

November 18, 1991
Room 5, State Office Building

1st Meeting



VOLUNTEER FIREFIGHTER SUBCOMMITTEE

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Rep. Leo Reding, Chair of the Legislative Commission on Pensions and Retirement, called the meeting to order at 7:10 P.M. (Senator Stumpf, Chair of the Subcommittee, was absent due to attending a funeral.)

Subcommittee members present:

Representatives Richard Jefferson, Gerald Knickerbocker, and Leo Reding
Senators Earl Renneke and Gene Waldorf (Sen. Gene Merriam also attended this meeting)

Review of Current Regulation and Condition of Minnesota Volunteer Firefighter Relief Associations.

Lawrence A. Martin, LCPR Executive Director, briefly reviewed the background information provided for members. Mr. Martin then reviewed the first staff memo regarding the Structure and Organization of Volunteer Firefighters Relief Associations. He stated that volunteer firefighter relief associations in Minnesota are required to be nonprofit corporations and that they have two funds, the special fund and the general fund. The special fund receives all state or local tax revenue and pays benefits. The general fund can receive non-public money and can spend the money as authorized by the relief association Articles of Incorporation or bylaws.

Rep. Knickerbocker questioned whether all areas of Minnesota have firefighter coverage. Mr. Martin responded that not every jurisdiction has a fire department. There are more than 700 firetowns, not every firetown has a fire department, and not every fire department has a relief association. Discussion followed.

Sen. Renneke questioned whether the special and general funds are the only funds the relief associations have. Mr. Martin responded that the two funds are the only funds the relief association may have but there may be sub-categories of the general fund.

Mr. Martin reviewed the second staff memo regarding the Membership and Coverage of Volunteer Firefighters Relief Associations. Mr. Martin stated that the memo covers those who are included or excluded from membership in volunteer firefighter relief associations. He stated that state law is not specific as to who may be a member of a volunteer firefighter relief association. He knew of only one definition of the term volunteer firefighter within various pension laws and that was in PERA law and had to do with an exclusion of volunteer firefighters from PERA coverage.

Rep. Reding questioned the accident and health insurance column which he noticed on page 14 of the State Auditor's Compilation. Gus Welter responded that coverage is authorized by law from the Volunteer Firefighters Benefit Association, a small mutual company which provides limited coverage for on duty incidents only. This coverage is paid for out of the general fund of the relief association and not the special fund.

Sen. Renneke questioned the duties other than firefighter service referred to in the staff memo and asked for clarification. Mr. Martin responded that if the fire department sponsors an ambulance service then members who provide that service can be members of the relief association. Gus Welter stated that generally, the member must be trained as a firefighter and the member's first duty is to the fire department, ambulance service is in addition to firefighter service. Mr. Welter further stated that it was his understanding that the Volunteer Ambulance Service Plan does not permit coverage for people who are members of a volunteer firefighters relief association.

Mr. Martin reviewed the third staff memo regarding Benefit Coverage Provided to Volunteer Firefighters. He stated that Minnesota statutes for volunteer firefighters specify only the

minimum eligibility requirements and maximum benefits. The articles of incorporation or bylaws of each plan set the plans specifics. In 1989 a bill was passed which provided a 40% benefit with five years of service up to a 100% benefit with 20 years of service if the volunteer firefighters relief association changed its bylaws to permit this change. Mr. Martin also noted that in 1979, Minnesota statutes provided a service pension maximum on a sliding scale basis dependent on the financial condition of the volunteer firefighters relief association.

Rep. Knickerbocker questioned how many volunteer firefighter relief associations can provide a benefit increase without local approval. Mr. Martin stated that under the 1971 Volunteer Firefighter Relief Association Financing Guidelines Act a plan better than 100% funded could increase benefits to some degree without local approval and approximately 50% of the relief associations qualify under the 1971 authorization. Discussion followed.

Edward Burek, LCPR Deputy Executive Director, reviewed the fourth staff memo regarding the Two Percent Insurance Tax Fire Aid, Background and Distribution. The fire state aid system was established at 1/2% in 1885 and in 1903 was increased to the 2% current tax rate. In the 1991 tax bill, distribution of aid changed from half on population and half on net tax capacity to half on population and half on full market value. Discussion followed.

Lawrence Martin reviewed the fifth staff memo regarding Determining the Financial Requirements of a Volunteer Firefighter Relief Association. He stated that the Guidelines Act of 1971 governs the calculation of the actuarial accrued liability, the funding requirements of the volunteer firefighter plans, the municipalities minimum funding obligation, the municipalities requirement to ratify relief association amendments, and the investment of special fund assets. Mr. Martin noted that a volunteer firefighter relief association that pays monthly benefits must have quadrennial actuarial valuations performed. Mr. Martin reviewed a hypothetical calculation of the actuarial accrued liability and annual funding requirements under Minnesota statutes for a volunteer firefighter relief association. Discussion followed.

Edward Burek reviewed the sixth staff memo regarding Fiduciary Obligations of Volunteer Firefighter Relief Association Administrators. He stated that the memo summarized the fiduciary duties and requirements in Minnesota Statutes, Chapter 356A passed in 1989. Mr. Burek noted that relief associations are either limited list or expanded list associations. Plans with \$1 million or more in assets or smaller plans that use professional investment advisors are expanded list associations and all other associations are limited list associations. Mr. Burek continued with his review. Rep. Reding stated a concern that administrators have a fiduciary responsibility to their members, but if there is an unfunded actuarial liability, the local taxpayers need to provide the additional money.

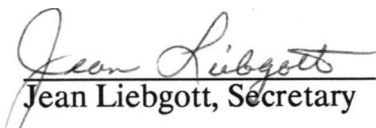
Rep. Knickerbocker questioned whether there is a concern about the limited and expanded lists of investments. The response was negative.

Robert Wetherille, MN State Fire Department Association, made a number of comments regarding the information previously discussed. He stated that Hermantown fire department is a private nonprofit corporation and therefore does not have a right to a tax levy. He further noted that generally relief associations that have a surplus still get municipal approval for benefit increases since if the municipality approves the benefit increase the municipality will need to fund the benefit increase if the surplus is eliminated. He stated that the ex-officio members of the relief association boards very seldom attend meetings and some do not even know they are board members.

Rep. Reding stated that he is concerned that the amount of state aid provided seems to determine the benefit level for volunteer firefighter relief association members. He is also concerned about relief associations and municipalities that grant benefit increases that exceed the maximum amount allowable. This is a violation of state law.

Joe Zappa requested an opportunity to offer testimony at the next meeting. Rep. Reding assured him he would have an opportunity.

The meeting adjourned at 9:20 P.M.


Jean Lieb Gott, Secretary