



**INTERNATIONAL ASSOCIATION OF FIRE FIGHTERS AFL-CIO, CLC**

# **STANDING STRONG**

**52ND CONVENTION • CINCINNATI, OH • JULY 14-18, 2014**



**IAFF Financial Corporation Report**



# IAFF Financial Corporation Report

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This year marks the 12th year of operations for your IAFF Financial Corporation (IAFF-FC). Along the way, we have had many successes. IAFF members can be proud to call the IAFF-FC their own. Not only has the IAFF-FC built a strong lineup of financial services and programs, it has created several exciting new initiatives in the past two years.

As the economic recovery from the worst recession since the Great Depression continues its slow but steady improvement, the IAFF-FC has identified some critical areas of growth and innovation in its business plan. The first is to provide IAFF members in the United States with a worker-friendly solution to banking services. Rather than banking with some of the same institutions that contributed to the financial meltdown of 2008, the IAFF-FC now provides banking services through Amalgamated Bank, a majority union-owned bank. IAFF members in the United States who do not have access to a fire fighter credit union now have a bank that will be responsive to the needs of the everyday working person. IAFF members have already benefited from Amalgamated Bank's commitment to distressed municipality lending tied to a component of public sector worker security initiatives.

In addition, due to the financial success of the IAFF-FC, it has the resources to fund E-18 Media, LLC, wholly owned and operated by the IAFF-FC. The IAFF-FC Board of Directors authorized an overall investment of \$650,000 to purchase Sun Mountain Media and hire its employees, equip a first class video production studio in the lower lobby of the IAFF headquarters building and begin operations. The IAFF is renting the studio space to the IAFF-FC at a rate that reimburses the IAFF over a three-year period.

The IAFF-FC has returned a revenue stream of more than \$2.66 million to the IAFF through contracted services provided by the IAFF and sponsorships of IAFF events. In Fiscal Year 2014 alone, an additional \$931,000 will bring the total revenue to \$3.6 million.

The IAFF-FC continues to be run in a cost efficient manner under the direction of its Chief Operating Officer Carrie Tucker, who has worked to grow the Corporation effectively and efficiently over the past 12 years. The IAFF-FC Board of Directors is comprised of IAFF District Vice Presidents and others, none of whom receive any compensation for their service as Directors and who provide the guidance and oversight of the IAFF-FC's goals, products and activities.

## E-18 MEDIA, LLC

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### ■ Acquisition

The acquisition agreement for Sun Mountain Media was finalized on November 4, 2013, with the IAFF-FC paying Martin Sonnenberg \$200,000 for all of Sun Mountain's production, broadcast and electronic equipment to become fully owned by and the assets of E-18 Media. In addition, the acquisition agreement provided that all four Sun Mountain employees (Marty Sonnenberg, Erin Hart, Neal Sonnenberg and Kelsey Pace) would begin work as E-18 Media employees effective October 1,

2013. As employees of E-18 Media, each was given an increase in salary over the salary from Sun Mountain, health benefits for themselves and their dependents, participation in the IAFF Defined Benefit Pension Plan, access to a 401K plan with employer match and the same vacation and sick leave afforded employees of the IAFF and IAFF-FC.

After the acquisition, the \$450,000 remaining was used to fully equip the studio and begin E-18 Media operations.

### ■ Studio Equipment

The initial estimates for studio equipment, sets, lighting, upgraded editing equipment and additional central storage totaled \$425,000 – on track for equipping the studio. As of May 2, 2014, expenses total \$382,000.

### ■ Studio Construction

The original cost estimate for the studio build-out was \$365,000, plus \$18,000 for the architectural services, for a total cost of \$383,000. The final cost of the studio build-out was \$355,155, plus \$17,907 for architectural services, for a final total of \$373,062.

As originally agreed, the IAFF paid up front for the total build-out costs, with the IAFF-FC renting the studio facility space from the IAFF at the rate of \$1,200 per month (cost of the studio space) and paying the IAFF an additional \$10,362 per month (which represents a three-year recapture for the IAFF of the build-out costs) for a total monthly rent of \$11,562. The IAFF-FC in turn rents the studio space to E-18 Media for \$1,200 per month.

### ■ Operations

E-18 Media officially began operations on October 1, 2013. Since then, E-18 Media has supported 23 completed IAFF media projects, with another nine in progress. In addition, the E-18 Media team will complete an estimated \$150,000 in grant funded projects over the next 12 months.

Currently, more than \$30,000 has been spent for affiliates' Fighting Back campaigns, with a total outlay of \$550 by affiliates.

In addition, E-18 Media has continued to bring in outside clients, and it is anticipated that by the end of Fiscal Year 2014, outside business will drive almost \$298,000 in revenue to E-18 Media.

## CANADIAN PROGRAMS

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IAFF members in Canada have had access to a Group Rate Home and Auto Insurance plan through TD Insurance for the last 10 years. However, over the past two years, the number of IAFF member policies in Canada has grown to 7,139 – a 42 percent increase over the previous two-year period. TD Insurance has been actively supporting Canadian affiliates in their charitable fundraising events, and will continue to do so throughout the coming years. In 2012, the IAFF-FC entered a new five-year contract with TD Insurance, providing a total of \$192,000 in

revenue between 2012 and 2014. In addition, this program has an astonishing client retention rate of 94.9 percent, a great indication that IAFF members find value in this program year after year.

In addition, Canadian members have a full line of insurance products underwritten by RBC Insurance. The program includes Individual- Term Life, Universal Life, Disability and Long- Term Care Insurance.

## AUTO AND HOME INSURANCE

As of 2014, the IAFF-FC has worked with Liberty Mutual for 10 years to provide quality Home and Auto Insurance to IAFF members in the United States. This is another story of a steady growth program in which approximately 80 percent of IAFF members can save money on Home and Auto Insurance.

The number of new policies has grown by 9 percent over the two-year period for a total of 15,790 active policies. This continuous growth is made possible because of the commitment of Liberty Mutual agents across the country who build relationships with Affiliates and provide local communities fire safety education programs and help with charitable events. Liberty Mutual has a wide variety of fire safety education materials available to IAFF Affiliates, and many have taken advantage of this opportunity to increase community awareness in conjunction with one of the best insurance companies in the United States.

## FRONTLINE DEFERRED COMPENSATION PROGRAM

Through the IAFF-FC FrontLine Deferred Compensation Plan, IAFF members have invested more than \$3.33 billion in supplemental retirement assets and in pre-funding retirement health care costs. Nationwide Retirement Solutions administers both of these plans and pays the IAFF-FC a flat royalty payment for the use of the IAFF-FC logo and its trademarks. As of 2014, the IAFF-FC is in the third year of a six-year contract with Nationwide Retirement Solutions, for an annual \$1.35 million in royalties to the IAFF-FC. In addition, Nationwide has committed to donate \$100,000 annually to the IAFF Charitable Foundation.

It is critical that IAFF members have access to quality service and education available through the FrontLine Deferred Compensation Plan. One of the most important reasons that the IAFF-FC selected Nationwide Retirement Solutions as an administrator is because it has 350 dedicated professionals in place across the country available to educate and to provide excellent service to IAFF members.

IAFF-FC/NRS FrontLine Program				
	3/31/2014	2012-2014 Growth	2010-2012 Growth	2008-2010 Growth
# of Active Cases	1,718	35%	4%	11%
Participants	69,612	15%	11%	11%
DROP Assets	\$169,333,569	49%	63%	16%
Total Assets	\$3,332,981,297	35%	39%	12%

The table above illustrates the growth rate for the period 4/30/12 to 3/31/14. As shown, the program experienced a very large jump in new plans after a two-year period of very slow growth from 2010-2012. It is clear that with improvements in the economic situation, plan sponsors are again willing to make changes to existing providers and add new options for their employees. With the new plans come new participants who typically have low balances at the beginning of their careers. As the plans mature and the participants grow their accounts, continued growth in total assets can be expected over time.

## HOME MORTGAGE PROGRAM

The IAFF-FC Home Mortgage/Refinance program, offered by Nationwide Advantage Mortgage, is now in its ninth year of providing members and their families with excellent service and savings on streamlined, low-cost home purchases and refinances. As of May 2014, more than \$314 million in home loans have been funded for IAFF families. Real estate markets have rebounded in many areas, allowing most existing homeowners to refinance to a better rate or at least recover some of the equity lost during the bust. Interest rates continue to be at historically low levels, and IAFF members can continue to use the IAFF-FC Mortgage program as a place to gain knowledge and unbiased assistance with the mortgage process.

## INSURANCE DIVISION PROGRAMS

The IAFF-FC Insurance Division is an ever- evolving area based on what IAFF members and their families need. Most members have or know someone locally who can sell term life, whole life or disability insurance. Over time, by providing low-cost group term life insurance, group dental and vision plans where needed and retiree health insurance, the IAFF-FC has served a small group of IAFF Affiliates and members who need access to these products.

### ■ Commercial Insurance

As requested by a large number of affiliates, the IAFF-FC developed a commercial insurance program to assist with cost-effective access to additional bonding coverage and all necessary insurance policies to keep their organizations safe and protected as they go about the business of working for our members. Examples of the types of coverage available include bonding, general liability, workers compensation, commercial auto, umbrella liability and errors and omissions. This program continues to grow and even serves several members who have their own small business enterprises.

## LOOKING FORWARD

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### ■ IAFF-FC Task Force

Over the past 10 years, the IAFF-FC has successfully worked with Nationwide Retirement Solutions to build a \$3.3 billion Deferred compensation program. The IAFF-FC is looking to grow those total assets further, while at the same time providing the best quality program for the IAFF members these plans serve and those the IAFF-FC hopes to serve.

It is time to dive deeper into that competitive 457 plan market and provide additional training and support for IAFF Affiliate leaders who may not have had the time, staff or resources to dedicate to evaluating and improving the deferred compensation plans available to their members.

To that end, the IAFF-FC has developed a task force of four individuals: Bryan Jefferies, Pete Gorraiz, Joe Hester and Don Jongewaard. These four individuals will be working in conjunction with Mike Galloway of Public Safety Financial to educate IAFF leaders across the country on how to better prepare their members for retirement. This includes implementing and making available advice to individual members on DROP rollovers, 457 investments and retirement options through Public Safety Financial.

At the same time, this task force will be developing learning tools to educate IAFF leaders across the country on their 457 plans, financial terminology, fees and other issues to help them become better advocates for implementing quality supplemental retirement plans in their jurisdictions.

A key focus in the next two years will be for the IAFF-FC to continue to grow the Auto and Home Insurance programs in both the United States and Canada. If an IAFF member can save money on a necessary coverage, and Affiliates can benefit from the additional community education resources of the provider, then that is a winning combination and everyone needs to participate.

In addition, promoting a quality banking service offered through a majority union-owned bank is another area of focus. The IAFF-FC believes that the financial education offered through the bank and through its deferred compensation program will allow IAFF members and their families to be better consumers of financial services going forward.



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