MEETING NOTES

Voluntary Statewide Volunteer Firefighter Retirement Plan Advisory Board

Date: 10/28/09 **Time(s)**: 12:00-2:00 **Location**: PERA Board Room

Members Present
Daniel Greensweig, Township Representative
Rose Hennessy-Allen, State Auditor's Office
Calvin Larson, City Representative
Jeff Nordeen, Firefighter Representative
Jeff Sanborn, Fire Chief Representative
Marty Scheerer, City Representative

Members Excused
Nyle Zikmund, Firefighter Representative

Others Present
Anne Finn, League of MN Cities
Larry Martin, LCPR Staff
Laura Sayles, House DFL Caucus Research
Mary Most Vanek. PERA Staff
Mary Daly, PERA Staff
Dave DeJonge, PERA Staff

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1. **Review and Approval of August 6, 2009 Meeting Minutes**
   Meeting minutes from the August 6, 2009 Advisory Board meeting were approved unanimously.

2. **Review Draft of Proposed Legislation**
   Based on input from the Advisory Board in August, Mr. Martin drafted language to address three issues. Section 1 clarifies that a municipality that joins the statewide plan qualifies to have fire state aid transmitted to the statewide plan without having to file a financial report if PERA certifies compliance by the municipality with 353G.04 and 353G.08. Section 2 provides a base benefit level at which a cost analysis must be prepared when a Defined Contribution relief association requests a cost analysis. Section 3 provides for an alternative pension for those members who were members of a defined contribution relief association that joined the statewide plan and who retire during the initial five years after the former volunteer firefighters relief association retirement coverage was replaced by the statewide retirement plan coverage. Section 4 allows PERA's Board of Trustees to contract with an insurance company to provide disability coverage for statewide retirement plan members. Section 5 clarifies that municipalities must transmit any fire state aid that it receives to the statewide plan if the volunteer firefighters are covered by the plan.

There was considerable discussion about whether or not interest being paid to former defined contribution relief association members who retire before becoming vested in the statewide plan should be paid at 6% or at something less than that. Typically, the interest rate paid on pension disbursements is at a rate less than the assumed investment earnings rate, providing a cushion in case investment returns are less than the assumed rate over that period of time. It was pointed out, however, that fire state aid and municipal contributions coming into the plan on behalf of that firefighter would not be added to his/her account balance if the firefighter retires before becoming vested in the statewide plan, so we have a built-in cushion already. It was also noted that many relief associations pay interest based on actual investment returns, so reducing the interest rate below 6% might be perceived negatively by firefighters.

The draft legislation was approved unanimously.

3. **Interest in the Plan**
   Mr. DeJonge reported on PERA's contact with municipalities and relief associations interested in the statewide plan. He has been in touch with 15-20 entities, and run a cost analysis for nine of those. Three of the nine are for municipalities that do not have an existing relief association. Two have responded that they are not interested in joining the plan at this time because of the risk of future swings in contribution rates and concern that they might have to bring extra cash to the table when transferring assets on December 31st if asset values have fallen between 1/1/09 and 12/31/09. A couple of municipalities have commented that the jump between benefit levels is too large…they would prefer to have smaller benefit level increments. Other board members have heard that the initial $500 benefit level is too high and unaffordable to the smallest groups. They have also heard that entities would like to join the statewide plan at their existing level rather than having to increase the benefit level when joining the plan.

   PERA has an online calculator on their website. The League of Minnesota Cities has an excellent toolkit on their website, and the State Auditor's Office sent out a newsletter with reference to the website, so some entities are kicking tires without speaking directly with PERA staff, making it difficult to assess interest in the plan.

4. **Final Annual Audit**
   Existing statutes require an entity that joins the plan to have one more audit or one more attestation (depending on the value of their assets) and file one more set of financial paperwork to the State Auditor's Office in the year after they join the plan.

The State Auditor's Office reviewed that requirement to see if there was another way to determine that all of the funds in a relief association's special fund were transferred correctly to the statewide plan without having to go through the expense of conducting another audit. Their conclusion was that the statute requires that an entity joining the statewide plan must have a final attestation or audit by an outside CPA, as applicable based on asset value, and all entities should file one more set of financials for the previous calendar year.

5. **Amending 353G.06, Subd. 1, Paragraph (b)**
   This paragraph requires a municipality that is joining the plan to pay the difference between the asset value as of 12/31 of the previous year and the asset value as of the 12/31 when assets are transferred to SBI if the value of the assets has decreased during that time period. The law was written this way because we were concerned that market values could drop substantially (as they did in 2008) and an entity could join the plan in a very unfunded state. Now that we're implementing the statute, some entities (and SBI) have shared some concerns about the provision. First, PERA's cost analysis is done using up-to-date asset values in order for the cost analysis to be as accurate as possible, not on asset values as of the end of the previous calendar year. Second, two municipalities have expressed concern that their up-front costs of joining the plan are unknown until the day they transfer their assets to the statewide plan, unless they move all of their assets into cash. Third, the existing law does not allow an entity to reduce the amount of cash that must be transferred, even if the liability decreases during the year (a firefighter retires, for example). A process is in place to amortize unfunded liabilities over 10 years, but a process is not in place to cover situations when cash outlays are greater than assets available. Mr. Martin will rework this paragraph to cover that greater concern.

6. **Benefit Level Expansion**
   Some entities have said that the steps in between benefit levels are too large. Others have said they would like to join the plan at their existing levels rather than at a higher level. Still others have said the initial $500 level is too high. Rose will provide us with information about the number of entities with existing benefit levels below $500. PERA staff will provide additional information about existing benefit levels along with the amount of state aid received per firefighter. Discussion will continue at our next meeting.

7. **Date of Next Meeting**
   Our next meeting will be Tuesday, December 1st beginning at 11:00.