



December 17, 1991
Room 5, State Office Building

3rd 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 9:30 A.M.

Subcommittee members present:

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

Further Consideration and Discussion of Volunteer Fire Benefit, Coverage, Funding, Investment and Administrative Problems and Issues.

Lawrence A. Martin, LCPR Executive Director, reviewed the staff memo regarding Issues Identified Concerning Volunteer Fire Pensions.

The first issue discussed by Subcommittee members was non-attending municipal representatives. Sen. Stumpf asked if Mr. Martin knew of a potential solution to this problem. Mr. Martin responded that possibly authorizing the mayor or city council to designate a certain number of interested individuals to serve may solve the problem. Mr. Martin continued with his review.

The next issue discussed was inclusion or exclusion of first responders and ambulance personnel. Sen. Stumpf noted that the fire state aid has been flat in recent years and questioned the effect that might have on volunteer fire plans. Sen. Renneke questioned the first responder exclusion and volunteer firefighter definition. Mr. Martin stated that this issue comes directly out of legislation that the Minnesota State Fire Department Association is sponsoring. Current volunteer fire law refers to first responders but the MFDA legislation would limit those references and it also defines a volunteer firefighter very narrowly. Mr. Martin further referred members to page 7 of his memo of 6/27/91 for the Minnesota Fire Department Association definition of a volunteer firefighter. Mr. Martin continued with his review.

The next issue discussed was making service pension increases retroactive for prior service. Rep. Reding suggested that now might be the time to set up a defined benefit plan for the volunteer firefighters. Rep. Knickerbocker concurred with the idea and suggested putting a formula for benefits in statute mandating a method of distribution and formula for the way benefits would be arrived at and eliminate the charitable gambling issue. Mr. Martin continued with his review.

Sen. Renneke questioned the portability issue for volunteer firefighters. Mr. Martin stated that a combined service annuity is available for volunteer firefighters but is not currently being utilized. Sen. Stumpf questioned the number of volunteer firefighters that might use a combined service annuity. Mr. Martin suggested that the combined service annuity might be used by a person moving to another location within the state due to a job transfer or volunteer firefighters might shop for benefits. Some volunteer fire departments might raid a neighboring department to recruit better trained firefighters.

Mr. Martin then reviewed the disparity in the state aid amounts and the noncompliance with the financial requirements in the Guidelines Act. Sen. Renneke asked if enforcement of the Guidelines Act was lax. Mr. Martin stated that if the auditor pursued the holes in the reported data and suspended the state aid of noncomplying relief associations, compliance would probably improve. Discussion followed.

Rep. Reding stated that he had talked to someone from the Lawful Gambling Board and the board is currently reviewing the lawful gambling regulations. Rep. Reding also stated that the Lawful Gambling Board regulations require lawful gambling proceeds to go through the municipality. Discussion followed.

Mr. Martin reviewed compliance with the time-weighted rate of return report. He also reviewed the plan administration issue and lawful gambling issue. Sen. Stumpf questioned the pros and cons of federal tax qualification. Mr. Martin responded that 501(c)(4) tax qualification allows the investment returns and contributions to go untaxed to the organization. He further stated that 401(a) tax qualification provides the same benefit to an organization as 501(c)(4) and also allows an individual to defer taxes on the benefit once the individual is vested. Discussion followed. Mr. Martin stated that one quarter of all volunteer firefighter plans are engaged in lawful gambling.

Sen. Stumpf requested that Gus Welter and Stan Peskar tell the Subcommittee what they do to help volunteer fire funds with filling out the various forms the funds are required to file.

Gus Welter, lobbyist for the Minnesota State Fire Department Association, testified that he works with the Vo-tech system and State Fire School plus 150 volunteer firefighter funds on a fee basis to assist with the required forms. He recommended line-by-line instructions. Mr. Welter recommended an increase in the maximum lump sum pension amount to \$5,000. He also recommended permitting credit for partial years. Sen. Stumpf responded that members generally agree with the credit for partial years. In response to the disparity in the amount of state aid received, Mr. Welter recommended that volunteer fire departments for very sparsely populated areas consolidate with other volunteer departments. Mr. Welter stated that there are 17,740 volunteer firefighters and there should be a definition of volunteer firefighter in statute. Discussion followed.

Stan Peskar, League of Minnesota Cities, stated that he no longer agrees with having one large volunteer firefighters relief association plan because he believes that the many smaller plans provide fire service much more reasonably priced than a large plan. He believes this is due to permitting discretion and control at the local level. Mr. Peskar responded to the local official involvement in relief association board meetings and stated that many officials say they do not receive notice of meetings. He suggested that it should be made clear that the open meeting law does apply to local relief association board meetings and notice should be provided in a public forum. Mr. Peskar noted that when Emil Anderson handled state aids, municipalities were concerned with properly filing the appropriate forms since sometimes aid was withheld if relief associations were not in compliance. He stated that currently at the city clerk level, he does not see the same concern. The League does provide training and information on an orientation basis but they do not provide extensive training.

Roger Knutson, City Attorney for the City of Lakeville, testified in support of raising the maximum lump sum benefit amount. Mr. Knutson stated that higher benefits were necessary to assist in recruiting efforts and to compensate people willing to commit to the high level of training required and the commitment needed to be a volunteer firefighter today. He stated that Lakeville volunteer firefighters do not receive any compensation other than a pension benefit. He further stated that Lakeville is not engaged in lawful gambling. Discussion followed.

Charles W. Wolter, a Bloomington concerned citizen, testified that Bloomington Volunteer firefighters currently have a \$40,000,000 special fund, 85 retirees and annual benefit payments of approximately \$1,000,000. He stated that the Bloomington fund earned only a 4.7% return on investment while the State Board of Investment earned a 16% return on investment. Mr. Wolter noted that some members of the volunteer fire relief association serve on two departments at the same time. Mr. Wolter stated that his concern deals with the management of the relief association. Discussion followed. Edward Burek, LCPR Deputy Executive Director, in response to Mr. Wolter's comment on the SBI 16% investment return, stated that it was possible that on a fiscal year basis the SBI earned 16% but on a calendar year basis, such as the Bloomington fund is on, the SBI Basic fund earned -.7% and the Post fund earned 5%.

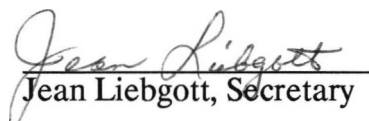
Ernie Palmsten, MSRS retirement counselor and Bloomington volunteer firefighter, wished to respond to some of the points in Mr. Wolter's handout. He stated that a 50 year old non-duty disabilitant does not receive a full pension, they receive a pro-rated disability benefit.

Mr. Wolter's handout stated that Bloomington's class three fire rating does not make a difference as far as insurance costs are concerned and Mr. Palmsten concurred with that as far as homeowners are concerned, but it does make a difference for businesses. Mr. Palmsten further stated that the issue of the land purchase and funds being transferred from one pension fund to another were two separate issues. The transfer of funds was due to an error in originally depositing \$500,000 in the general fund that should have been deposited in the special fund. The land was purchased with money from the general fund. The general fund of the Bloomington plan has a balance of \$1.2 million which the firefighters have earned and invested. He also stated that Bloomington volunteer firefighters must respond to 30% of the fire calls to remain active members of the department. Discussion followed.

Ullie Seal, Bloomington volunteer fire chief, responded to a question from Sen. Renneke as to the role of the fire chief. Mr. Seal stated that he must respond to 30% of the fire calls and receives \$2 per call the same as any other Bloomington firefighter. He also stated that he is a captain on the Minneapolis Fire Department as a full time job. Discussion followed.

A. J. DeAntoni, a Bloomington concerned citizen and a member of the Gray Eagle Association, testified regarding Mr. Wolter's handout. Mr. DeAntoni stated that the Gray Eagle Association members are concerned about property tax increases when the Bloomington firefighters have \$40 million in their special fund and \$2 million in the general fund. He further stated that an audit of the general fund should be performed and an investigation to track expenditures from the general fund money. Discussion followed.

The meeting adjourned at 12:20 P.M.


Jean Lieb Gott, Secretary