CITY OF STOUGHTON, 207 S FORREST ST, STOUGHTON, WISCONSIN

RESOLUTION OF THE COMMON COUNCIL		
Creation of irrevocable fiduciary trust fund for Firefighters Pension Fund		
Committee Action:	Fireman's Pension Board recommended approval 6-0 on 11/21/22 Finance Committee recommended approval 7-0 on 12/13/2022	
Fiscal Impact:	To be determined	
File Number:	R-06-2023	**Date 1/10/2023**

The City of Stoughton, Wisconsin, Common Council does proclaim as follows:

RECITALS:

WHEREAS, the City of Stoughton has maintained a single-employer pension fund for volunteer firefighters and their spouses since before 1983; and,

WHEREAS, the City of Stoughton follows Governmental Accounting Standards Board Statement No. 73 (GASB 73) *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68;* and,

WHEREAS, the City of Stoughton contracts with Milliman, Inc. to perform required actuarial studies in relation to GASB 73 for its single-employer pension fund; and,

WHEREAS, the GASB 73 Disclosure Statement for Fiscal Years 2021 and 2022 as prepared by Milliman, Inc. indicated a Total Pension Liability of $1,239,426; and,

WHEREAS, the audited financial statements for the City of Stoughton as prepared by Baker Tilly US, LLP indicate that the Fireman's Pension Fund has cash and investments at December 31, 2021 of $904,009 held within that Special Revenue Fund; and,

WHEREAS, these cash and investments are the result of life-to-date restricted revenue sources including:

- 2% Fire Dues received from the State of Wisconsin *to wholly or partially fund fire fighters' pension funds or special funds for the benefit of disabled or superannuated fire fighters,*
- Payroll deductions from current volunteers for their required contribution to the single-employer pension fund, and,
- Investment earnings on these restricted revenue sources; and,

WHEREAS, annual pension payments, actuarial fees and other administrative charges are offset against the restricted revenues listed above resulting in a Restricted Fund Balance of $904,009 as of December 31, 2021 for the Special Revenue Fund of Fireman's Pension Fund;

and,

WHEREAS, current accounting and actuarial standards do not allow the inclusion of these cash and investment accounts in the actuarial valuation because they are not held within an irrevocable trust; and,

WHEREAS, the Director of Finance/Comptroller recommends the creation of an irrevocable fiduciary trust for the City of Stoughton's Firefighters Pension Fund; and,

WHEREAS, the City of Stoughton Fireman's Pension Board approved going forward with the creation of an irrevocable trust for the city's single-employer firefighter pension fund at their November 21, 2022 meeting;

NOW THEREFORE BE IT RESOLVED, that the Director of Finance/Comptroller and Fire Chief are hereby authorized to begin the process of creating an irrevocable fiduciary trust for the City of Stoughton single-employer pension plan for the volunteer firefighters and their spouses; and,

BE IT FURTHER RESOLVED, that the Director of Finance/Comptroller and Fire Chief shall work with Milliman, Inc, Baker Tilly US, LLP and Stafford Rosenbaum, LLP in the creation of said irrevocable fiduciary trust in order to be in compliance with all actuarial, governmental accounting and legal requirements for said irrevocable fiduciary trust; and,

BE IT FURTHER RESOLVED, that the City of Stoughton Finance Committee shall be the committee responsible for oversight on the creation of the irrevocable fiduciary trust; and,

BE IT FINALLY RESOLVED, that the Common Council for the City of Stoughton shall have the final approval of the creation of the irrevocable fiduciary trust once finalized by all parties involved.

Fiscal note: Fees charged by the above vendors are unknown at this time but will be recorded in Fund 243 Fireman's Pension Fund.

Council Action: ☑ **Adopted** ☐ **Failed** **Vote** 11-0

Mayoral Action: ☑ **Accept** ☐ **Veto**

Tim Swadley 1-11-23

Mayor Tim Swadley Date

Council Action: _____ ☐ **Override** **Vote** _____

Wisconsin Department of Safety and Professional Services
Division of Industry Services
4822 Madison Yards Way
PO Box 7302
Madison WI 53707-7302

Phone: 608-266-2112
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2% Fire Dues uses

No city, village or town maintaining a fire department under this section may use any dues received under s. 101.573 and this section for any purpose except the direct provision of the following:

1. The purchase of fire protection equipment.
2. Fire inspection and public education.
3. Training of fire fighters and fire inspectors performing duties under s. 101.14.
4. To fund wholly or partially fire fighters' pension funds or other special funds for the benefit of disabled or superannuated fire fighters.

(b) Any city, village or town that contracts for fire protection service shall give dues received under s. 101.573 and this section to the fire department providing the fire protection service. That fire department shall use those dues for any of the purposes specified in par. (a).

Explanation of what can be purchased:

1. Fire Protection Equipment: fire trucks, brush trucks, tenders, ladders, hose, turnout gear, helmets, boots, gloves, etc., thermal imaging cameras, foam, axes, nozzles, fans, and any equipment used to supplement fire suppression. The money can also be held in a reserve account for a number of years in order to accumulate enough money to purchase a vehicle or used to pay the balance on a recently purchased vehicle.

2. The 2% dues can be expended on fire inspection services (e.g. wages and benefits, contracting for fire inspection services, etc.) or for other fire education services or equipment. Equipment may include brochures, pamphlets, technical aids such as laptops, tablets and software used for inspection activities, uniforms, and business cards

3. Training of fire fighters and fire inspectors performing fire inspection or fire education activities duties under s. 101.14. Training may include fees, memberships, lodging, books, wages, and travel.

4. Municipalities can also use the 2% dues to supplement retirement programs such as the Wisconsin Service Awards Program or other approved retirement program sponsored by the local municipality. Approved means state approved.

Dave Ehlinger

From: Jack Chmielewski <jack.chmielewski@milliman.com>
Sent: Thursday, December 1, 2022 4:49 PM
To: Dave Ehlinger
Subject: RE: Milliman - Creation of irrevocable fiduciary trust fund for Firefighters Pension Fund

Follow Up Flag: Follow up
Flag Status: Flagged

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Hi Dave,

Sorry for the delay in getting back to you. I have read through the draft resolution and from an actuarial point of view (non-legal!!), I think everything looks good. A couple of thoughts:

- The liability calculated in the report was calculated based on a 2.06% discount rate. Rates are currently around 3.72%. Our report has some sensitivity where you could see the impact that change would have on your liability.
- You will want to create an investment policy statement.
- Based on the current asset value and liabilities, the discount rate going forward would be based on the expected return on assets of the Trust. This may or may not impact your asset allocation.
- You will want to discuss if benefit payments are paid out of the trust.
- We will most likely need to move to annual reporting since we would use actual asset value (vs. one report every two years including results for two fiscal years).

That's all that comes to mind right now. Let me know if you would like to discuss.

Jack Chmielewski, FSA, EA, MAAA
Principal and Consulting Actuary

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From: Dave Ehlinger <DEhlinger@ci.stoughton.wi.us>
Sent: Wednesday, November 23, 2022 8:57 AM
To: Jack Chmielewski <jack.chmielewski@milliman.com>
Subject: Milliman - Creation of irrevocable fiduciary trust fund for Firefighters Pension Fund

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Jack,

Attached is my draft resolution for the City of Stoughton to consider creating a fiduciary trust for our GASB 73 pension plan.

I anticipate the process, once approved, should be completed before year end 2023.

From an actuarial point of view, is there anything that should be changed on the draft resolution? Also, is there anything that we should consider during this process?

Thanks,

Dave

David P. Ehlinger, CPA
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Dave Ehlinger

From: Jansen, Andrea <Andrea.Jansen@bakertilly.com>
Sent: Tuesday, November 29, 2022 4:07 PM
To: Dave Ehlinger
Cc: Joshi, Vasvi; Shavlik, Ryan
Subject: RE: Baker Tilly - Creation of irrevocable fiduciary trust fund for Firefighters Pension Fund

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Hi Dave –

Thanks for the email. I agree that the newly created trust will end up as a Defined Benefit Pension trust fund (fiduciary fund type) under GASB 84. I'm not sure that a restatement would be required – it seems that the assets would be paid over to the newly created entity at the time of creation essentially closing out the special revenue fund at that time.

The Net Pension Liability would continue to be recorded in the governmental activities as it has in the past. In theory, the liability will be less once the trust is created given that the assets can be now be applied against the total liability.

One thing that I have seen cause confusion in the past with a transition such as this is that the City is reporting the pension liability with a one-year lag for the measurement date. I believe that the Plan reporting will need to be measured consistently with the year-end date presented. So if the trust is created in 2023, the 2023 financial statements will need to show the fiduciary pension trust based on a 12/31/23 measurement date for your actuarial report, while the information used to report the City's related pension liability will actually be using the one-year lag measurement date (12-31-2022) that has already been established. Therefore, the impact of the trust to the City's governmental activities won't happen until the 2024 financial statements when you use the 12/31/23 measurement date for the net pension liability. Let me know if you want to talk through this on a call.

In case it is helpful, here are some links to ACFRs for the City of Sun Prairie and City of West Bend. The City of Sun Prairie has a Pension Trust fund for the Sun Prairie Utilities (among a handful of other plans). The City of West Bend has an OPEB Trust – not quite the same, but the accounting/reporting is similar.

City-of-Sun-Prairie-12-31-2021-FS-FINAL (cityofsunprairie.com)

Microsoft Word - (FR) City Footnotes (revize.com)

Again, let me know if there are any follow up questions.

Thanks!

Andrea Jansen, CPA, CFE (she/her/hers)
Partner
Baker Tilly US, LLP
T: +1 (608) 240 2338 | M: +1 (920) 285 0733

From: Dave Ehlinger <DEhlinger@ci.stoughton.wi.us>
Sent: Wednesday, November 23, 2022 9:03 AM
To: Jansen, Andrea <Andrea.Jansen@bakertilly.com>; Joshi, Vasvi <Vasvi.Joshi@bakertilly.com>; Shavlik, Ryan <Ryan.Shavlik@bakertilly.com>
Subject: Baker Tilly - Creation of irrevocable fiduciary trust fund for Firefighters Pension Fund

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Andrea, Vasvi, and Ryan,

Attached is my draft resolution for the City of Stoughton to create a fiduciary trust for our GASB 73 single employer pension plan.

I would anticipate, once approved, that this task would be completed before year end 2023.

Are there any considerations that we should take into account during this process?

I also have some specific questions regarding accounting standards and financial statements.

- GASB 84 -Is my understanding correct that we will have to restate the Fireman's Pension Fund from a Special Revenue Fund to a Fiduciary Fund?
- GASB 73 – My understanding is that Fiduciary Funds still use modified accrual accounting. Where would the resulting Net Pension Liability be recorded?

Thanks,

Dave

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