

# **QUESTIONS and CONCERNS ABOUT PROPOSED VOLUNTARY STATEWIDE LUMP SUM FIREFIGHTER RETIREMENT PLAN**

**Prepared by  
Dave Ganfield  
1/10/2008**

By now we have had an opportunity to see the DRAFT language for the Voluntary Statewide Lump Sum Volunteer Firefighter Retirement Plan (VLSFRP).

**Many have had questions and concerns and I will attempt to identify some of them.**

## **SEE DRAFT LEGISLATION AT**

[http://msvfa.org/publications/pub\\_draft\\_statewide\\_vol\\_pension\\_legislation2008.pdf](http://msvfa.org/publications/pub_draft_statewide_vol_pension_legislation2008.pdf)

## **BACKGROUND**

**See Briefing Paper prepared by Nyle Zikmund, November 20, 2007.**

[http://msvfa.org/publications/2008-Statewide\\_Pension\\_Plan\\_Briefing\\_Paper.pdf](http://msvfa.org/publications/2008-Statewide_Pension_Plan_Briefing_Paper.pdf)

Additional Facts;

1. MNFAC prompted Legislative Audit Commission to get the Office of the Legislative Auditor (OLA) to write OLA Evaluation
2. OLA Evaluation Study recommended that all RA's be forced into SBI by legislature due to poor investment returns relative to SBI.
3. OLA testified at LCPR hearing on 12/6/07 that 28 out of 700 plans or 4% beat SBI.
4. OLA testified at LCPR hearing on 12/6/07 that 41% of Relief Associations (RA's) never heard of SBI.
5. OLA testified at LCPR hearing on 12/6/07 that 5% or less of RA's and local municipalities thought that forcing RA's into SBI was a good idea.
6. A temporary work group of five people was put together by MSFCA and MSFDA (presidents West and Winkel) to draft language for the volunteer statewide plan. The people on the group were Dan Winkel (Andover), Tom May (Andover), Nyle Zikmund (Spring Lake Park), Jim Hansen (Spring Lake Park), Keith Stunek (Brainerd).
7. The language was submitted to LCPR to put into draft bill.

**Other issues;**

1. Issue has been broken down by some to: If we do nothing the legislature will do something to smaller or all RA's to "fix the problem" If we pass this optional plan the legislature will leave us alone.
2. Couldn't the fire service organizations do a better job of helping RA's so we don't have to mess with the legislature?
3. In concept the idea seems okay - it is just another option. However, where will money come from to pay for plan?
4. Will the fire service lose some form of income to pay for this plan?
5. Will all RA's one day be forced into something they do not like? Even though it is described as a voluntary plan, seat belts were once voluntary also.
6. Work Group would gauge support of bill as bill goes through process this session. If they receive too many comments against bill, it will not go forward.
7. What if the plan is established and not enough RA's join? Will the state disband the fund or make everyone join?

**I want you to know that I don't have a dog in this fight. The relief association I am the administrator for is a combination monthly/lump sum with benefits above those stated in the bill. Dave Ganfield**

I have heard from many Relief Associations (RA's) that have benefits above those in the bill that they are definitely not interested in participation in the VLSFRP and we (Apple Valley) are one of them.

However, they are concerned that a future legislature could change voluntary to mandatory. We must all remember that seat belts were once voluntary.

It is true that the number of RA's that would be screaming to their legislator if they ever considered making it mandatory would most likely kill any attempt. But do we really want to take that chance.

Overall, I see this as an OK bill with changes to some of the sections as I describe later. It would be for the smaller RA's that are under \$300,000. It would give complete control to the state for the FF benefits of anyone in the plan.

The FD would still need to maintain and furnish information on each FF. One of my main concerns is any RA that joins the plan is giving away something that their members currently have control over. If you disagree with the state on what your benefits are or information that has been provided to them, what do you do? Examples would include; response numbers reported to the SFM, FF service time, leave of absence (LOA) issues, divorce issues, etc.

As someone who has spent thousands of dollars, many years and currently still dealing with the state on pension issues in my own case, I can assure you it is extremely difficult. I would admit that any disagreement would not be the norm, but what if that case was yours?

Volunteer Firefighters RA's have a great plan that was developed over the years by our former fire service leaders who had the foresight to establish this benefit for volunteer FF's in Minnesota. From my experiences of meeting with other state fire associations from around the country we are one of the few, if not the only state, that have a retirement plan for our volunteer FF's. Other states are fighting to get something like we have for their FF's and we have some RA's considering giving control of this benefit away to the state.

Efforts have been made for significant changes to make state reporting for RA's easier over the past few years and still continues under the guidance of the State Auditor Volunteer FF Relief Assn. Working Group. Auditor Otto has promised to continue this group to work for the benefit of the RA's. I have been proud to serve on this panel.

RA's most common complaints are of too much reporting and the disability of making any gains in their benefits. The reporting is a fact of life in order to receive state funds. It is similar to the Fire Act Grants. Forms need to be completed in order to receive funds. RA Board members either need to learn to do this or hire someone else to. In our case we have the auditor we hire also do all of the state reports. This assures continuity even if every one of the Board members changes. If this bill passes, reporting is still necessary by the fund. It is estimated that \$10M-\$15M is necessary for administration. This would come from the fund if not appropriated.

As far as the disability for RA's to increase benefits, most often it is due to the fact that the municipality does not make any financial contribution. If the bill passes and the RA joins the plan the municipality will be required to make an annual contribution and in some cases may need to make an additional contribution to cover any shortfall. The municipalities must be made very aware that they are on the hook for regular contributions and for any shortfalls.

RA's could use the plan as an example that if the municipality would make annual contributions to their RA they could improve benefits for their FF's. The difference is that it could be negotiated with the municipality and would not be necessary to be due by June 15<sup>th</sup> of each year but by year end. In years that the municipality may have budget difficulties, the contribution could be reduced or re-negotiated. Once the municipality starts to have a RA contribution as a regular budget item it is easier to plan for and continually make an annual contribution to the RA.

A Relief Association (RA) that does this and gets increased municipal contributions without joining the VLSFRP would be able to continually increase benefits and possibly one day get above the \$4,000 ceiling in the bill. The RA would simply need a bylaw change, with approval by the municipality, to do this. A RA that is in the VLSFRP would require a law change to establish new benefit levels. A bylaw change is much, much easier to do.

In conclusion, it is up to each RA to at least look at the bill.

- Is this something that would be of benefit to your RA? You need to carefully consider whether the benefits outweigh the risk.
- From my past experiences, to give something up that many before you worked so hard to get is not even an option. RA's need to remember that if you join the VLSFRP there is no going back. You are in forever.
- RA's can use this information as a tool to influence their municipality into annual contributions.
- The Office of the State Auditor is actively making improvements in the required reporting. New forms will even be pre-loaded with information relating to your specific RA.
- This is something that all RA's should consider in cooperation with their municipality. This could open doors for better communication between RA's and municipalities.
- In cases where a RA feels overwhelmed and they need to find a way to get rid of the responsibility of operating their RA, there are resources available to assist and educate members of their RA.

### **Some concerns and questions by line item through the bill;**

2.9 – 2.10 This section of the definitions identifies the "Executive director" as the executive director of the MN State Retirement System (MSRS). When Nyle was asked about this fact, he stated that the executive director would be appointed and that the MSRS would do the administrative duties. He also said that others, such as PERA may be interested in performing the administration duties. References are made to the executive director many times in the bill (4.14, 5.17, 6.18, 6.21 and so on). If it is not the executive director of MSRS has defined, who is it?

2.21 – 2.24 Identifies "MN fire incident report" as the report to the MN State Fire Marshal. This is what the run numbers will be determined by. Nyle stated that these numbers had some errors and anomalies that need to be worked out. What if there is a discrepancy?

3.4 – 3.8 "Service credit" will be certified by the fire chief. What if the FF does not agree with the numbers from the chief? Can the FF appeal the numbers? No appeal process is outlined anywhere in the bill on behalf of the FF.

- 3.26 – 3.31 The most recent fire department roster, does this include deferred members?
- 4.7 approval can be by the relief only, should be by both the relief and the municipality. or upon a majority vote should be and upon a majority vote.
- 4.23 – 4.24 *with the beneficial title to the assets of the special fund remaining in the applicable volunteer firefighters.* What does this mean? Needs to be clarified.
- 4.25 – 4.30 If the market value of the special fund under this chapter declines, the applicable municipality shall transfer an additional amount to the SBI equal to that decline. The municipalities must be made very aware that they are on the hook for any shortfalls.
- 5.18 – 5.25 Describes members from towns under 5,000, between 5,000 – 9,000, 9,001 – 19,999 and greater than 20,000. it would seem that most of these relief's that may be interested are most like from towns between 500 to 3,000. Shouldn't membership be determined more accurately by who joins the fund?
- 7.10 Is this referring to the statewide volunteer firefighter retirement fund established in 13.20? If so it should be named as such.
- 7.13 – 7.14 States that a portion of the fund may be transferred to the MN post retirement investment fund under section 11A.18. 13.30 – 13.31 states the statewide volunteer firefighter fund is not authorized to participate in the MN post retirement investment fund. Which is it?
- 7.33 – 7.34 The SFM shall calculate the three-year average number of calls to which each fire department responded. Does this include medicals, nuisance calls, etc.? What if the fire department feels they had more calls? How would the appeal process work?
- 8.10 – 8.25 These blanks may or may not be filled before implementation of the law. It would need to know who was interested in joining.
- 8.29 – 8.30 *or if the municipality has designated a later volunteer firefighter minimum retirement age by governing resolution.* Does this mean that the municipality could change to say age 55 or even 60 and no one could receive benefits till then? Some may say this could never happen but can not say for certain.
- 9.28 – 9.29 See 8.29
- 10.26 Describes surviving child or children. Does this include any age or only minors?
- 12.1 – 12.3 “survivor” means minor child or children. Which is it? See 10.26.
- 12.9 – 12.12 Describes “deferred volunteer firefighter”. Somewhere needs to add language about not yet turning age 50.
- 13.30 – 13.31 See 7.13 – 7.17.
- 14.17 – 14.19 The municipalities must be made very aware that they are on the hook for any shortfalls.
- 14.25 – 14.29 The municipalities must be made very aware that they are on the hook for any shortfalls.
- 14.33 – 14.35 The municipalities must be made very aware that they are on the hook for any shortfalls.

15.16 The municipalities must be made very aware that they are on the hook for any shortfalls. There is no changing this date such as the municipalities have currently. The contribution is due by year end.

15.20 – 15.21 The municipalities must be made very aware that they are on the hook for any shortfalls.

15.29 Estimated at \$10M-\$15M needed. What if funding is not appropriated?

17.32 Name should be consistent in statute. “voluntary statewide volunteer firefighter retirement plan” should be the same as 1.13 “voluntary statewide *lump sum* volunteer firefighter retirement plan”

18.2 See 17.32

18.7 See 17.32

19.7 See 17.32

20.7 See 17.32

20.14 See 17.32

21.17 See 17.32

21.28 See 17.32

21.32 See 17.32

22.1 See 17.32

22.8 Name should be the same as 13.20, Sec. 11, subd.1, statewide retirement fund should be statewide *volunteer firefighter* retirement fund

22.14 See 17.32

22.23 See 17.32

23.21 See 17.32