Suggested GASB 68 Pension Footnotes for Statewide Volunteer Firefighter Plan for the Year Ended December 31, 2024 Reporting Period, based on a December 31, 2023 Measurement Date

**Summary of Significant Accounting Policies**

*Pensions.* For purposes of measuring the net pension liability [or asset if applicable], deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to and deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year is June 30. For this purpose, plan contributions are recognized when due according to state statute and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note X. Defined Benefit Pension Plan**

**Plan Description**The [Fire Department Name] participates in the Statewide Volunteer Firefighter Retirement Plan (accounted for in the Volunteer Firefighter Fund), an agent multiple-employer lump-sum [or monthly] defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2023, the plan covered [X number of] active firefighters and [X number of] vested terminated firefighters whose pension benefits are deferred. [As listed on the Accrued Liability Report] The plan is established and administered in accordance with *Minnesota Statutes*, Chapter 353 G.

**Benefits Provided**  
The Volunteer Firefighter Plan provides retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level approved by the [City/Township]. Members are eligible for a lump-sum retirement benefit at 50 years of age with either five or ten years of service, depending on the vesting schedule selected. Plan provisions include a pro-rated vesting schedule that increases from [select the department’s vesting schedule: (1) 5 years at 40 percent through 20 years at 100 percent, (2) 5 years at 40 percent through 10 years at 100 percent, (3) 10 years at 40 percent through 20 years at 100 percent].

**Contributions**The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in *Minnesota Statutes*, and voluntary [City/Township] contributions [if applicable]. The State of Minnesota contributed $\_\_\_\_\_\_\_\_ in fire state aid to the fund for the year ended December 31, 2023. Required employer contributions are calculated annually based on statutory provisions. The [City’s/Township’s] statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2023, were $\_\_\_\_\_\_\_\_ [if applicable]. The [City’s/Township’s] contributions were equal to the required contributions as set by state statute, if applicable. In addition, the [City/Township] made voluntary contributions of $\_\_\_\_\_\_\_\_ to the plan [if applicable].

**Pension Costs**

At December 31, 2023, the [City/Township] reported a net pension liability [or asset if applicable] of $\_\_\_\_\_\_\_ for the Volunteer Firefighter Fund. The net pension liability [or asset if applicable] was measured as of December 31, 2023. The total pension liability used to calculate the net pension liability [or asset if applicable] in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Total Pension**  **Liability** | **Plan Fiduciary**  **Net Position** | **Net Pension**  **Liability (Asset)** |
|  | (a) | (b) | (a-b) |
| Beginning Balance 12/31/20XX | $XXX | $XXX | $XXX |
| Changes for the Year |  |  |  |
| Service Cost | $XXX |  | $XXX |
| TPL Interest | $XXX |  | $XXX |
| Projected Investment Earnings |  | $XXX | ($XXX) |
| Contributions (ER/State) |  | $XXX | ($XXX) |
| Difference between Projected and Actual Investment Earnings |  | $XXX | ($XXX) |
| Benefit Payouts | ($XXX) | ($XXX) | ($XXX) |
| PERA Administrative Fee |  | ($XXX) | ($XXX) |
| Net Changes | $XXX | $XXX | $XXX |
| Balance End of Year 12/31/20XX | $XXX | $XXX | $XXX |

[Benefit provision changes would be disclosed here. If the entity increased the benefit level effective in the current measurement period, which should be disclosed here. Otherwise state the following: There were no benefit provision changes during the measurement period.]  
  
[If changes expected to have a significant effect on the measurement of the net pension liability had occurred between the measurement date and the reporting date, the entity would include a brief description of the nature of those changes.]  
  
For the year ended December 31, 2023, the [City/Township] recognized pension expense of $\_\_\_\_\_.   
  
At December 31, 2023, the [City/Township] reported deferred inflows of resources [*and deferred outflows of resources for contributions made after the measurement date*] related to pensions from the following sources:

|  |  |  |
| --- | --- | --- |
|  | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Actuarial Experience Gains/Losses |  |  |
| Difference Between Projected and Actual Investment Earnings |  | $x,xxx |
| [If applicable, Contributions Paid to PERA Subsequent to the Measurement Date [to be calculated by City/Township]] | $x,xxx |  |
| Total | $x,xxx | $x,xxx |

$x,xxx reported as deferred outflows of resources related to pensions resulting from [entity] contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

|  |  |
| --- | --- |
| Year ended December 31: | Pension Expense Amount |
| 2024 | $x,xxx |
| 2025 | $x,xxx |
| 2026 | $x,xxx |
| 2027 | $x,xxx |
| Thereafter | $x,xxx |

**Actuarial Assumptions**

The total pension liability at December 31, 2023, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

* Retirement eligibility at the later of age 50 or when fully vested
* Investment rate of return of 6.0 percent

[Additional assumptions can be found in the document “GASB Additional Disclosures” that was provided with the department’s GASB report. Changes in actuarial assumptions for the pension plan would be disclosed here.]

**Discount Rate**The discount rate used to measure the total pension liability was six percent. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made at a rate equal to the actuarially determined contribution rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**The following presents the [City’s/Township’s] net pension liability [or asset if applicable] for the Volunteer Firefighter Fund, calculated using the assumed discount rate as well as what the [City’s/Township’s] net pension liability [or asset if applicable] would be if it were calculated using a discount rate one percent lower or one percent higher than the current discount rate:

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1% Decrease in Discount Rate (5.0%) | Discount Rate (6.0%) | 1% Increase in Discount Rate (7.0%) |
| Net Pension Liability [or Asset if applicable] | $xx,xxx | $xx,xxx | $xx,xxx |

**Plan Investments  
Investment Policy:**

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the governor (who is designated as chair of the board), state auditor, secretary of state and state attorney general.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes,* Chapter 11A and Chapter 353G.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

**Asset Allocation:**

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

|  |  |  |
| --- | --- | --- |
| **Asset Class** | **Target Allocation** | **Long-Term Expected Real Rate of Return** |
| Domestic Stocks | 35% | 5.10% |
| International Stocks | 15% | 5.30% |
| Bonds | 45% | 0.75% |
| Unallocated Cash | 5% | 0.00% |

The six percent long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

**Description of significant investment policy changes during the year:** The SBI made no significant changes to their investment policy during calendar year 2023 for the Volunteer Firefighter Fund.

**Pension Plan Fiduciary Net Position**Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of June 30, 2023, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained at [www.mnpera.org](http://www.mnpera.org) .