

MEETING NOTES

Statewide Volunteer Firefighter (SVF) Retirement Plan Advisory Board

Date: 12/7/2012

Time(s): 12:30 – 2:00

Location: PERA Board Room

Members Present

Eric Hedtke, Township Representative
Rose Hennessy Allen, State Auditor's Office
Calvin Larson, City Representative
Jeff Sanborn, Fire Chief Representative
Nyle Zikmund, Firefighter Representative
Jeff Nordeen, Firefighter Representative

Members Excused

Marty Scheerer, City Representative

Others Present

Anne Finn, League of MN Cities
Larry Martin, LCPR Staff
Dave DeJonge, PERA Staff

1. SVF Plan Update

The SVF Plan has seen steady growth since it started 1/1/2010. The number of fire departments that have joined the plan each year since the Plan's inception is as follows:

1/1/2010: 6
1/1/2011: 12
1/1/2012: 17
1/1/2013: 28

As of January 1, 2013 the plan will include 63 fire departments.

The plan received a favorable IRS determination letter, so we are now able to process direct rollovers.

Investment performance for the past 3 years is as follows:

Calendar year 2010: 12.3%
Calendar year 2011: 1.1%
Calendar year 2012 (through November): 10.5%

SBI has put a new process in place for receiving assets. Instead of having fire departments wire their assets on December 31st, SBI has asked fire departments to transfer their assets earlier in December into one of SBI's investment accounts. Fire departments will receive any investment income that is earned prior to December 31st. On December 31st, SBI will transfer the assets to State Street in each fire department's SVF account. In the past, the amount that was expected to be transferred on December 31st did not always match what was actually transferred, which led to problems with State Street.

2. Benefit Level Changes

A few municipalities and firefighters have asked whether or not it's possible for municipalities to decrease the benefit level once a fire department has joined the SVF plan. Existing law allows for increases in benefit levels, but not decreases. The question for the Advisory Board is: Should we allow for decreases in benefit levels once a fire department joins the SVF plan?

Existing relief association statutes do not allow a municipality to lower a benefit level once they have approved a specific benefit level. Relief associations can increase benefit levels without receiving municipality ratification, and can also reduce benefit levels, but only to the level last ratified by the municipality.

The Advisory Board decided not to make a change. Municipalities should be making a conscience decision to fund the plan at a specific level as a tool for recruitment and retention. Once making that commitment, they should not be allowed to lower their level of support. It may also be difficult legally to decrease benefit levels once a certain benefit has been promised.

3. Cost Analysis Response Period

SVF plan provisions allow a municipality 90 days to decide whether or not to join the SVF once receiving a cost analysis. This year we had to update 7 cost analysis because the municipality wasn't able to pass the resolution within 90 days. The question for the Advisory Board is: Should we increase the response period to 120 days?

Nyle Zikmund moved and Cal Larson seconded a motion to extend the response period to 120 days. The motion was passed unanimously. Larry Martin will draft legislation.

4. Survivor Benefits

Survivor benefits provided by the SVF plan are lower than survivor benefits offered by relief associations. Minnesota Statute 424A.02 states that survivor benefits must be calculated without regard to whether the member had attained the minimum amount of service credits to be vested. The question for the advisory board is whether we should provide a minimum survivor benefit equivalent to the minimum amount required by relief associations.

This question brought up a bigger question...what happens when we make a change in benefit provisions that affect everyone? Does every entity need to approve the change? That is easier to do now (with 63 fire departments) than it will be in the future. It was decided that we will attempt to keep the plan simple and minimize the number of changes we make to the plan.

Nyle Zikmund made a motion, seconded by Jeff Nordeen, that PERA would put together a summary explanation of making a change to survivor benefits by allowing survivors to receive benefits equal to the earned benefit of the member without regard to whether the member had attained 5 years necessary to be vested. PERA will also put together a draft resolution and request that municipalities sign the new resolution. If all 63 entities sign the resolution, we will introduce legislation to make the change. The motion passed unanimously.

5. Disability Benefits

The Advisory Board asked PERA staff at our last meeting to explore insurance companies that provide disability benefits to groups like the SVF. We were not successful in finding an insurance company that had such a program in place, but a couple of them said we could put together a package recommendation, and they would provide us with bids. Prudential offered to extend their life insurance program (currently available to PERA members) to SVF participants, but the plan has very limited disability coverage and costs \$17 per month.

It was decided that municipalities could offer disability benefits, either through the Volunteer Firefighters' Benefit Association (for \$7 per year) or through their own insurance companies, and that we will not offer disability benefits directly through the SVF Plan.

6. Monthly Annuity Plans

Nyle Zikmund asked if we would be interested in opening up the SVF plan to those fire departments that pay monthly annuities. There are 8 fire departments that have such plans, plus an additional 14 plans that have a combination of monthly and lump sum benefits. Administering such plans would be much more expensive since we would need to have an actuary review the plan at least once every two years. Because of that, we would want to keep such plans separate from our lump sum plans. It was suggested that perhaps it would be easier to merge such a plan into PERA's Police & Fire Plan. If interested, Nyle will send bylaws to Dave to be reviewed, and we will discuss options with Mary Vanek.