APPENDIX C

SHAKOPEE FIRE DEPARTMENT RELIEF ASSOCIATION

Benefit Levels

Benefit Level Effective Date	Benefit Level per Year of Active Service	Interest Rate for Deferred Pension Benefit	Date Benefit Approved by Municipality
August 31, 2022	$10,400	5%	August 16, 2022
August 1, 2021	$9,800	5%	May 4, 2021
November, 30 2020	$9,000	5%	November 17, 2020
August 1, 2019	$8,750	5%	May 7, 2019
August 1, 2018	$8,425	5%	May 1, 2018
August 1, 2017	$8,025	5%	July 18, 2017
August 1, 2016	$7,800	5%	December 17, 2013
August 1, 2015	$7,700	5%	December 17, 2013
August 1, 2014	$7,600	5%	December 17, 2013
August 31, 2005	$7,500	5%	May 1, 2001

NA means not applicable.
NR means not required.
TBD means to be determined

RESOLUTION NO. 7913

A RESOLUTION OF THE CITY OF SHAKOPEE, MINNNESOTA APPROVING PENSION BENEFIT GUIDELINES FOR THE SHAKOPEE FIRE DEPARTMENT RELIEF ASSOCIATION AND BENEFIT INCREASE EFFECTIVE AUGUST 1, 2017

WHEREAS, the City of Shakopee (City) and the Shakopee Fire Department (SFD) strive to provide excellent facilities and equipment while also compensating SFD Firefighters through an hourly pay rate for service calls and through payment of a pension benefit for each year of service. The pension benefit becomes partially vested after 5 years of credited service and fully vested after 20 years of credited service; and

WHEREAS, the pension benefit is funded by the Shakopee Firefighters Relief Association (SFDRA). The SFDRA investment portfolio increases in value through investment earnings, insurance funds (referred to as the 2% money) and City contributions when the Funding Coverage Percentage (PCP) falls below 100%, as mandated by Minnesota State Law. The PCP (often referred to as the coverage ratio) equals total portfolio assets divided by total pension liabilities. The FCP gives an indication of the funds available in comparison to the current liabilities; and

WHEREAS, the SFDRA operates independently of the SFD and manages the SFDRA portfolio using best investment practices and professional managers that provide diversified and balanced investment alternatives. The SFDRA Board oversees all aspects of the investment portfolio which is summarized in the SFDRA Bylaws document; and

WHERAS, the City and the SFD strive to provide competitive firefighter compensation to help attract and retain high quality personnel. The SFD recognizes that direct comparisons of compensation are difficult. For example, the SFDRA currently provides a guaranteed 5% investment option for retired members which many other organizations do not provide; and

WHEREAS, the SFDRA Board strives for adequate controls over pension benefit increases to protect both the City and Firefighters' interests. Prudent investment management will minimize the need for mandatory City contributions while also providing a pension benefit for SFD Firefighters which is guaranteed by the City; and

WHEREAS, the SFDRA Board and the SFDRA membership recommend smaller, more frequent pension benefit increases as more effective for all parties as opposed to larger, infrequent benefit increases; and

WHEREAS, investment portfolio volatility may cause mandatory contributions in any given year. Provisions should be taken to actively prepare for these risks. In addition, the SFDRA Board will continue to perform yearly detailed financial analysis of the pension benefit through various modeling techniques and recommendations from the investment professionals.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SHAKOPEE, MINNESOTA, that the City Council approves the following pension benefit guidelines and benefit increase effective August 1, 2017:

1. The SFDRA Board sets the benefit level for the SFDRA. The City Council ratifies a benefit level based on the various limitations as defined in this resolution. For the purposes of this resolution, ratify is defined as the City Council approval/guarantee of the pension benefit level. "Ratify" is the statutory term used in Minn. Stat. 424A.02 and 424A.092 to describe this process.

2. Annually, at the April SFDRA Board meeting, the SFDRA Board will receive an investment update from the selected professional investment managers recapping the past year and outlook for the current year.

3. Annually, the City Council will review the previously ratified per year of service SFDRA pension benefit and revise this resolution as needed to update the recommended policy guidelines.

4. Annually, the process shall involve the following steps:

    a. The SFDRA Board will calculate the Funding Coverage Percentage (FCP) (defined as the ratio of investment portfolio assets divided by pension fund liabilities effective December 31st of the previous year, which values shall be confirmed by the SFDRA auditor).

    b. Any pension benefit increase request from above shall be contingent upon majority approval by the SFDRA membership in April. This demonstrates the SFDRA Board's commitment to the new pension benefit level.

    c. The recommended implementation date of the new pension benefit level once all contingencies are met would be August 1st of the current year to ensure the completion of the final audit, obtain the necessary approvals from the City Council, the SFDRA Board and membership, and the filing of bylaw amendments.

    d. If the full SFDRA membership does not have majority approval of the same pension benefit level approved by the City Council, the pension benefit level will remain unchanged.

5. The recommended Funding Coverage Percentages and corresponding per year of service pension benefit percentage increases are as follows:

    a. FCP less than 112%: no increase
    b. FCP 112% or greater but less than 117%: 3% increase
    c. FCP 117% or greater but less than 122%: 4% increase

d. FCP 122% or greater but less than 127%: 5% increase
e. FCP 127% or greater: 6% increase

6. In the event of a recommended increase pursuant to the above paragraph 5, the actual dollar amount increase would be rounded up or down to the nearest twenty-five-dollar increment.

7. As a further protection and control, there shall be no increases in the pension benefit for one year after the last mandatory City contribution. This provides a buffer and additional safeguard for the volatility that may occur when large market corrections occur.

8. All spreadsheets and financial models created by SFDRA Board members and investment professionals should be regularly updated with current information and reviewed at the annual pension benefit discussion in April.

9. These guidelines may be changed in the future by the City Council at its discretion.

10. As of December 31, 2016, the FCP was 114.4%. Therefore, based on the guidelines outlined herein, the pension benefit increase effective for August 1, 2017 will be $225.00 per year of service for a combined annual pension benefit of $8,025.00 per year of service. The City Council hereby approves this increase.

Adopted in the regular session of the City Council of the City of Shakopee, Minnesota held this 18th day of July, 2017.

Mayor of the City of Shakopee

ATTEST:

City Clerk