

## **Adopted Minutes Special Council Meeting January 22, 2013**

Mayor Slavik called a Special Meeting of the Plymouth City Council to order at 5:30 p.m. in the Medicine Lake Room of City Hall, 3400 Plymouth Boulevard, on January 22, 2013.

**COUNCIL PRESENT:** Mayor Slavik, Councilmembers Wosje, Willis, Johnson, Bildsoe and Stein.

**ABSENT:** Councilmember Black.

**STAFF PRESENT:** City Manager Ahrens, Administrative Services Director Callister, Deputy Fire Chief Springer, Fire Chief Kline, and City Clerk Engdahl.

**ALSO IN ATTENDANCE:** Members of the Fire Relief Association Board.

### **Request of Plymouth Fire Relief Association for Pension Increase**

Administrative Services Director Callister reported on the request of the Plymouth Fire Relief Association (PFRA) for a pension increase. He highlighted the staff report which covered the history of pension increases, how the pensions are funded, funding ratios, rate of return on pension fund investments, market comparisons, pension amounts, and a defined benefit plan versus defined contribution plan. He stated most fire departments have a pension for firefighters and its based on the State fire aid received and the size of the community. Currently, Plymouth firefighters receive \$7,500 per year, and the PFRA is requesting a 10% increase to \$8,300 per year. The maximum lump-sum benefit level allowed under State law is \$10,000 per year of service. He stated the funding for the pensions come from the State fire aid and the PFRA's port folio (investments). He noted that in market comparisons, the Plymouth fund has done above averages for similar fire departments. Also, the current pension of \$7,500 is at the top of the range. He noted that if the State fire aid remains the same or decreases, and if pension benefits increase, the long term sustainability of the pension plan could be affected. The result of this would be that the City would have to add a property tax levy to meet the needs of the plan. In past practice, the City has funded the pension fund with only State fire aid and investment earnings. He stated this would be a policy consideration for the Council.

He noted the fire department has a current PFRA plan which is a defined benefit plan whereby all eligible firefighters receive a fixed lump-sum amount. At retirement (minimum age of 50) and assuming a minimum vesting level of 10 years, the firefighter receives a lump-sum payment which then can be directed by the firefighter into a personal retirement account or cashed out. He stated a defined contribution plan requires that an account be set up for each individual firefighter. Contributions are made to this account by the firefighter, the employer or both.

Along with the contributions, the final amount of funds in the account at retirement is influenced by the firefighter decisions on how the money is invested. In addition, there is no vesting period so a firefighter benefits from retirement funds from day one versus the 10 year vesting currently in place. He stated the current national trends show that many entities are changing from the defined benefit plans to defined contribution plans. He noted the a new pension plan that the City of Minnetonka implemented in 2009.

He stated staff has met with the PFRA officials on several occasions and expressed interest in exploring alternative pension options that would meet the following goals:

- Tie retirement benefits to actual hours worked.
- Reduce the uncertain long-term liability for the City.
- Maintain the goal of recruitment and retention.
- Allow for full immediate vesting for all firefighters.
- Allow full portability of assets for firefighters should they leave employment with the City
- Cede investment control to individual firefighters.

Staff is recommending that the above options be explored since the current plan, while fully funded and well managed, may not be sustainable in the long term without significant future tax levy implications. Up to this point, the PFRA has indicated that they're not interested in this option. Members of the PFRA stated that they reason why they're requesting this increase is because historically over the last 15 years, they have seen an increase every three years.

After a considerable amount of discussion, the majority of the Council stated they didn't support the increase in pension due to putting taxpayers at risk in the future in guaranteeing this level of funding if State fire aid and investments can't cover the funding. Therefore, no decision was made on their request, but the Council stated they would continue to have conversations with PFRA.

### Adjournment

Mayor Slavik adjourned the meeting at 7:02 p.m.

  
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Sandra R. Engdahl, City Clerk