

**Minnesota Volunteer Fire Relief Association
Working Group Meeting**

State Capitol

Wednesday, February 19, 2014

11 a.m. to 1 p.m.

- I. Call to Order**
Chair Auditor Otto.

- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft January 22, 2014 Meeting Minutes

- III. Update on Status of Working Group Bill**

- IV. Continuation of Training Discussion**

- V. Other Business**

- VI. Next Meeting**

- VII. Adjournment**

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by February 17, 2014.

Volunteer Fire Relief Association Working Group

Office of the State Auditor
Wednesday, January 22, 2014
11 a.m. to 1 p.m.

Members Present

Steve Donney, City of Harmony Mayor
Dennis Feller, City of Lakeville Finance Director
Dave Ganfield, Apple Valley Fire Relief Association Administrator (defined benefit monthly/lump sum combination plans)
Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)
Larry Martin, Legislative Commission on Pensions and Retirement Director
Rebecca Otto, State Auditor
Mark Rosenblum, Minnesota State Fire Department Association Representative (defined benefit lump sum plans)

Members Excused

Bruce Duncan, Excelsior Fire Relief Association President (defined benefit lump sum plans)
Dave Jaeger, Mahnomon Fire Relief Association Treasurer (defined benefit lump sum plans)
Bruce Roed, Mentor Fire Relief Association Trustee (defined contribution plans)
Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

Others Present

Mary Chamberlain, Abdo, Eick & Meyers Representative
Aaron Dahl, Office of the State Auditor Pension Analyst
Celeste Grant, Deputy State Auditor/General Counsel
Rose Hennessy Allen, Office of the State Auditor Pension Director
Jim Jensen, Office of the State Auditor Pension Analyst
Michael Johnson, Office of the State Auditor Pension Analyst
Mike Luger, Eden Prairie Fire Relief Association Representative
Brian McKnight, Wells Fargo Advisors Representative

The following motions were duly made, seconded and approved:

- RESOLVED to approve the December 18, 2013, Working Group Meeting Minutes;
- RESOLVED to approve language that authorizes a defined contribution plan, through its bylaws, to allow ancillary benefit payments to individuals who are not active or deferred;
- RESOLVED to approve language that clarifies amounts forfeited from defined contribution plan member accounts under the return-to-service law remain forfeited and are not reinstated should the member resume active service and membership;
- RESOLVED to approve language that clarifies all service pensions and ancillary benefits are calculated based on the statute, law, bylaws, and articles of incorporation in effect when the member separates from active service;

- RESOLVED to approve language that clarifies supplemental benefits should be calculated on the lump-sum distribution amount before any deferred interest is added and before any taxes are deducted;
- RESOLVED to approve language that makes technical changes to remove unnecessary wording, correct a statutory citation, and clarify the below-investment-grade bond limit;
- RESOLVED to approve language that clarifies municipalities whose firefighters are full-time firefighters with pension coverage by the PERA Police and Fire plan are not required to file a financial report with the Office of the State Auditor;
- RESOLVED to approve language that updates the definition of “municipality” and clarifies municipal ratification requirements for relief associations affiliated with an independent nonprofit firefighting corporation, joint powers entity, or fire district;
- RESOLVED to approve language to add an inadvertently omitted statutory reference for relief associations affiliated with an independent nonprofit firefighting corporation;
- RESOLVED to approve language that corrects several statutory references that define how relief associations consolidate;
- RESOLVED to approve language that corrects a reference to a relief association’s “board of trustees;”
- RESOLVED to approve language that updates how accountants are referred to in the section of statute that requires relief associations with assets below the audit threshold to have their detailed financial statements certified by an accountant; and
- RESOLVED to approve effective dates for each section of the Working Group bill.

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 December 18, 2013, meeting minutes that had been provided in advance. Feller made a motion to approve the meeting minutes. Donney seconded the motion that then was adopted unanimously.

III. Final Review of Approved Changes

• DC Inactive Member Ancillary Benefits

Auditor Otto explained that the changes authorize a defined contribution plan, through its bylaws, to allow ancillary benefit payments to individuals who are inactive or who have separated before becoming vested. Donney made a motion to approve the language. Feller seconded the motion that then was adopted unanimously.

• DC Account Maintenance for Return to Service Members

The changes correct a conflict between the return-to-service law and the defined contribution plan statutes by making clear that amounts forfeited from member accounts under the return-to-service law remain forfeited and are not reinstated should the member resume active service and membership. Martin recommended a few drafting changes.

Hemstad made a motion to adopt the language as amended. Feller seconded the motion that then was adopted unanimously.

- Pension Calculation Clarification

The changes clarify that all service pensions and ancillary benefits are calculated based on the statute, law, bylaws, and articles of incorporation in effect when the member separates from active service. Ganfield made a motion to adopt the language. Johnston seconded the motion that then was adopted unanimously.

- Supplemental Benefit Technical Change

The changes make clear that the supplemental benefit should be calculated on the lump-sum distribution amount before any deferred interest is added and before any taxes are deducted. Rosenblum made a motion to adopt the language. Hemstad seconded the motion that then was adopted unanimously.

- Technical Changes

Auditor Otto provided descriptions of the three technical changes contained in the Exhibit. The first change deletes the word “qualified” from the term “qualified municipality” that is used in two of the relief association statutes. The word is unnecessary. The second change clarifies that the five-percent portfolio limit on below-investment-grade bonds applies to both domestic and international bonds. The third change corrects a citation within the investment statutes. Martin recommended a drafting change to the below-investment-grade bond language. Rosenblum made a motion to adopt the language as amended. Feller seconded the motion that then was adopted unanimously.

IV. Review of Pending Changes

- Exceptions to Report by Certain Municipalities

The changes make clear that municipalities whose firefighters are full-time firefighters with pension coverage by the PERA Police and Fire plan are not required to file a financial report with the Office of the State Auditor (OSA). To be eligible for this exemption from filing, the municipality’s employer contribution to PERA for its firefighters must equal or exceed the fire state aid received in the most recent prior year. PERA will certify which municipalities are eligible for the exemption. Based on a suggestion by PERA staff, the Group agreed to clarify that the certification must be made annually by PERA to the OSA. Hemstand made a motion to adopt the language as amended. Ganfield seconded the motion that then was adopted unanimously.

- Definition of Municipality

Auditor Otto explained that the intent of the changes is to clarify municipal ratification requirements for relief associations affiliated with an independent nonprofit firefighting corporation, a fire district, or a joint powers entity. Based on the current definition of the term “municipality” that pertains to volunteer fire relief associations, it appears that each

municipality which contracts with an independent nonprofit firefighting corporation, for example, would be required to ratify relief association bylaw changes and deferred interest rates. The Group agreed at its last meeting that the entity responsible for paying any required municipal contribution to the relief association should be the entity responsible for ratifying relief association bylaw changes.

Martin explained that independent nonprofit firefighting corporations were formed before the statutes permitted the creation of joint powers entities. Martin shared his preference for joint powers entities rather than independent nonprofit firefighting corporations, which are an archaic form of government structure. The question of whether the legislature should permit the continued creation of independent nonprofit firefighting corporations will be flagged by Martin as an issue for the Pension Commission's consideration.

The Group discussed differences between the definitions of "municipality" in chapters 69 and 424A. It was agreed that the draft language updating the definition in chapter 424A should be amended to include an American Indian tribal government entity located within a federally recognized American Indian reservation. It was also agreed that the reference to chapter 424A should be struck from the beginning of the chapter 69 definition. Martin recommended reviewing all of the references to "municipality" in the relief association statutes so that any additional clean-up changes could be incorporated into the bill and to avoid any unintended consequences. Grant assured the Group that the references would be reviewed.

Donney made a motion to adopt the draft language as amended. Rosenblum seconded the motion that then was adopted unanimously.

V. Review of Additional Technical Changes

- **Nonprofit Firefighting Corporations Correction**

The change adds a statutory reference that was inadvertently omitted. The reference is to the statute that defines how required contributions for lump-sum plans are calculated. So that the language was drafted correctly, Martin recommended reordering the citations. Feller made a motion to adopt the draft language as amended. Hemstad seconded the motion that then was adopted unanimously.

- **Consolidating Relief Associations Citations**

The changes correct several references in the statutes that define how relief associations consolidate. Hemstad made a motion to adopt the draft language. Feller seconded the motion that then was adopted unanimously.

- **Board of Trustees Reference**

Auditor Otto explained that this change was identified by Ganfield, and updates an out-of-date reference to a relief association's "board of directors," which should instead be to

the association's "board of trustees." Ganfield made a motion to adopt the draft language. Hemstad seconded the motion that then was adopted unanimously.

- Accountant Terminology Update

The change updates how accountants are referred to in the section of statute that requires relief associations with assets below the audit threshold to have their detailed financial statements certified by an accountant. Auditor Otto explained that the terminology is updated to reflect current drafting standards and matches how accountants are referred to in other relief association statutes. Johnston made a motion to adopt the draft language. Ganfield seconded the motion that then was adopted unanimously.

VI. Continuation of Training Discussion

This topic was held over to the next meeting.

VII. Other Business

The Group discussed effective dates for the Working Group bill. The Group agreed that all of the changes should be effective the day following final enactment, except for the "Exceptions to Report by Certain Municipalities" change, which should be effective the day following final enactment and applies to fire state aid payable on October 1, 2014. Hemstad made a motion to adopt the agreed-upon effective dates. Feller seconded the motion that then was adopted unanimously.

VIII. Next Meeting

The Group agreed that an additional meeting should be scheduled in February. Hennessy Allen will contact the Group with possible meeting dates.

IX. Adjournment

The meeting was adjourned shortly after 1:00.