

Volunteer Fire Relief Association Working Group

Office of the State Auditor
Tuesday, November 10, 2009
11 a.m. to 1 p.m.

Members Present

Wayne Anderson, Coon Rapids Fire Department Inspector (defined contribution plans)
Bruce Duncan, Excelsior Fire Relief Association President (defined benefit lump sum plans)
Dave Ganfield, Apple Valley Fire Relief Association Administrator (defined benefit monthly/lump sum combination plans)
Jim Hansen, Minnesota Area Relief Association Coalition Representative
Larry Martin, Legislative Commission on Pensions and Retirement Director
Rebecca Otto, State Auditor
Tim Simon, Elk River City Finance Director
Steven Wallner, Watertown City Finance Director
Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

Members Excused

Dave Jaeger, Mahnomon Fire Relief Association Treasurer (defined benefit lump sum plans)
Bruce Roed, Mentor Fire Relief Association Trustee (defined contribution plans)

Others Present

Colleen Bollom, Minnesota Firefighter Pension Consultants Representative
Aaron Dahl, Pension Analyst
Paul Enga, Dayton Fire Relief Association Secretary
Celeste Grant, Deputy State Auditor/General Counsel
Rose Hennessy Allen, Pension Director
Lucas Hinz, Pension Analyst
Michael Johnson, Pension Analyst
Jeff Legge, Fergus Falls Fire Department Representative
Mike Miller, Integra Shield Financial Group Representative
John Pollard, St. Paul Park Fire Relief Association Treasurer

The following motions were duly made, seconded and approved:

- RESOLVED to approve the October 20, 2009, Working Group Meeting Minutes;
- RESOLVED to form a sub-group to create a record retention schedule for volunteer fire relief associations, to be forwarded to the Records Disposition Panel;
- RESOLVED to remove the exchange traded fund investments topic from the agenda this year and possibly revisit the topic next year;
- RESOLVED to table the topic on allowing rollovers to 401(k) retirement plans until additional information about the MSRS deferred compensation plan is obtained;
- RESOLVED to move forward with reorganizing the survivor benefit language so that the authorization is separate from the benefit eligibility requirements, and to revisit the substantive order of payment issue at the final Working Group meeting after getting input from the monthly plans;

RESOLVED to add a default for lump sum and defined contribution plans that survivor benefits would be paid the designated beneficiary, and if no designated beneficiary to the surviving spouse, and if no designation and no surviving spouse, the benefit would be paid to the estate. The suggestion will be revisited at the next Working Group meeting.

I. Call to Order

Chair Auditor Otto called the meeting to order.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the October 20, 2009, meeting minutes that had been provided in advance. Legge notified the Group of a typo on page three. Simon made a motion to adopt the meeting minutes as corrected. Duncan seconded the motion that was adopted unanimously.

III. Record Retention Schedule Discussion

Auditor Otto explained that relief association trustees have asked for guidance on the retention of records. Relief associations are defined by statute as “governmental entities,” so their records may be considered “governmental records.” Governmental records can only be destroyed as allowed in an approved record retention schedule or upon the approval of the Records Disposition Panel. The Working Group can work to create a general record retention schedule that, if approved by the Records Disposition Panel, could be adopted by relief associations and allow them to destroy certain types of records. The creation of a record retention schedule shouldn’t require a statutory change. Auditor Otto suggested that a small sub-group be formed to work on this project and that the Office of the State Auditor can help facilitate it. Wallner made a motion to convene a sub-group to work on creating a general record retention schedule for volunteer fire relief associations. Ganfield seconded the motion that was adopted unanimously. Anderson, Ganfield, Legge, and Wallner volunteered to serve on the sub-group.

IV. Exchange Traded Fund Investments

Under current law, relief associations are only authorized to invest in exchange traded funds that invest solely in investments that are directly authorized on the expanded list. Exchange traded funds that invest in “other investments,” such as international bonds, emerging market equity, or venture capital, are not authorized. The Working Group received a request last year to consider a change to allow investment in exchange traded funds that invest in “other investments.” The Working Group was concerned about expanding the investment authority. In addition, any changes to this section of statute would affect the large local public pension plans, as well as the volunteer fire relief associations, so would need support from other affected plans. Auditor Otto said that there are a few other investment-related topics that the Working Group may wish to consider. The Group could decide to focus on investments next year and tackle all of the issues at once. Anderson made a motion to remove the exchange traded fund investment

topic from the agenda this year. Duncan seconded the motion that was adopted unanimously.

V. Rollovers to 401(k) Retirement Plans

Relief associations have authority to rollover a service pension or survivor benefit to an Individual Retirement Account (IRA) at the written request of the retiring member or of the surviving spouse. There isn't authority for benefits to be rolled over to a 401(k) plan. Auditor Otto explained that this topic was brought to the Working Group before. The topic is difficult because any change would affect all Minnesota public pension plans and would require research and communication with the IRS. It was explained that this topic originated out of a concern about fees a member may incur when rolling over a service pension or survivor benefit to an IRA. Martin said that there may be an existing option for relief association members that would accommodate the fee concern. The Minnesota State Retirement System (MSRS) offers a deferred compensation plan, and firefighters may be able to rollover their relief association service pension to the plan. Anderson made a motion to table this topic until additional information about the MSRS deferred compensation plan is obtained. Wallner seconded the motion that was adopted unanimously.

VI. Survivor Benefit/Designated Beneficiary

At the last meeting the Working Group discussed a proposal to change the order of payment for survivor benefits. The Group decided to revisit the topic after getting additional feedback from the monthly and monthly/lump sum combination plans. There was concern that the Working Group proposal could increase costs for the monthly plans if a member designated someone as the beneficiary who would be drawing benefits for a longer period of time than actuarially assumed. The draft language was updated to address this concern by allowing the relief association in its bylaws to limit the duration of monthly benefit payments so that the total distribution doesn't exceed the actuarially-determined value of the member's service pension. There was still concern among the monthly and monthly/lump sum representatives on the Working Group about the proposal. Zikmund suggested inviting trustees from the monthly and monthly/lump sum plans to an informal discussion on this topic before the final Working Group meeting. Zikmund made a motion to move forward with reorganizing the survivor benefit language so that the authorization is separate from the benefit eligibility requirements, and to revisit the substantive order of payment issue at the final Working Group meeting after getting input from the monthly plans. Anderson seconded the motion that was adopted unanimously. Duncan proposed adding a default for lump sum and defined contribution plans so that survivor benefits would be paid to the designated beneficiary, and if no designation to the surviving spouse, and if no designation and no surviving spouse, the benefit would be paid to the estate. The proposal will be revisited at the next Working Group meeting. Anderson seconded the motion that was adopted unanimously.

VII. Contribution Calculations/Payment Requirements

There was no additional information to report on this topic. The topic will be revisited at the next Working Group meeting.

VIII. Other Business

There was no other business.

IX. Next Meeting

Tuesday, December 8, 2009

11 a.m. to 1 p.m.

Office of the State Auditor

X. Adjournment

The meeting was adjourned at 1:00.