22/2022

Assets Per SBI	\$	1,422,113
[adjustments]		
	\$	-
	\$	<u>1,422,113</u>

Total Projected Present Assets - Ending 12/31/2022 \$ 1,536,099

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AD HOC CHANGES DUE TO MARKET DECLINE

	Annual Funding Report 12/31/2021 Asset Basis	Ad Hoc Report 6/22/2022 Value	Change due to market decline
A. Benefit Level (per year of service):	\$ 3,100	\$ 3,100	
B. Projected Present Assets 12/31/2022 [Attached]	1,858,571	1,536,099	(322,472)
C. Accrued Liability 12/31/2022 [Attached]	1,139,002	1,139,002	N/A
D. Surplus/ (Deficit) [B-C]	719,569	397,097	(322,472)
E. Funding Ratio at 12/31/2022 [B/C]	163%	135%	-28%
F. Accrued Liability 12/31/2023[Attached]	1,219,422	1,219,422	N/A
G. Annual Financial Requirement: Increase in Liability [F -C]	80,420	80,420	N/A
H. Annual Financial Requirement: PERA Fees [\$30/member]	1,050	1,050	N/A
I. Annual Financial Requirement: 1/10th of Deficit/(Surplus) [D/10]	(71,957)	(39,710)	(32,247)
J. 12/31/2023 Annual Financial Requirement: Total [G+H+I]	9,513	41,760	32,247
K. Reductions to Annual Financial Requirement:			
2023 Projected Fire State Aid [2022 Amount @1.035]	53,708	53,708	N/A
2023 Projected Investment Earnings [6%]	111,514	92,166	(19,348)
L. Reductions in excess of Financial Requirement	\$ 155,709	\$ 104,114	

Prepared by: Sharyn North
 Principal Accounting Officer, PERA