

Volunteer Fire Relief Association Working Group

State Auditor's Office
Monday, December 6, 2004
11 a.m. to 1 p.m.

Members Present

Delano City Administrator Phil Kern, League of Minnesota Cities Representative Anne Finn, Legislative Commission on Pensions and Retirement Director Larry Martin, Mahnommen Fire Relief Association Treasurer Dave Jaeger (defined benefit lump sum plans), Maple Grove Fire Relief Association President Curt Roberts (defined contribution plans), Maplewood Fire Relief Association Treasurer Ed Dietz (defined benefit lump sum plans), Minnesota Area Relief Association Coalition Representative Jim Hansen, Minnesota State Fire Chief Association Representative Nyle Zikmund (defined benefit monthly plans), Minnesota State Fire Department Association Representative Dave Ganfield (defined benefit monthly/lump sum combination plans), Northfield Fire Relief Association Secretary Tom Nelson, State Auditor Patricia Anderson and White Bear Lake Finance Manager Don Rambow.

Others Present

Brooklyn Park Fire Relief Association Secretary Andy Hansen, Minneapolis StarTribune Reporter Mark Brunswick, Deputy State Auditor/General Counsel Carla Heyl, Pension Director Judith Strobel and Pension Analysts Rose Hennessy Allen, Eric Bulygo, Jami Crummy, Brian Martenson and Paul Rosen.

Welcome and Introductions

Rotating Chair Jim Hansen welcomed the Working Group members and asked that they introduce themselves to the audience.

November 22, 2004 Draft Minutes

Nyle Zikmund moved to approve the November 22, 2004 draft minutes. The motion, which was seconded by Anne Finn, passed unanimously.

Trustee Training Discussion

Hansen explained that the focus of the meeting would be trustee training. He said he believes the goal should be to educate as many trustees as possible. In his view, it is possible to do a better job by addressing trustee turnover and time availability to attend meetings and receive training. Some trustees are only available to meet during the day while others can meet only at night or not at all, he said.

At Hansen's request, Larry Martin gave a brief overview of Minn. Stat. § 356A.13 that establishes the continuing education criteria for trustees. He said the law was enacted in 1989 to address a number of issues related to the paid fire and police plans and the Public Employees Retirement Association (PERA) that had occurred in the mid-1980s.

The manner in which these trustees were exercising their duties served as a catalyst for the state legislature to create the Public Pension Fiduciary Law under Chapter 356A. The law is not a detailed piece of work, according to Martin, because the lawmakers were uncertain how to come up with requirements that would apply to both small volunteer fire pension plans and large public pension plans. In the end, they went in the direction of the small plans by allowing them to determine what would be an appropriate level of continuing education. For this reason, he said there is no requirement that proof of participation be filed with the State Auditor's Office or mandate on how complete the continuing education plans must be.

Hansen said the framework of the Working Group discussion should be to set the direction for trustee training. He said some Working Group members have attended training offered through MSFDA and MARAC and now a combination of these groups has formed to provide further training.

Dave Ganfield said the State Auditor's Office offers classes at the annual MSFDA conference in addition to other classes on investments and new trustees. He agreed that the biggest issue is trustee turnover saying some new treasurers get a box of records and don't know what to do. He recalled that the State Auditor's Office held annual training conferences years ago but now only MARAC tries to hold a conference.

Auditor Anderson said the State Auditor's Office would soon be providing a financial package to relief association trustees to assist them in their efforts. The package is called FRPAS (Fire Relief Pension Accounting System) and is modeled after a program presently used by about 1200 cities and towns. She said it would be distributed this spring at no charge to defined benefit lump sum plans. Someone must learn how to enter transactions throughout the year but this will greatly ease the preparation of forms at the end of the year and hopefully improve the timeliness of submissions. She said she would like to work jointly with the Working Group and League of Minnesota Cities on this training initiative. Another resource will be city clerks many of whom use a similar package.

In response to a question from Zikmund about funding for training initiatives, Auditor Anderson said CTAS training is free and clerks are invited to attend training sessions at the State Auditor's Office. She said costs are absorbed by her office or in some cases they are recouped if there is a charge.

Dave Jaeger said he was asked many years ago to put together a training session on reporting forms for presentation at technical colleges in northern Minnesota. Despite his efforts, he said some relief association representatives did not come to the sessions even though it was provided at a convenient location.

Zikmund said forms completion improved when the State Auditor's Office began providing automated forms. Auditor Anderson said she hopes FRPAS will make form completion even better.

Anne Finn asked who specifically needs training. Jaeger said everyone. He said small town administrators do not seem to be familiar with relief association issues and they hold positions on those boards.

Zikmund said the three main training areas for the 5,000 to 6,000 trustees in Minnesota are: bylaws, administration and investments. Although he thinks it would be impossible to train all of the trustees, it is a policy question whether to mandate training and who should provide it.

He said the Statewide Pension Plan Study is the real reform but the training coalition did train 17 groups last year at \$600 each and have three set up for this year. Trustees may resist mandatory training but without it there may be lower investment returns and higher legal fees, he said.

Ganfield said his relief association sends one to two representatives to training and they report back to the full board.

Jaeger said city administrators should learn what the Schedules mean and how to verify financial information when it is presented to their attention for budget levy purposes.

Hansen said Finn's presence on the Working Group is important in this regard.

Zikmund said the League could open up dialogue between relief associations and cities because some relief associations don't want to discuss anything with their city. He suggested that it is important to offer face-to-face training on bylaws and investments.

Auditor Anderson agreed that most issues involve bylaw provisions. For this reason, the State Auditor's Office encourages trustees with bylaw questions to call the Pension Division that is familiar with the bylaws of the state's 700-plus relief associations. Sample bylaws for small relief associations are being prepared for placement on the State Auditor's website with optional provisions for larger plans to be added over time.

Ganfield said city clerks, treasurers and mayors need to learn more. Acknowledging that some progress has been made in the past few years, he concurred that the goal should be to get communication going between relief association representatives and city officials. Finn said the League intends to conduct regional training on relief association issues.

Zikmund sought to know what steps must be taken to get cities involved.

Don Rambow said cities should stay involved because what's in the relief association's bylaws will affect the city. While he said he hoped that most relief associations work with professional managers and CPAs, it is rare that the treasurer is also a financial person. Part of the job of being a city official is to go to meetings, he said, and it's up to the city official to absorb the information or be there. He expressed concern that communication is a local concern that should not necessarily have to be fixed by the state.

Phil Kern said it comes down to education and recognition of the financial relationship between the relief association and city.

Ed Dietz said relief associations should do their part in fostering a relationship with their cities. We need to know about the budget timing and process and work to reduce any friction between relief associations and cities, he said.

Kern said this issue was briefly discussed a few weeks ago when the Working Group members reviewed the statutory requirements for board composition. Curt Roberts asked whether ex-officio trustees need training.

Hansen said the goal would be that when you go to certain city representatives that they be educated on the issues.

Martin explained the board composition requirements under current law noting that the Working Group is proposing a law change. Auditor Anderson said that she had received no formal training when she was a mayor working with a volunteer fire relief association.

Roberts asked if she would have gone to training. Auditor Anderson said she would have gone to League training if offered at the annual training conference. Finn said training possibly could be offered.

Ganfield asked Rambow if he is notified of and attends relief association meetings. Rambow said he is aware of the meetings and goes to some depending on the agenda topics. Some mayors aren't always able to attend.

Auditor Anderson said instead of just having the Mayor on the board automatically each year, someone should be appointed to the trustee position. The appointee would take ownership of the position and would attend meetings, she said.

Jaeger said city representatives don't think they need to go to quarterly meetings thinking there's not much to discuss. Because cities need to attend meetings to learn about pension payments and calculations, relief associations can make a mistake, he said.

Martin said the League has credibility in training. In the 1970s the League had sample relief association bylaws and conducted training although he is not sure where things are at today. Minnesota and Oregon are the only states that use non-profit corporations for government functions. If non-profit corporations were not employed, there would be a cleaner line of responsibility for the cities and relief associations.

Rambow motioned to break for lunch.

Hansen said the Working Group needs to narrow in on who needs to deliver training, how it should be delivered and if legislation is needed.

Rambow said White Bear Lake meets monthly so there needs to be something of value on meeting agenda to get city representatives to attend. It was determined that the open meeting law applies to relief association meetings, following an inquiry from Finn.

Auditor Anderson recommended changing the Mayoral requirement to have someone appointed by the Mayor. Dietz said training could be on how to run a good meeting.

Ganfield provided each Working Group member with a copy of Apple Valley's 2003 Annual Report. He said it contains information about the Special Fund and General Fund finances, investment policy, audit summary and bylaws so members can see that things are being done right. He expressed interest in coming up with more best practices suggestions in the next year or two.

Hansen concluded that the Working Group is on the right track to get board members trained. He said there is a new training coalition to get the message out and invited the State Auditor's Office to participate.

Zikmund said he would like the State Auditor's Office to consider sponsoring an annual training conference like it used to do many years ago.

Carla Heyl said the League has good contacts for a conference but the trustees who would attend could be those who already know what they are doing. Zikmund said the training coalition and various fire groups would be willing to help.

Auditor Anderson said the State Auditor's Office could do a session at the League's annual conference and expressed willingness to consider the suggestions.

Hansen summarized the key training deliverables as: finances, bylaws, administration and investments. He then moved to the review of previous consensus items on the agenda.

MFIRS Reporting Requirement for State Fire Aid

Martin asked if the consensus of the Working Group was captured correctly in the memo.

Ganfield said he had not attended the meeting when the MFIRS requirement was discussed and hadn't seen a motion in the minutes to request the drafting. It was stated that the Working Group had only recently begun making formal motions regarding draft language requests to Martin.

Ganfield asked if the requirement would apply to all fire relief associations including Minneapolis Fire Relief Association (MFRA). Martin replied that the fire state aid requirement would affect eligibility for state fire aid and therefore would apply to all fire relief associations.

Ganfield expressed concern that the language would affect groups not represented by the Working Group. Zikmund said the idea had been unanimously received at the meeting. He said he would like to drop self-reporting in lieu of MFIRS because it's not necessarily what is popular but what is needed to be proactive to protect state aid.

Ganfield agreed that MFIRS is more progressive but said there is a need to clean up the language eliminating reporting. He said he has been contacted by groups that do not agree with the draft.

Martin said would clarify that the Working Group's intent is to replace self-reporting with MFIRS. Ganfield asked whether a relief association that starts reporting during year would lose state aid. Zikmund said an effective date of 2006 would provide a relief association with sufficient notice. Finn said she would discuss with MFRA and others before next week. It was decided to table until next week.

Trigger Date for Filing Financial Reports

Hansen asked Martin if a relief association must have a full audit done even if it drops below \$200,000 after exceeding that threshold in any previous year. Martin confirmed that that was the consensus of the Working Group with a year's advance notice. The draft language was moved by Zikmund, with a second by Rambow, and approved without dissent.

Revised Financial Requirements for Monthly Plans

Martin said the revised financial requirements apply to a relatively small number of volunteer fire plans. The draft language resets the minimum funding requirement per firefighter because the statutory table was more conservative than it had to be, he added

Zikmund moved the draft language that splits the difference between the current and necessary financing.

In response to a question from Kern, it was stated that the language affects monthly or monthly lump sum combination plans of which there are only a few in greater Minnesota.

Military Leaves of Absence

Ganfield inquired whether the Working Group had formally asked Martin to draft language authorizing military leaves of absence. Jaeger moved, with a second from Zikmund, that Martin provide draft language at a future meeting. Martin said he can model the language after legislation that was adopted last session in regard to USSERA for some of the large public pension plans.

Next Meeting

Zikmund asked the members to clear their afternoon schedules on Monday, December 13, 2004 should more time be needed for the next Working Group meeting.

Rambow will chair the meeting that will begin at 11 a.m. and be held in the State Auditor's Conference Room. Member suggestions for the agenda must be forwarded to the Pension Division by Tuesday, December 7, 2004.

A motion to adjourn the meeting at 1 p.m. was made by Finn and seconded by Dietz. It passed without dissent.