

November 19, 1991
Room 5, State Office Building

2nd Meeting



VOLUNTEER FIREFIGHTER SUBCOMMITTEE

LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

MINUTES

Senator Leroy Stumpf, Chair of the Volunteer Firefighter Subcommittee, called the meeting to order at 9:25 A.M.

Subcommittee members present:

Representatives Richard Jefferson, Gerald Knickerbocker, and Leo Reding
Senators Earl Renneke and Leroy Stumpf

Testimony from Interested Parties Regarding Proposed or Potential Changes in the Regulation of Minnesota Volunteer Firefighters Relief Associations.

Henry Ciaciura, resident of Lexington, testified that in 1988, Lexington volunteer firefighter benefits were increased by 80% from \$500 to \$900. This benefit increase caused a 1988 unfunded liability of \$99,000. He testified that pulltab gambling is a major source of revenue for the Lexington volunteer firefighters. Mr. Ciaciura stated that the city's contract with the fire department does not provide for the 30 year maximum service credit benefit specified at the state level in the audit of the city. He stated that a 30 year benefit would be \$27,000 but without that provision, a firefighter could serve for 46 years and receive a \$41,400 pension benefit. Mr. Ciaciura testified that the sole source of the pension benefit funding was coming from pulltab gambling operations. He is concerned that with the benefit level the volunteer pension fund has, if the state disallowed pulltab gambling in 1993, the taxpayers would have to cover the benefits for a grossly underfunded pension plan. He questioned whether the city and volunteer fire fund are laundering pulltab money by depositing the money in the city general fund then into the volunteer fire general and/or special fund. Questions and discussion followed.

Lawrence Martin LCPR Executive Director, referred members to Minnesota Statutes, Section 424A.06 on page 23 of the compilation of the various laws governing volunteer fire plans. This law governs the volunteer fire relief association general fund and specifies authorized uses of the general fund and also provides that general fund money may be spent for any purpose authorized by the articles of incorporation or bylaws of the relief association. Discussion followed.

Edward Burek, LCPR Deputy Executive Director, referred members to Minnesota Statutes, Chapter 349, which covers the lawful gambling provisions. Mr. Burek stated that the purposes for which lawful gambling money can be used are detailed in the definition section of that chapter. Discussion followed.

Sen. Renneke questioned whether the Guidelines Act specifies what money a municipality can use to make contributions to the special fund of a relief association. Lawrence Martin responded that the Guidelines Act only specifies that the municipality must contribute the amount necessary to meet the financial requirements of the relief association special fund that exceed the amount of fire state aid the municipality receives. Discussion followed.

Rep. Knickerbocker asked whether staff had information on how many relief associations are involved in charitable gambling. The response was negative. He stated that the Commission may have to take the initiative with regard to relief associations and charitable gambling. Discussion followed.

Gus Welter, Minnesota State Fire Department Association, testified that a municipality cannot make contributions to the general fund of a relief association the municipality may only make contributions to the special fund.

Stan Peskar, League of Minnesota Cities, responded to a question about the number of cities using charitable gambling revenues. He stated that he did not have an accurate number. Mr. Peskar further stated that a number of relief associations that are non-profit corporations operate gambling programs and allocate some of the proceeds to their general fund and special fund. Cities have the power to direct up to 10% of the gambling proceeds earned from within its own trade area.

Sen. Stumpf requested staff to contact the Gambling Control Board for the number of charitable gambling permits issued to relief associations.

Joseph A. Zappa, Maplewood City Council member, stated that Maplewood has recently requested that their Finance Director determine how much money is in their 10% fund and research how it may be dispersed. Discussion followed regarding whether fire departments were 501(c)(3) organizations which are eligible to receive charitable gambling proceeds or 501(c)(4) organizations. Gus Welter stated that independent fire departments are 501(c)(3) organizations. Mr. Zappa stated that Maplewood has three independent fire departments with five fire stations and 160 employees. He stated that some members have served 33 or 34 years and receive \$1,700 per year of service and that next year firefighters plan to ask for \$2,300 per year of service. He supports a cap on the number of years a person can serve in the fire department and supports capping the pension benefit amount at the amount provided by the 2% fire state aid. He further supports an equalization of benefits around the state.

Discussion followed about fire departments that are independent, nonprofit organizations. Mr. Martin stated that there are approximately 50 of this type of fire department around the state and approximately 600 municipal fire departments. Rep. Knickerbocker questioned whether these 50 departments were treated differently for state aid. Mr. Martin stated that they were not treated differently for state aid. Mr. Martin continued to note that independent, nonprofit fire departments negotiate a contract with the city they serve and the level of benefits the department provides for itself becomes part of the city's "overhead."

Stan Peskar responded to the changes proposed by Mr. Zappa. Mr. Peskar believes careful consideration should be given to restricting benefit eligibility only to members who are active firefighters. He supported an increase in the benefit limits to permit municipalities like Lakeville to attract and retain firefighters. Mr. Peskar supports differential service benefits rather than permitting achievement of a new benefit level to be applied to all prior years of service. Mr. Peskar then expressed concern about charitable gambling proceeds being used to raise benefits excessively.

Joel Scott Jenkins, agent with Northwestern Mutual Life, spoke in support of adding life insurance to the list of approved investments for very small, underfunded associations. Mr. Jenkins stated that the small town of Bigelow set up a volunteer firefighters relief association about five years ago and if it were a permitted investment, the city could buy each of its 16 members a \$10,000 death benefit with a potential for some retirement benefits in the future. Discussion followed. It was concluded to possibly permit life insurance to be added as an investment option or to possibly permit some small relief associations to buy life insurance as an exception.

Gus Welter spoke in response to the previous speakers. He stated that he did not believe the City of Lexington had the authority to contribute money to the general fund of the relief association. He further stated that a relief association could not go to the county for approval to use its limited taxing power unless a municipality had approved a pension benefit increase and then did not fund the benefit. Mr. Welter opposed differential benefits. He stated that a municipality can establish physical standards for its firefighters and assure their capability for firefighting duties. He supported an increase in the cap for lump sum benefits.

Rep. Reding asked for a comment on a 20 year term limit. Mr. Welter opposed a term limit. He would prefer municipalities to establish a procedure for firefighters to prove physical fitness or be relieved of duties to prevent firefighters from remaining on the job past the time they are physically capable of performing the duties. He also requested that the Commission work on a definition for volunteer firefighters. Discussion followed.

Guy Johnston, Coon Rapids Fire Marshall, testified in support of an increase in the lump sum cap. Mr. Johnston stated that Coon Rapids has both paid and volunteer firefighters. He would like a non-restrictive definition of a volunteer firefighter to permit flexibility in the department.

Sen. Renneke asked what was the goal of the Subcommittee. Sen. Stumpf responded that some of the issues before the Subcommittee were the inequity between relief association benefits, the cap on lump sum benefits, and pro-rating benefit increases rather than level dollars for all years of service. Rep. Reding added the issues of relief association involvement in charitable gambling and full-time firefighters working as volunteer firefighters in the same department. Discussion followed and it was agreed that the goal of the Subcommittee was to come up with a proposal incorporating the Subcommittee's recommendations on the previously noted issues and to address some of Mr. Welter's concerns.

The meeting adjourned at 12:00 P.M.


Jean Lieb Gott, Secretary