

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



July 11, 2022

PERA ID:
7016-00

Governing Body and Fire Chief
Princeton Fire Department

mmcpherson@princetonmn.org, pfrdchief1@princetonfiremn.com

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:	\$5,000
Overall Funding Balance For Current Calendar Year	\$384,489
Funding Ratio	118%
This account is considered to have:	Surplus Over Full Funding

Financial Requirement at 12/31/2023	\$152,526
Reductions to the Financial Requirement:	(\$241,968)

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	<u>2022</u>
Anticipated receipts (disbursements)	
Fire State Aid	\$ 70,992
Fire Supplemental Aid	14,410
Supplemental Benefit Reimbursement	2,000
Voluntary Municipal Contribution	22,000
Required Municipal Contribution	-
Adjustment to Initial Asset Transfer	-
Net Investment Income	139,243
PERA Administrative Fee	(1,200)
Auditor/Accounting Fee	-
SBI Investment Fee	(139)
Benefit Payments	-
Net Change in Present Assets	<u>\$ 247,306</u>
Assets - Beginning 12/31/2021	\$ 2,320,720
Projected Assets - Ending 12/31/2022	<u>\$ 2,568,026</u>

Calculation of total accrued liability 12/31/2022

See attached member report \$ 2,183,536

Conclusion on overall funding balance:

Projected Present Assets 12/31/2022	\$ 2,568,026
Accrued Liability 12/31/2022	<u>\$ 2,183,536</u>
Amount of surplus/(deficit) 12/31/2022	<u>\$ 384,489</u>
Funding Ratio	117.61%

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 \$ 2,373,311

Calculation of the increase in total liability

Total Accrued Liability 12/31/2023	\$	2,373,311	
Total Accrued Liability 12/31/2022	\$	2,183,536	
Amount increase in accrued liability	\$	<u>189,775</u>	

Calculation of administrative fees

Per member rate of \$30 \$ 1,200

Financial Requirement: Fully Funded

Increase in total liability	\$	189,775	
Administrative fees	\$	1,200	N/A

Financial Requirement: Deficit From Full Funding

Increase in total liability	\$	189,775	
Administrative fees	\$	1,200	
Charge one-tenth of deficit	\$	-	N/A

Financial Requirement: Surplus Over Full Funding

Increase in total liability	\$	189,775	
Administrative fees	\$	1,200	
Credit one-tenth of surplus if third year	\$	(38,448.92)	\$ 152,526

Financial Requirement at 12/31/2023 \$ 152,526

3. Required Contribution of the Sponsoring Entity

Determination of the required contribution due by 12/31/2023

Financial Requirement at 12/31/2023	\$	152,526	
Reductions to the financial requirement:			
Fire State Aid Current Year @ 1.035	\$	(73,476)	
Supplemental State Aid Current Year	\$	(14,410)	
6% Interest on Projected Present Assets	\$	<u>(154,082)</u>	

Required Contribution Due by 12/31/2023 NONE

Annual Funding Requirements

Name of Entity: Princeton Fire Department

Calculation Date: July 11, 2022
 Prior Year 12/31/2021
 Current Year 12/31/2022

Note: Accrued Liability is based on factors such as age of member when joined the department, years to age 60, and years of service; may not equal payout amount.

Input:
 Prior Year Fire State Aid: \$ 68,591.00
 Prior Year Supplemental State Aid: 14,410.00
 Prior Year End Plan Assets: 2,320,720
 Current YTD Paid Benefits: 0
 Member Data: See Below
 Number of Firefighters: 40
 PERA Benefit Level: \$ 5,000

Accrued Liability	
12/31/2022	Increase
\$ 2,183,536	\$ 189,775
	\$ 2,373,311

Name	Status (Active or Deferred)	Birthdate (mm/dd/yyyy)	Fire Dept. Entry Date (mm/dd/yyyy)	Separation Date (If Deferred)	Ben Level at Separation (If Deferred)	Through Years of Service	12/31/2022 Accrued Liability	Through Years of Service	12/31/2023 Accrued Liability	Normal Cost (Change in Liability)
AAASEBY, SHAWN	Active		06/13/2019			4	\$	5	\$ 15,333	\$ 3,434
ARTMANN, DANIELLE M	Active		06/14/2018			5	\$	6	\$ 18,973	\$ 3,640
ARTMANN, JAMES R	Active		05/11/2006			17	\$	18	\$ 84,063	\$ 7,324
BAUMJUNK, JASON C	Active		07/21/1998			24	\$	25	\$ 111,924	\$ 8,280
BAUMJUNK, JASON C	Active		09/09/2010			12	\$	13	\$ 38,520	\$ 4,105
COOK, ADAM D	Active		05/23/2017			6	\$	7	\$ 22,831	\$ 3,858
ELLINGTON, MARK	Active		11/29/2005			17	\$	18	\$ 60,884	\$ 5,305
GEROLD, JOSEPH M	Active		01/10/1996			27	\$	28	\$ 140,000	\$ 5,000
GEROLD, ROBERT J	Active		12/09/1997			24	\$	25	\$ 125,000	\$ 5,000
HEITSCHMIDT, CHAD A	Active		04/22/2015			8	\$	9	\$ 31,256	\$ 4,335
HILLER, DANIEL	Active		04/22/2015			8	\$	9	\$ 30,222	\$ 4,192
JACOBSON, WILLIAM C	Active		05/24/1999			24	\$	25	\$ 125,000	\$ 5,000
JENSEN, TIMOTHY J	Active		06/14/2018			5	\$	6	\$ 18,973	\$ 3,640
JULSON, AARON	Active		06/13/2019			4	\$	5	\$ 15,333	\$ 3,434
KIEL, JOE	Active		10/01/2002			19	\$	20	\$ 100,000	\$ 8,173
LANGFELD, JAMES B	Active		01/25/1994			29	\$	30	\$ 150,000	\$ 5,000
LARSEN, DOUGLAS B	Active		04/01/1995			23	\$	24	\$ 120,000	\$ 5,000
LAWRENCE, RONNIE D	Active		11/04/1997			25	\$	26	\$ 125,412	\$ 9,089
LEIDER, ERIC D	Active		05/14/2018			5	\$	6	\$ 13,253	\$ 2,543
MC CALL, OLIVIA	Active		07/19/2011			11	\$	12	\$ 45,886	\$ 5,163
MELGREN, BRIAN A	Active		03/23/2021			2	\$	3	\$ 8,659	\$ 3,056
REEDY, JEREMIAH	Active		07/21/1998			24	\$	25	\$ 100,402	\$ 7,410
ROXBURY, JAY W	Active		07/21/1998			16	\$	17	\$ 76,739	\$ 6,910
RUD, GERALD D	Active		05/11/2006			2	\$	3	\$ 8,659	\$ 3,056
RYDEN, DANIEL	Active		03/23/2021			2	\$	3	\$ 8,659	\$ 3,056
SCHNEIDER, STEPHEN A	Active		09/12/2013			9	\$	10	\$ 35,852	\$ 4,595
SCHNEIDER, RYAN	Active		03/23/2021			2	\$	3	\$ 8,373	\$ 2,955
SIGNORE, RYAN	Active		05/11/2006			17	\$	18	\$ 84,063	\$ 7,324
SJOQUIST, JOHN M	Active		06/14/2018			5	\$	6	\$ 18,973	\$ 3,640
STEWART, JAY A	Active		06/13/2019			4	\$	5	\$ 15,333	\$ 3,434
STOLTENBERG, DAN	Active		06/13/2019			4	\$	5	\$ 15,333	\$ 3,434
SUCKET, JUSTIN	Active		11/29/2005			17	\$	18	\$ 84,063	\$ 7,324
THOMPSON, TROY D	Active		02/14/2003			20	\$	21	\$ 101,582	\$ 8,146
VACCARI, JOSHUA D	Active		03/23/2021			2	\$	3	\$ 7,513	\$ 2,952
WEISS, ERIC	Active		09/12/2013			9	\$	10	\$ 35,852	\$ 4,595
WERNER, SHANE	Active		08/13/1992			30	\$	31	\$ 195,000	\$ 5,000
WILKE, CHRISTOPHER J	Active		08/16/2003			19	\$	20	\$ 85,750	\$ 7,685
WOOD, JAMIN W	Active		04/22/2015			7	\$	8	\$ 26,921	\$ 4,090
ZAHNER, COREY J	Active		11/02/1999	04/02/2012	2875	12	\$	12	\$ 23,460	\$ -
GEROLD, WILLIAM D	Deferred		01/06/1998	08/06/2016	3000	10	\$	10	\$ 18,000	\$ -
KERFELD, JEFFREY M	Deferred		10/01/1988	05/23/2002	58272	5%	\$	0.05	\$ 62,236	\$ 2,964
PAGEL, JAMES M	Deferred						\$		\$ 2,373,311	\$ 189,775



JULY 2022



2022 Legislative update

Legislation impacts Statewide Volunteer Firefighter Plan

The 2022 Omnibus Retirement Bill includes provisions impacting PERA’s Statewide Volunteer Firefighter (SVF) Plan. The Governor signed the bill into law in May 2022. Here are highlights from these provisions:

• **Repeal of the alternative lump-sum service pension**

The alternative lump-sum service pension or the five-year transition period impacted firefighters who retired under the SVF Plan during the first five years after the relief association joined the SVF Plan. The alternative lump-sum service pension would have used the benefit level of the relief association. With the repeal, a firefighter in this situation will receive the benefit level the SVF Plan selects. *See related article on page 2 for more detail.*

• **Vesting options for entities joining the SVF Plan**

When joining SVF, an entity must identify the desired service pension amount and select a vesting schedule. The three available schedules are vesting beginning at:

- 40 percent after 5 years, increasing by 4 percent until 100 percent at 20 years;
- 40 percent after 5 years, increasing by 12 percent until 100 percent at 10 years; or
- 40 percent after 10 years, increasing by 6 percent until 100 percent at 20 years.

The entity may not select a vesting schedule that requires more years of service to become partially or fully vested than the vesting schedule in effect under the former relief association.

KEEP YOUR CONTACT INFORMATION CURRENT

See page 5 for details.

The SVF Plan serves 205 departments with more than 5,000 firefighters enrolled and \$140 million invested.

What’s Inside:



Plan assets and market return/Page 2



Did You Know?/Page 3
Important plan information, changes to state income tax



Answers to your most frequently asked questions/
Page 4

SVF Plan Account Performance

The one year return for the Volunteer Firefighter Account went from +20.8 percent as of June 30, 2021, to -12.7 percent as of June 30, 2022.

Over the last year, global financial markets felt the impact of the Russia-Ukraine war and other geopolitical risks, as well as an aggressive Federal Reserve raising rates to tame inflation that is at a 40-year high. The State Board of Investment (SBI) structures the strategic allocation for the Volunteer Firefighter Account to meet participating plans' long-term investing goals. The strategic investment allocation continues to be a 45 percent bond, 35 percent domestic equity, 15 percent international equity and a 5 percent cash allocation.

Since SBI prepares the financial information for governing entities in SVF on a calendar year basis, the performance summary for the last five calendar years is also shown below.



	Annualized Returns (%) as of June 30, 2022				Calendar Year End (12/31) Returns (%)				
	Qtr.	1 Year	3 Year	5 Year	2021	2020	2019	2018	2017
U.S. Equity Index Fund	-16.7	-13.7	10.0	10.8	26.2	21.2	31.1	-5.3	21.1
Broad International Equity Fund	-11.9	-17.4	2.6	3.3	9.0	11.3	22.4	-14.5	27.7
Bond Fund	-5.7	-11.7	-0.5	1.3	-1.1	9.7	9.7	0.0	4.2
Money Market Fund	0.2	0.3	0.7	1.2	0.1	0.7	2.4	2.1	1.1
Volunteer Firefighter Account	-10.4	-12.7	4.1	5.2	9.7	14.7	18.3	-3.7	13.2

2022 legislation in more detail; impact on SVF Plan

Continued from front page

The legislation adopted in 2022 repeals the alternative lump-sum service pension or five-year transition period.

Three significant changes to the SVF Plan will take effect Jan. 1, 2023:

1. For active members (for departments joining Jan. 1, 2019 – Jan. 1, 2022), the law will base the minimum years of service to vest in an SVF Plan service pension on total service with the department, rather than service rendered after joining PERA. The purpose of this change is to accelerate pension vesting for active members.
2. Departments that initially joined PERA as a defined contribution (slice-of-the-pie) relief association will transition to the SVF Plan's defined benefit methodology, meaning PERA bases the service pension amount on a per-year benefit level.
3. Plan members that separate from service and are entitled to a fully or partially vested service pension will receive a service pension based on the benefit level in effect for their department on the day of their separation.

DID YOU KNOW?

Resources for more information

IMPORTANT PLAN INFORMATION

In 2022, PERA is providing SVF Plan participants with two reports containing important information about their pension plans:

1. Active Service Member Report: This report is distributed to fire departments that joined the SVF Plan between 2010 and 2017. The purpose of this report is to provide fire departments with the service credit, pension vesting status,

and pension dollar amount for each of their active firefighters as of the beginning of the year (Jan. 1, 2022). PERA has asked those receiving this report to share its contents with their active firefighters.

2. Annual Funding Report: The purpose of this report is to provide fire departments with their required pension plan contribution, if any, due to be paid to PERA by Dec. 31, 2023.



IMPORTANT CHANGES TO MINNESOTA RESIDENT STATE INCOME TAX

Minnesota income tax will be automatically withheld from gross service pension payments at Minnesota's Single/O income tax rate, unless the beneficiary elects that a different amount or no Minnesota income tax be withheld.

To elect Minnesota income tax withholding different from the Single/O rate and to learn more about your service pension benefit options, please refer to the *Service Pension Application* available on PERA's website at mnpera.org.

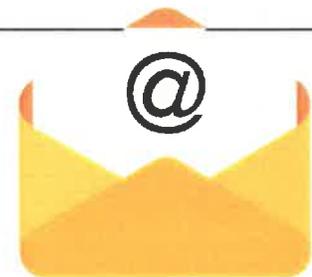
Consistent with prior years, PERA does not withhold income tax for any other state, and withholds federal tax of 20 percent on the total gross service pension benefit regardless of residency.

Welcome to our new team member

We are pleased to announce the addition of Gemma Miltich to PERA's Finance team in June 2022.

Gemma is a Certified Public Accountant who will be working primarily with the SVF pension plan. Gemma has prior experience as a financial accountant and auditor.

She grew up on the Iron Range in Cohasset, MN and now lives in Saint Paul. She is looking forward to learning the SVF Plan and becoming a helpful resource to the SVF Plan members.



Send us an email

If you have topics you would like to see in the newsletter, let us know. Please email us at: PERASVF@mnpera.org.

Frequently Asked Questions

Do you have a question you would like us to answer in our FAQ?
Email your questions to PERASVF@mnpera.org.

How does a fire department join the SVF Plan?

Here's how to join the SVF Plan:

- Ask for a *Request for a Cost Analysis* form by emailing PERASVF@mnpera.org
- Complete the *Request for a Cost Analysis* form. Representatives of the relief association (if one exists) and the governing body operating the fire department must sign the form.
- Return the completed form to PERA. PERA will process the completed, signed form and provide the department with a study showing the cost to join the SVF Plan.

Note: To join the SVF Plan by Jan. 1, 2023, the relief association (if one exists) and governing body must approve the transfer of pension benefits to the SVF Plan before Nov. 30, 2022.

What conditions must be met before a firefighter is entitled to receive an SVF Plan service pension benefit?

The firefighter must:

1. **Separate from active service.**

A firefighter must be separated from active service for at least 30 days.

2. **Be at least 50 years old.**

If a firefighter is not age 50, the service pension will be deferred with no interest until the member applies for their service pension benefit after turning 50;

3. **Meet vesting requirements.**

A firefighter must have served the minimum number of years to vest their pension, according to the department's

vesting schedule. Five years is the minimum number of vesting years for all departments within the SVF Plan as of Dec. 31, 2022, AND

4. **Apply for the service pension benefit.**

The firefighter needs to complete and submit the *Service Pension Application* form available on PERA's website.

How does a firefighter apply for their lump-sum service pension benefit?

Before a firefighter applies for a service pension benefit, they must be entitled to receive the benefit. See the previous FAQ.

To apply for a lump-sum service pension benefit, complete the *SVF Plan Application for Lump-sum Service Pension* available on PERA's website.

Once the application is complete, send the original, signed, and notarized application by mail to PERA at 60 Empire Drive, Suite 200, Saint Paul, MN 55103-2088. DO NOT submit the application by fax or email.

Note: PERA will only process original, signed, and notarized applications (not copies).

Who is eligible for and how can they apply for a monthly service pension?

Eligibility for a monthly service pension is based on the fire department's retirement benefit plan document. The application for a monthly benefit, either retirement or survivor, is available from the department's fire chief.



How is a lump-sum service pension calculated?

$[\text{Full Years of Service} \times \text{Benefit \$ Level} \times \text{Vested \%} = \$ \text{Service Pension}]$

• **Full Years of Service:**

Department-certified service at time of separation from service.

• **Benefit Level:**

Benefit amount in effect at the time of separation from service.

• **Vested Portion:**

The percentage (out of 100 percent) that the service pension is vested. In most cases, vesting begins at 40 percent after 5 years, increasing by 4 percent until 100 percent vesting is reached at 20 years.

How can a governing body make an additional (voluntary) contribution to their SVF Plan account?

Write a check payable to PERA for the amount of your voluntary contribution. Include *SVF Additional Contribution* on the memo line of the check. Mail the check to PERA at: 60 Empire Drive, Suite 200, Saint Paul, MN 55103-2088.

Important Dates and Annual Reporting

JANUARY	<i>Annual Service Credit Certification</i> form was emailed to the fire chief and governing body representative; the deadline to complete this form was March 31.
FEBRUARY	PERA submits <i>Department of Revenue Supplemental Benefit Reimbursement</i> form on behalf of department, as applicable.
MARCH	<p>PERA receives reimbursement funds from Department of Revenue and deposits in fire department plan account, as applicable.</p> <p>Deadline for governing body and fire chief to submit completed <i>Annual Service Credit Certification</i> form.</p> <p>March and ongoing: PERA to prepare GASB 68 reporting schedules for GAAP-reporting municipalities. PERA bases completion schedule on receiving <i>Annual Service Credit Certification</i> form.</p> <p>PERA will provide summary of prior calendar year investment activity to departments not receiving GASB 68 reporting schedules.</p> <p>March and ongoing: PERA to prepare <i>Active Service Member</i> report for departments. PERA bases completion schedule on receiving <i>Annual Service Credit Certification</i> form.</p>
JULY	PERA to determine the annual funding requirement for each department plan account and will certify the contribution requirement to the governing body.
OCTOBER	Department of Revenue releases fire state aid and supplemental aid to PERA. The monies are deposited in department plan accounts.
NOVEMBER	The relief association (if one exists) and the governing body of a department must approve the transfer of pension coverage to the SVF Plan before Nov. 30, 2022.
DECEMBER	Dec. 31, 2022 is the deadline for submitting a resolution to increase a department's service pension benefit level effective Jan. 1, 2023.

UPDATE YOUR CONTACT INFORMATION

We need your help to ensure that the department's fire chief and SVF representative contact information stays current.

Please note that the governing body's SVF representative must be an employee such as a clerk, treasurer, or finance director.

It's easy to provide the information we need. Simply send an email to: PERASVF@mnpera.org with the updated contact information.



STAY INFORMED

PERA does not maintain contact information for each firefighter. Please share the newsletter, annual funding report, and other information with your members.

Questions?
Contact us. We can help.
PERASVF@mnpera.org