

February 7, 1994
Room 5
State Office Building

1st Meeting



Volunteer Fire Subcommittee
of the LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT
MINUTES

Rep. Bob Johnson, Chair of the Volunteer Fire Subcommittee, called the meeting to order at 12:10 P.M.

Subcommittee members present:

Representatives Bob Johnson, Gerald Knickerbocker and Leo Reding
Senator Steven Morse and Roy Terwilliger

Rep. Johnson began the meeting by stating that the LCPR, in its role to provide legislative oversight over public pension plans, decided to study several issues during the interim. One of those issues was the potential for establishment of an emergency services personnel pension plan. He further stressed that the Commission's desire was to study the issue and he stated that the Commission did not have a bill before it to establish this type of plan. He also stated that the volunteer firefighter community overreacted to the Commission's plan to study this issue.

Lawrence Martin, LCPR Executive Director, stated that the purpose of the Subcommittee was to listen to issues that are of concern to the volunteer firefighter relief association community, particularly from the standpoint of the relief association as a recruitment and retention tool. Mr. Martin stated that invitations to testify had been sent to representatives of the Minnesota Fire Department Association, the Minnesota State Fire Chiefs Association, and the League of Minnesota Cities. He reviewed the background information provided in members packets.

Doug Tenpas, Mayor of Eden Prairie, stated that the City of Eden Prairie wishes to establish a benefit plan similar to that offered by the City of Bloomington. Mayor Tenpas testified in support of legislation introduced last session for the Eden Prairie Volunteer Firefighters Relief Association. Rep. Reding stated that he is opposed to permitting another volunteer firefighter relief association to establish an automatic escalator benefit because this benefit, without limits, becomes difficult to monitor. Mayor Tenpas testified that Eden Prairie is currently having difficulty recruiting quality people to their volunteer firefighter program and they believe that establishing a program similar to Bloomington's would save Eden Prairie money. Discussion followed.

Ulysses Seal, Bloomington's Fire Chief representing the Minnesota State Fire Chiefs Association, testified that pension benefits are an important recruitment and retention tool. Mr. Seal stated that the National Fire Protection Association sets standards and codes on a national scale. The substantial time commitment recruits need to make to achieve the high level of training required makes recruiting difficult.

Bruce West, an Anoka-Champlin firefighter, testified that the reduction in the 2% fire state aid money last fall for all fire departments in the state was a result of provisions passed in the 1988 tax bill. He stated that his department had contacted Roger Bartz of the Department of Revenue for an explanation of the reduction. Mr. Bartz told them that the 2% fire state aid was reduced by \$718,594 over a two year period due to provisions added to the 1988 tax bill. The provisions were added to provide resolution of a federal lawsuit brought by insurance companies disputing preferential tax treatment accorded to domestic insurers. The provisions added to the 1988 tax bill resulted in a reduction in the 2% tax over a four year period from 2% to 1/2%.

Rep. Johnson requested a memo from LCPR staff regarding the 1988 tax bill action related to fire state aid and its impact on that aid.

Mr. West testified that volunteer firefighter plans strive to comply with all the forms they are required to complete but they need continuing education to complete the forms properly. He further testified that most volunteer firefighter plans are opposed to consolidating into a statewide plan.

Rep. Knickerbocker asked what the impact of the reduction in state aid was on relief associations and municipalities. Mr. West responded that as the Chairman of the

Minnesota Area Relief Association Coalition (MARAC), he had been in contact with several relief associations but no one that he spoke to stated that the reduction would impact them. He was unaware of the impact on municipalities.

Mr. Martin testified that the municipality for a relief association with a monthly benefit plan is required to fund the pension plan if the state aid is inadequate.

Joel Jamnik, League of MN Cities, testified that the cities are currently satisfied with the general situation of the volunteer firefighter relief associations, but the changes made in fire state aid and the lawful gambling provisions are a concern to municipalities. He further testified that most volunteer fire relief associations are concerned with the level of state oversight. Rep. Reding stated that he has heard the comment that the insurance companies give the aid to the fire relief associations. He clarified that fire state aid is a tax levied on the insurance companies by the state and then distributed to fire relief associations. He questioned whether there is enough oversight at the local level. Mr. Martin asked if city official participation on the fire relief association boards had improved since concerns were raised two years ago during Volunteer Fire Subcommittee hearings. Mr. Jamnik responded that there is a lack of participation in some cities and city official participation is still a challenge. Rep. Reding stated that if participation is not there, the Legislature has the power to hold back state aid. Rep. Johnson asked if lack of municipal participation was the exception. Mr. Jamnik testified that lack of participation is the exception, most municipalities and relief associations do cooperate with each other.

Sen. Lesewski testified in opposition to a statewide emergency service personnel relief association on behalf of the five counties she represents. Discussion continued.

Rep. Reding noted the great disparity in benefits among different volunteer firefighter relief associations. Mr. Jamnik testified that the lack of benefit uniformity does cause problems. Mr. Martin referred members to the 1991 State Auditor's Volunteer Firefighter Compilation Report and the information regarding the benefits paid and the fire state aid provided. Mr. Martin also noted that the State Auditor's Office has increased its vigilance in assuring that fire relief associations properly complete the required forms and has withheld state aid this year for approximately half of the relief associations pending proper filing of forms. Rep. Knickerbocker stated that market value may not be the proper criteria on which to base state aid distributions and maybe distributions should be provided on a per firefighter basis. Mr. Jamnik testified that the current distribution of fire state aid is not the problem, the reduction in the fire state aid pool, as occurred in the 1988 tax bill, is the problem. Discussion continued regarding the disparity in benefits and the fire state aid distribution formula.

Nyle Zikmund, representing Spring Lake Park/Blaine/Moundsvew, testified regarding the value of a pension plan as a retention tool. He testified that the area they serve has the sixth largest population in the state and covers 48 square miles. He stated that of the 4,000 to 5,000 volunteer firefighters that have served in this volunteer firefighter association over its 50 years in existence, only one to two percent stay long enough to receive a pension. They currently have 26 retired members, 20 of whom have retired in the last seven to eight years. They have 20 year vesting, pay a monthly benefit, and their retirees receive \$400 a month. They make 800 fire runs a year and they do not believe their firefighters should be compared to firefighters who make twelve runs a year. They know that benefit disparity is an issue but other criteria also needs to be considered. They also feel that the amount of state aid should be increased.

Sen. Morse questioned the value of a pension plan as a recruitment tool. Mr. Zikmund stated that it is not a valuable recruitment tool but it is a good retention tool. Most firefighters who remain volunteer firefighters for at least ten years, stay to receive a benefit. Sen. Morse questioned the portability of volunteer firefighter benefits. Mr. Zikmund testified that volunteer firefighter relief associations do not provide portability. Discussion followed on the portability issue.

Rep. Johnson concluded the meeting by stating that the Subcommittee had learned a lot about volunteer firefighter concerns. He believes that the system works well but it is not perfect.

The meeting adjourned at 2:00 P.M.


Jean Liebgott, Secretary