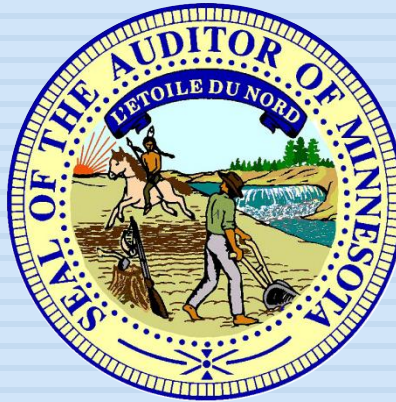


Office of the State Auditor



Volunteer Fire Relief Association Working Group

Legislative Commission on Pensions and Retirement

March 12, 2019

History

- Created in 2004 to bring together various stakeholder groups to address relief association issues and vet legislative changes
- Prior to its creation, LCPR received numerous individual volunteer fire bills each session
- Ultimate goal is to help relief association trustees be successful

Membership

- Meetings are convened and chaired by the State Auditor
- Representatives from the Metro Area and Greater Minnesota
- Representatives from DB and DC plans and from the fire service organizations
- Two municipal representatives
- LCPR staff attend meetings and serve as a resource

2018-2019 Membership

- Steve Donney, City of Harmony Mayor
- Sue Virnig, City of Golden Valley Finance Director
- Thomas Wilson, Eden Prairie VFRA Secretary (DB monthly/lump-sum plan)
- Bruce Hemstad, Bemidji VFRA Secretary (DB lump-sum plan)
- Dave Jaeger, Mahnommen VFRA Vice President (DB lump-sum plan)
- Ron Johnson, Minnesota State Fire Department Association Representative
- Aaron Johnston, Coon Rapids VFRA Treasurer (DC plan)
- Michael Kruse, Falcon Heights VFRA (DC plan)
- Tim O'Neill, Minnesota State Fire Chiefs Association Representative
- Kevin Wall, Lower St. Croix Valley VFRA President (DB lump-sum plan)

Proposals

- Proposals are only forwarded to the LCPR for consideration if they receive unanimous consent by the Working Group
- Meetings are open to the public, meeting documents are posted on the OSA website
- Members of the public regularly attend meetings, including firefighters, investment brokers, accountants, actuaries, and municipal officials

Goals

- Improve recruitment and retention
- Clarify statutes
- Local control wherever possible

Audit Requirements (Section 1)

- Clarifies that audits must be conducted in compliance with generally accepted governmental auditing standards and include a legal compliance audit
- Relief associations with assets or liabilities of at least \$500,000 require an annual audit
- About 40 percent required an audit for the most recent reporting year

Investment Reporting Threshold (Section 2)

- Changes the threshold at which additional investment reporting is required so that relief associations maintain their current reporting requirements
- The Bloomington Fire Department Relief Association, the St. Paul Teachers' Retirement Fund Association, and the SBI are the only entities currently over the threshold

Benefit Levels for Firefighters with a Break in Service (Sections 3 and 5)

- A definition of “break in service” is added to statute
- A change is made so that if a firefighter has a break in service at the end of the firefighter’s career, the benefit level in effect when the firefighter began the break is used to calculate benefits
- Avoids situations where firefighters share in benefit increases when not actively serving

Return to Service (Section 4)

- Technical changes are made to clarify the provision for firefighters who resume active service after a break in service
- Changes are also made that permit a relief association, if it wishes, to define a shorter vesting requirement for firefighters who resume active service after being paid a service pension
- Helps retain firefighters in the fire service

DC Vesting Requirements (Section 6)

- DC plans have been allowed since 2004 to provide full (100%) vesting after 10 years of active service
- The vesting provision is rewritten to make it more clear, and to prohibit a relief association from requiring more than 20 years of active service for full vesting
- About 21% of DC plans currently offer full vesting at 10 years

DB Vesting Requirements (Section 8)

- Makes changes to allow DB plans to also offer full vesting after 10 years of active service
- Change is optional, and viewed by some as a way to retain firefighters
- Many relief associations see firefighters leave after 7 or 8 years, and hope to incentivize them to stay for 10 years with this proposal

Deferred Interest (Sections 7 and 9)

- Makes technical corrections to clarify that interest is credited, rather than paid, during a firefighter's period of deferral
- Interest accrued during a firefighter's period of deferral is paid with the firefighter's service pension, when the firefighter requests a distribution

Supplemental Benefits (Section 10)

- Supplemental benefits are an extra distribution paid with the service pension or benefit, to help offset taxes paid by the firefighter or beneficiary
- Supplemental benefits paid with a service pension or disability benefit are 10% of the distribution, up to a \$1,000 maximum
- Supplemental survivor benefits are 20% of the survivor benefit amount, up to a \$2,000 maximum

Supplemental Benefits (Section 10) - continued

- Currently, only surviving spouses and children qualify for a supplemental survivor benefit
- Provision expands eligibility for supplemental survivor benefits to include designated beneficiaries and estates
- Number of survivor benefit distributions:
 - ▣ 2017: 16, maximum cost to State = \$32,000
 - ▣ 2016: 18, maximum cost to State = \$36,000
 - ▣ 2015: 17, maximum cost to State = \$34,000



Thank you!

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