

Minnesota Volunteer Fire Relief Association

Working Group Meeting

Office of the State Auditor
Wednesday, December 16, 2015
11 a.m. to 1 p.m.

- I. Call to Order**
Chair Auditor Otto.

- II. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft November 10, 2015 Meeting Minutes

- III. Review of Draft Legislation**
Exhibits B through D.
 - Certification of Service Credit (B)
 - Limitation of Relief Association Service Credit to Volunteer Service (C)
 - Expanding Relief Association Pension Eligibility to Emergency Medical Personnel (D)

- IV. Review of Joint Powers Sub-Group Recommendations**
Exhibits E and F.
 - Combined Service Pensions (E)
 - New Joint Powers Subdivision (F)

- V. Schedule Form Discussion**
Exhibits G and H.
 - Defining a Reasonable Investment Earnings Projection (G)
 - Limiting the Duration of Interest Allocations (H)

- VI. Discussion of Suggestions regarding Portability of Accrued Service Credit and Benefits**
Exhibit I.

- VII. Other Business**

- VIII. Next Meeting**

- IX. Adjournment**

Individuals with disabilities who need a reasonable accommodation to participate in this event, please contact Rose Hennessy Allen at (651) 296-5985 or (800) 627-3529 (TTY) by December 14, 2015.

Volunteer Fire Relief Association Working Group

Office of the State Auditor
Tuesday, November 10, 2015
11 a.m. to 1 p.m.

Members Present

Steve Donney, City of Harmony Mayor
Luke Fischer, City of Plymouth Administrative Services Director
Dave Ganfield, Apple Valley Fire Relief Association President (defined benefit monthly/lump sum combination plans) (participated by phone)
Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)
Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)
Rebecca Otto, State Auditor
Michael Kruse, Falcon Heights Fire Relief Association Treasurer (defined contribution plans)
Kevin Wall, Lower Saint Croix Valley Fire Relief Association President (defined benefit lump sum plans)

Members Excused

Dave Jaeger, Mahnomon Fire Relief Association Vice President (defined benefit lump sum plans)
Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans)
Susan Lenczewski, Legislative Commission on Pensions and Retirement Executive Director
Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

Others Present

Mary Chamberlain, Abdo, Eick & Meyers, LLP Representative
Candace Gislason, VanIwaarden Associates Representative
Celeste Grant, Deputy State Auditor/General Counsel
Rose Hennessy Allen, Office of the State Auditor Pension Director
Abigail Mediger, Office of the State Auditor Pension Analyst
Jeff Reed, Office of the State Auditor Supervisor of Special Investigations
Ryan Sendelbach, Office of the State Auditor Pension Analyst

The following motions were duly made, seconded and approved:

RESOLVED to approve the October 21, 2015, Working Group Meeting Minutes;

RESOLVED to draft language that expands to defined contribution plans the option to offer combined service pensions to their members.

I. Call to Order

Auditor Otto called the meeting to order.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the October 21, 2015, meeting minutes that had been provided in advance. Johnston notified Hennessy Allen of a correction. Hemstad made a motion to adopt the minutes as corrected. The motion was then adopted unanimously, with Kruse abstaining.

III. Review Draft Language for Requirement to Certify Service Credit

At the last meeting, the Working Group members discussed adding a requirement to statute that good time service credit be certified annually to each relief association. The Group agreed that the certification should be made by the fire chief, and should be made to an officer of the relief association and the municipal clerk. The Group decided not to require a specific appeal process and to instead allow the fire chief to determine the service credit and for a review process to be defined locally. The Group reviewed the draft language and agreed to modify the language regarding the minimum level of duties rendered by the firefighter. Auditor Otto said the draft language would be updated and brought back to the Group for review at the next meeting.

IV. Review Draft Language for Limitation of Relief Association Service Credit to Volunteer Service

During the last meeting, the Working Group members also discussed the definition of “volunteer firefighter” in the relief association statutes and that it does not include a requirement that the firefighter perform or supervise volunteer firefighting duties. In addition, service credit requirements for a relief association member to be eligible to receive a service pension from a relief association do not require the member to be a volunteer firefighter or to perform volunteer firefighting duties. Because of this lack of specificity, a few full-time firefighters who only provide full-time firefighting duties are receiving service credit in both PERA and a volunteer fire relief association for the same hours of service. The Group reviewed draft language to prohibit a firefighter from being credited with service credit in a volunteer fire relief association for the same hours of service for which coverage is already provided by PERA. Ganfield suggested removing “career” from the draft language and hyphenating “full-time.” Auditor Otto said the draft language would be updated and brought back to the Group for review at the next meeting. Auditor Otto also mentioned to the Group that an effective date for the change needs to be considered.

V. Review Draft Language for Expanding Relief Association Pension Eligibility to Emergency Medical Personnel

The Working Group discussed at its last meeting a change to permit, subject to municipal approval, individuals who solely perform emergency medical services to be eligible for relief association service pensions. The Group reviewed the draft language. Hemstad suggested revising the draft language to make it clear that municipal approval is required for pension eligibility to be expanded. Auditor Otto said the draft language would be revised and brought back to the Group for review at the next meeting.

VI. Review of Joint Powers Sub-Group Recommendations

Auditor Otto shared information about the Joint Powers Sub-Group that was formed and met this past summer. She shared that the Sub-Group discussed ways to make portability

between relief associations easier. Currently, there is authority in statute for defined benefit relief associations to offer combined service pensions to their members who have volunteer service in more than one volunteer fire department. The bylaws of each participating relief association must be updated for combined service pensions to be paid. The Sub-Group suggested expanding the authority to permit combined service pension payments to defined contribution plans. Combined service pensions would still be optional, and the bylaws of a relief association would need to be amended to authorize the payments before they could be paid. Wall asked how supplemental benefits would be handled for members receiving multiple distributions due to combined service pensions. Hennessy Allen said she would contact the Minnesota Department of Revenue regarding the question and would report back to the Group. The members acknowledged that use of the combined service pension provision would be unlikely, but agreed to have language drafted to expand eligibility to defined contribution plans. Donney made a motion to have language drafted. Johnston seconded the motion that then was adopted unanimously.

The Sub-Group suggestion on creating a new subdivision in the joint powers statutes for fire departments was held over to the next meeting.

VII. Other Business

There was no other business.

VII. Next Meeting

Thursday, December 3, 2015

11 a.m. to 1 p.m.

Office of the State Auditor

VIII. Adjournment

The meeting was adjourned at 1:03.

Exhibit B

Certification of Service Credit

Topic:

Questions regularly arise regarding service credit. Fire departments are responsible for establishing the minimum service requirements to earn service credit, calculating the service credit for each firefighter, and determining whether each firefighter is in good standing. Fire departments should provide the affiliated relief associations with reports listing the service credit determinations for the respective reporting period. Relief associations award service credit for pension purposes, in large part, on these fire department service reports. Problems occur when relief association trustees do not receive service credit information from the fire department.

Draft language is provided below that requires the fire chief to certify annually good time service credit information to an officer of the relief association and to the municipal clerk or clerk-treasurer.

Optional Changes:

424A.003 CERTIFICATION OF GOOD TIME SERVICE CREDIT.

(a) Annually, by March 31, the fire chief of a municipal fire department, a joint powers fire department, or an independent nonprofit firefighting corporation, directly associated with the volunteer firefighters relief association shall certify the good time service credit for the previous calendar year of each firefighter rendering active service with the fire department.

[para. b below: certification data is not public]

(b) The certification shall be made to an officer of the relief association's board of trustees identified in the bylaws and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department. The good time service credit certification is an official government record. The largest municipality served must maintain certifications filed with it under this subdivision for inspection by the individual firefighter whose record it is, by the relief association and by the largest municipality served.

(c) The fire chief shall provide to each firefighter rendering active service with the fire department notification of the amount of good time service credit rendered by the firefighter for the previous calendar year. The good time service credit notification must be provided to the firefighter 60 days prior to its certification to the relief association and municipality, along with a description of the process and deadlines for the firefighter to challenge the fire chief's determination of good time service credit. If the good time service credit amount is challenged in a timely fashion, the fire chief shall accept and consider any additional pertinent information, and make a final determination of good time service credit.

(d) The good time service credit certification must be expressed as the number of completed months of the previous year during which an active firefighter rendered at least the minimum level of duties as specified and required by the fire department under the rules, regulations and policies applicable to the fire department. No more than one year of good time service credit may be certified for a calendar year.

(e) If a firefighter who is a member of the relief association leaves active firefighting service to render active military service that is required to be governed by the federal Uniformed Services Employment and Reemployment Rights Act, as amended, the firefighter must be certified as providing good time service credit for the period of the military service, up to the applicable limit of the federal Uniformed Services Employment and Reemployment Rights Act. If the firefighter does not return from the military service in compliance with the federal Uniformed Services Employment and Reemployment Rights Act, the good time service credits applicable to that military service credit period are forfeited and canceled at the end of the calendar year in which the time limit set by federal law occurs.

Alternate para. b: [certification data is public]

(b) The certification shall be made to an officer of the relief association's board of trustees identified in the bylaws and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department. The good time service credit certification is an official government record. Notwithstanding section 13.43, the largest municipality served must maintain as public data certifications filed with it under this subdivision.

Exhibit C
**Limitation of Relief Association Service Credit to
Volunteer Service**

Topic:

The definition of “volunteer firefighter” found in the relief association statutes does not include a requirement that the firefighter perform or supervise volunteer firefighting duties. Additionally, service credit requirements for a relief association member to be eligible to receive a service pension from the association do not require the member to be a volunteer firefighter or perform or supervise volunteer firefighting duties. Because of this lack of specificity, some career firefighters who solely perform fulltime firefighting duties and who are covered by PERA for those duties are also receiving service credit in their affiliated relief associations for the same period of fulltime service.

Optional changes are provided below that add an exclusion to the relief association membership statutes for service credit earned as a fulltime or career firefighter and for which is already covered for pension purposes by the PERA Police and Fire Fund. The intent is to prohibit the concurrent accrual of pension coverage in both a relief association and in the PERA Police and Fire Fund for the same period of service.

Optional Changes:

**424A.01 MEMBERSHIP IN A VOLUNTEER FIREFIGHTERS
RELIEF ASSOCIATION.**

Subd. 4. Prohibition on receipt of concurrent service credit. No full-time firefighter may be credited with service credit in a volunteer firefighters relief association for the same hours of service for which coverage is already provided in a fund operated pursuant to chapter 353.

[Note: Insert before current subdivision 4. Renumber current subdivision 4 to be subdivision 5, and renumber subsequent subdivisions accordingly.]

Exhibit D

Expanding Pension Eligibility to Emergency Medical Personnel

Topic:

Last year, the Working Group began discussing whether to expand eligibility for relief association service pensions to volunteer emergency medical personnel who solely perform medical services, subject to local approval. The majority of calls that most fire departments receive are medical.

Optional changes are provided below that permit, subject to local approval, emergency medical personnel to be members of the associated volunteer fire relief association and to be eligible for service pensions and other benefits from the association.

Optional Changes:

424A.01 MEMBERSHIP IN A VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION.

Subd. 6. Volunteer emergency medical personnel. If the fire department employs or otherwise uses the services of persons solely as volunteer emergency medical personnel to perform emergency medical response duties and to supervise emergency medical response activities, such persons are eligible to be members of the applicable volunteer firefighter relief association and to qualify for service pension or other benefit coverage of the relief association on the same basis as fire department personnel who perform or supervise fire suppression or fire prevention duties, subject to approval by the municipality if the fire department is a municipal department, subject to approval by the joint powers board if the fire department is a joint powers entity, or subject to approval by the contracting municipality or municipalities if the fire department is an independent nonprofit firefighting corporation.

[Note: Insert before current subdivision 6. Renumber current subdivision 6 to be subdivision 7.]

Exhibit E Combined Service Pensions

Optional Changes:

424A.02 DEFINED BENEFIT RELIEF ASSOCIATIONS; SERVICE PENSIONS.

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~~Subd. 13. **Combined service pensions.** (a) If the articles of incorporation or bylaws of the defined benefit relief associations so provide, a volunteer firefighter with credit for service as an active firefighter in more than one defined benefit volunteer firefighters relief association is entitled, when the applicable requirements of paragraph (b) are met and when otherwise qualified, to a prorated service credit from each relief association.~~

~~(b) A volunteer firefighter receiving a prorated service pension under this subdivision must have a total amount of service credit of ten years or more, if the bylaws of every affected relief association do not specify only a five-year service vesting requirement, or five years or more, if the bylaws of every affected relief association require only a five-year service vesting requirement, as a member of two or more relief associations otherwise qualified. The member must have one year or more of service credit in each relief association. The prorated service pension must be based on the service pension amount in effect for the relief association on the date on which active volunteer firefighting services covered by that relief association terminate. To receive a service pension under this subdivision, the firefighter must become a member of the second or succeeding association and must give notice of membership to the prior association within two years of the date of termination of active service with the prior association. The notice must be attested to by the second or subsequent relief association secretary.~~

424A.015 GENERALLY APPLICABLE VOLUNTEER FIREFIGHTERS RELIEF ASSOCIATION PENSION PLAN REGULATION.

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Subd. 7. **Combined service pensions.** (a) If the articles of incorporation or bylaws of the relief associations so provide, a volunteer firefighter with credit for service as an active firefighter in more than one volunteer firefighters relief association is entitled, when the applicable requirements of paragraph (b) are met and when otherwise qualified, to a prorated service credit from each relief association.

(b) A volunteer firefighter receiving a prorated service pension under this subdivision must have a total combined amount of service credit from the two or more relief associations of ten years or more, unless the bylaws of every affected relief association specify less than a ten-year service vesting requirement, in which case, the total amount of required service credit is the longest service vesting requirement of the

relief associations. The member must have one year or more of service credit in each relief association.

(i) For defined benefit relief associations, the prorated service pension must be based on the service pension amount in effect for the relief association on the date on which active volunteer firefighting services covered by that relief association terminate.

(ii) For defined contribution relief associations, the prorated service pension must be based on the member's individual account balance on the date on which active volunteer firefighting services covered by that relief association terminate.

(c) To receive a service pension under this subdivision, the firefighter must become a member of the second or succeeding association and must give notice of membership to the prior association within two years of the date of termination of active service with the prior association. The notice must be certified to by the second or subsequent relief association secretary.

Exhibit F

New Joint Powers Subdivision

471.59 JOINT EXERCISE OF POWERS.

Subdivision 1. **Agreement.** Two or more governmental units, by agreement entered into through action of their governing bodies, may jointly or cooperatively exercise any power common to the contracting parties or any similar powers, including those which are the same except for the territorial limits within which they may be exercised. The agreement may provide for the exercise of such powers by one or more of the participating governmental units on behalf of the other participating units. The term "governmental unit" as used in this section includes every city, county, town, school district, independent nonprofit firefighting corporation, other political subdivision of this or another state, another state, federally recognized Indian tribe, the University of Minnesota, the Minnesota Historical Society, nonprofit hospitals licensed under sections 144.50 to 144.56, rehabilitation facilities and extended employment providers that are certified by the commissioner of employment and economic development, day and supported employment services licensed under chapter 245D, and any agency of the state of Minnesota or the United States, and includes any instrumentality of a governmental unit. For the purpose of this section, an instrumentality of a governmental unit means an instrumentality having independent policy-making and appropriating authority.

Subd. 1a. **Liability.** (a) A governmental unit participating in a joint venture or joint enterprise, including participation in a cooperative activity undertaken pursuant to this section or other law, is not liable for the acts or omissions of another governmental unit participating in the joint venture or joint enterprise, unless the participating governmental unit has agreed in writing to be responsible for the acts or omissions of another participating governmental unit.

(b) For purposes of determining total liability for damages, the participating governmental units and the joint board, if one is established, are considered a single governmental unit and the total liability for the participating governmental units and the joint board, if established, shall not exceed the limits on governmental liability for a single governmental unit as specified in section 3.736 or 466.04, subdivision 1, or as waived or extended by the joint board or all participating governmental units under section 3.736, subdivision 8; 466.06; or 471.981. This paragraph does not protect a governmental unit from liability for its own independent acts or omissions not directly related to the joint activity.

(c) If a participating governmental unit has procured or extended insurance coverage pursuant to section 3.736, subdivision 8; 466.06; or 471.981 in excess of the limits on governmental liability under section 3.736 or 466.04, subdivision 1, covering participation in the joint venture or joint enterprise, the procurement of that insurance constitutes a waiver of the limits of governmental liability for that governmental unit to the extent that valid and collectable insurance or self-insurance, including, where applicable, proceeds from the Minnesota Guarantee Fund, exceeds those limits and covers that governmental unit's liability for the claim, if any.

Subd. 2. **Agreement to state purpose.** Such agreement shall state the purpose of the agreement or the power to be exercised and it shall provide for the method by which the purpose sought shall be accomplished or the manner in which the power shall be exercised. When the agreement provides for use of a joint board, the board shall be representative of the parties to the agreement. A joint board that is formed for educational purposes may conduct public meetings via interactive television if the board complies with chapter 13D in each location where board members are present. Irrespective of the number, composition, terms, or qualifications of its members, such board is deemed to comply with statutory or charter provisions for a board for the exercise by any one of the parties of the power which is the subject of the agreement.

Subd. 3. **Disbursement of funds.** The parties to such agreement may provide for disbursements from public funds to carry out the purposes of the agreement. Funds may be paid to and disbursed by such agency as may be agreed upon, but the method of disbursement shall agree as far as practicable with the method provided by law for the disbursement of funds by the parties to the agreement. Contracts let and purchases made under the agreement shall conform to the requirements applicable to contracts and purchases of any one of the parties, as specified in the agreement. Strict accountability of all funds and report of all receipts and disbursements shall be provided for.

Subd. 4. **Termination of agreement.** Such agreement may be continued for a definite term or until rescinded or terminated in accordance with its terms.

Subd. 5. **Shall provide for distribution of property.** Such agreement shall provide for the disposition of any property acquired as the result of such joint or cooperative exercise of powers, and the return of any surplus moneys in proportion to contributions of the several contracting parties after the purpose of the agreement has been completed.

Subd. 6. **Residence requirement.** Residence requirements for holding office in any governmental unit shall not apply to any officer appointed to carry out any such agreement.

Subd. 7. **Not to affect other acts.** This section does not dispense with procedural requirements of any other act providing for the joint or cooperative exercise of any governmental power.

Subd. 8. **Services performed by county, commonality of powers.** Notwithstanding the provisions of subdivision 1 requiring commonality of powers between parties to any agreement the board of county commissioners of any county may by resolution enter into agreements with any other governmental unit as defined in subdivision 1 to perform on behalf of that unit any service or function which that unit would be authorized to provide for itself.

Subd. 9. **Exercise of power.** For the purposes of the development, coordination, presentation and evaluation of training programs for local government officials, governmental units may exercise their powers under this section in conjunction with organizations representing governmental units and local government officials.

Subd. 10. **Services performed by governmental units; commonality of powers.** Notwithstanding the provisions of subdivision 1 requiring commonality of powers between parties to any agreement, the governing body of any governmental unit as defined in subdivision 1 may enter into agreements with any other governmental unit to perform on behalf of that unit any service or function which the governmental unit providing the service or function is authorized to provide for itself. If the agreement has the effect of eliminating or replacing a public employee who is part of a collective bargaining agreement represented by an exclusive representative, and there is no provision in the collective bargaining agreement detailing the effect of the action on the affected public employee, negotiations on the effects to the employee of the job elimination or restructuring must be conducted between the exclusive representative and the employer.

Subd. 11. **Joint powers board.** (a) Two or more governmental units, through action of their governing bodies, by adoption of a joint powers agreement that complies with the provisions of subdivisions 1 to 5, may establish a joint board to issue bonds or obligations under any law by which any of the governmental units establishing the joint board may independently issue bonds or obligations and may use the proceeds of the bonds or obligations to carry out the purposes of the law under which the bonds or obligations are issued. A joint board established under this section may issue obligations and other forms of indebtedness only in accordance with express authority granted by the action of the governing bodies of the governmental units that established the joint board. Except as provided in paragraphs (b) and (c), the joint board established under this subdivision must be composed solely of members of the governing bodies of the governmental unit that established the joint board. A joint board established under this subdivision may not pledge the full faith and credit or taxing power of any of the governmental units that established the joint board. The obligations or other forms of indebtedness must be obligations of the joint board issued on behalf of the governmental units creating the joint board. The obligations or other forms of indebtedness must be issued in the same manner and subject to the same conditions and limitations that would apply if the obligations were issued or indebtedness incurred by one of the governmental units that established the joint board, provided that any reference to a governmental unit in the statute, law, or charter provision authorizing the issuance of the bonds or the incurring of the indebtedness is considered a reference to the joint board.

(b) Notwithstanding paragraph (a), one school district, one county, and one public health entity, through action of their governing bodies, may establish a joint board to establish and govern a family services collaborative under section 124D.23. The school district, county, and public health entity may include other governmental entities at their discretion. The membership of a board established under this paragraph, in addition to members of the governing bodies of the participating governmental units, must include

the representation required by section 124D.23, subdivision 1, paragraph (a), selected in accordance with section 124D.23, subdivision 1, paragraph (c).

(c) Notwithstanding paragraph (a), counties, school districts, and mental health entities, through action of their governing bodies, may establish a joint board to establish and govern a children's mental health collaborative under sections 245.491 to 245.495, or a collaborative established by the merger of a children's mental health collaborative and a family services collaborative under section 124D.23. The county, school district, and mental health entities may include other entities at their discretion. The membership of a board established under this paragraph, in addition to members of the governing bodies of the participating governmental units, must include the representation provided by section 245.493, subdivision 1.

Subd. 12. Joint exercise of police power. In the event that an agreement authorizes the exercise of peace officer or police powers by an officer appointed by one of the governmental units within the jurisdiction of the other governmental unit, an officer acting pursuant to that agreement has the full and complete authority of a peace officer as though appointed by both governmental units and licensed by the state of Minnesota, provided that:

(1) the peace officer has successfully completed professionally recognized peace officer preemployment education which the Minnesota Board of Peace Officer Standards and Training has found comparable to Minnesota peace officer preemployment education; and

(2) the officer is duly licensed or certified by the peace officer licensing or certification authority of the state in which the officer's appointing authority is located.

Subd. 12a. Joint exercise of police power; employees.

If an agreement, merger, or consolidation authorizes the exercise of peace officer or police powers by an officer appointed by one of the governmental units within the jurisdiction of the other governmental unit, a peace officer or public safety dispatcher, working pursuant to or as a result of that agreement, merger, or consolidation, must receive credit for accumulated vacation and sick leave time earned within the governmental unit employing the peace officer or public safety dispatcher immediately preceding the agreement, merger, or consolidation. If a peace officer or public safety dispatcher working pursuant to an agreement, merger, or consolidation becomes employed by the new entity, that peace officer or public safety dispatcher is considered to have begun employment with the new entity on the first day of employment by the governmental unit employing the peace officer or public safety dispatcher immediately preceding the creation of the new entity and must be credited with all previously accumulated vacation and sick leave time.

Subd. 12b. Correctional officers. If there is an agreement, merger, or consolidation between two or more local correctional or detention facilities, a correctional officer who becomes employed by a new entity created by the agreement, merger, or consolidation must receive credit for accumulated vacation and sick leave time earned by the correctional officer during the officer's employment with a governmental unit immediately preceding the creation of the new entity. If a correctional officer working pursuant to an agreement, merger, or consolidation becomes employed by the

new entity, the correctional officer is considered to have begun employment with the new entity on the first day of employment with the governmental unit employing the correctional officer immediately preceding the creation of the new entity and must be credited with all previously accumulated vacation and sick leave time.

Subd. 13. Joint powers board for housing. (a) For purposes of implementing a federal court order or decree, two or more housing and redevelopment authorities, or public entities exercising the public housing powers of housing and redevelopment authorities, may by adoption of a joint powers agreement that complies with the provisions of subdivisions 1 to 5, establish a joint board for the purpose of acquiring an interest in, rehabilitating, constructing, owning, or managing low-rent public housing located in the metropolitan area, as defined in section 473.121, subdivision 2, and financed, in whole or in part, with federal financial assistance under Section 5 of the United States Housing Act of 1937. The joint board established pursuant to this subdivision shall:

(1) be composed of members designated by the governing bodies of the governmental units which established such joint board and possess such representative and voting power provided by the joint powers agreement;

(2) constitute a public body, corporate, and politic; and

(3) notwithstanding the provisions of subdivision 1, requiring commonality of powers between parties to a joint powers agreement, and solely for the purpose of acquiring an interest in, rehabilitating, constructing, owning, or managing federally financed low-rent public housing, possess all of the powers and duties contained in sections 469.001 to 469.047 and, if at least one participant is an economic development authority, sections 469.090 to 469.1081, except (i) as may be otherwise limited by the terms of the joint powers agreement; and (ii) a joint board shall not have the power to tax pursuant to section 469.033, subdivision 6, or 469.107, nor shall it exercise the power of eminent domain. Every joint powers agreement establishing a joint board shall specifically provide which and under what circumstances the powers granted herein may be exercised by that joint board.

(b) If a housing and redevelopment authority exists in a city which intends to participate in the creation of a joint board pursuant to paragraph (a), such housing and redevelopment authority shall be the governmental unit which enters into the joint powers agreement unless it determines not to do so, in which event the governmental entity which enters into the joint powers agreement may be any public entity of that city which exercises the low-rent public housing powers of a housing and redevelopment authority.

(c) A joint board shall not make any contract with the federal government for low-rent public housing, unless the governing body or bodies creating the participating authority in whose jurisdiction the housing is located has, by resolution, approved the provision of that low-rent public housing.

(d) This subdivision does not apply to any housing and redevelopment authority, or public entity exercising the powers of a housing and redevelopment authority, within the jurisdiction of a county housing and redevelopment authority which is actively carrying out a public housing program under Section 5 of the United States Housing Act of 1937. For purposes of this paragraph, a county housing and redevelopment authority is considered to be actively carrying out a public housing program under Section 5 of the

United States Housing Act of 1937, if it (1) owns 200 or more public housing units constructed under Section 5 of the United States Housing Act of 1937, and (2) has applied for public housing development funds under Section 5 of the United States Housing Act of 1937, during the three years immediately preceding January 1, 1996.

(e) For purposes of sections 469.001 to 469.047, "city" means the city in which the housing units with respect to which the joint board was created are located and "governing body" or "governing body creating the authority" means the council of such city.

Subd. 14. Joint exercise of fire services. A fire department created under subdivision 1 shall be subject to the following:

(a) Any agreement shall continue for the defined term or until rescinded or terminated in accordance with its terms, including if one or more contracting parties terminates membership.

(b) Any agreement shall provide for the disposition of assets following the exit of one or more parties to the agreement pursuant to subdivision 5.

(c) Disposition of assets following the exit of one or more parties to the agreement shall be made pursuant to the agreement. Any unresolved dispute about the disposition of assets must be referred by the joint powers board for resolution to the Office of Administrative Hearings under Minnesota Statutes, chapter 14. When determining the disposition of assets, the best interests of the public should be considered first followed by the best interests of the contracting parties.

Exhibit G

Defining a Reasonable Investment Earnings Projection

Topic:

The Schedule Form (Form) is completed annually by defined-benefit lump-sum plans. The Form is completed in July and certified to the municipality or independent nonprofit firefighting corporation by August 1. Although the Form is completed mid-year, it projects amounts out to year-end. Relief association trustees have sought guidance on reasonable projection amounts when completing the Form.

The Form calculates accrued liability amounts, projected surplus or deficit amounts, and the minimum required contribution for the upcoming calendar year. The projected surplus or deficit is determined using projected revenue and expenditure amounts entered into the Form by the relief association, and has a direct effect on the calculated required contribution.

Statute defines reasonable projection amounts for some of the revenue and expenditures to be entered on the Form. For example, a reasonable amount of fire state aid is defined as an amount that does not exceed the actual amount of fire state aid received in the prior year, increased by up to 3.5 percent. There is no definition of a reasonable amount of investment income. Statute requires that, to the extent possible, the current market value as of the calculation date be used for assets that have a market value readily ascertainable. When the required contribution is calculated an interest income assumption of five percent is used.

Current Statute:

424A.092 RELIEF ASSOCIATIONS PAYING LUMP-SUM SERVICE PENSIONS.

Subd. 3. Financial requirements of relief association; minimum obligation of municipality.

(a) During the month of July, the officers of the relief association shall determine the overall funding balance of the special fund for the current calendar year, the financial requirements of the special fund for the following calendar year and the minimum obligation of the municipality with respect to the special fund for the following calendar year in accordance with the requirements of this subdivision.

(b) The overall funding balance of the special fund for the current calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the current year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated to

occur on or before December 31, must be calculated. To the extent possible, for those assets for which a market value is readily ascertainable, the current market value as of the date of the calculation for those assets must be utilized in making this calculation. For any asset for which no market value is readily ascertainable, the cost value or the book value, whichever is applicable, must be utilized in making this calculation.

(3) The amount of the total present assets of the special fund calculated under clause (2) must be subtracted from the amount of the total accrued liability of the special fund calculated under clause (1). If the amount of total present assets exceeds the amount of the total accrued liability, then the special fund is considered to have a surplus over full funding. If the amount of the total present assets is less than the amount of the total accrued liability, then the special fund is considered to have a deficit from full funding. If the amount of total present assets is equal to the amount of the total accrued liability, then the special fund is considered to be fully funded.

(c) The financial requirements of the special fund for the following calendar year must be determined in the following manner:

(1) The total accrued liability of the special fund for all active and deferred members of the relief association as of December 31 of the calendar year next following the current calendar year must be calculated under subdivisions 2 and 2a, if applicable.

(2) The increase in the total accrued liability of the special fund for the following calendar year over the total accrued liability of the special fund for the current year must be calculated.

(3) The amount of anticipated future administrative expenses of the special fund must be calculated by multiplying the dollar amount of the administrative expenses of the special fund for the most recent prior calendar year by the factor of 1.035.

(4) If the special fund is fully funded, the financial requirements of the special fund for the following calendar year are the total of the amounts calculated under clauses (2) and (3).

(5) If the special fund has a deficit from full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as though the special fund were fully funded under clause (4) plus an amount equal to one-tenth of the original amount of the deficit from full funding of the special fund as determined under clause (2) resulting either from an increase in the amount of the service pension occurring in the last ten years or from a net annual investment loss occurring during the last ten years until each increase in the deficit from full funding is fully retired. The annual amortization contribution under this clause may not exceed the amount of the deficit from full funding.

(6) If the special fund has a surplus over full funding, the financial requirements of the special fund for the following calendar year are the financial requirements of the special fund calculated as though the special fund were fully funded under clause (4) reduced by an amount equal to one-tenth of the amount of the surplus over full funding of the special fund.

(d) The minimum obligation of the municipality with respect to the special fund is the financial requirements of the special fund reduced by the amount of any fire state aid and police and firefighter retirement supplemental state aid payable under sections 69.011 to 69.051 and 423A.022 reasonably anticipated to be received by the municipality for transmittal to the special fund during the following calendar year, an amount of interest

on the assets of the special fund projected to the beginning of the following calendar year calculated at the rate of five percent per annum, and the amount of any contributions to the special fund required by the relief association bylaws from the active members of the relief association reasonably anticipated to be received during the following calendar year. A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire state aid actually received in the prior year multiplied by the factor 1.035.

Exhibit H

Limiting the Duration of Interest Allocations

Topic:

Some relief associations that pay interest to their deferred members have sought ways to limit the length of time during which interest is allocated. Some relief associations have defined in their bylaws that interest allocations will stop when a deferred member reaches age 50 (or the minimum retirement age specified in the relief association's bylaws). Relief associations should be cautious, however, about implementing bylaw benefit provisions in which a member's age is the sole determinant for eligibility of the benefit. While relief associations have authority to require that members meet a minimum retirement age before drawing pension benefits, denying a benefit when a member reaches a certain age is problematic.

Denial of retirement benefits where the sole basis for the denial is age is illegal age discrimination under a ruling in an Eighth Circuit Court of Appeals case. *See EEOC v. Minnesota Dep't of Corrections*, 648 F.3d 910 (2011). The Office of the State Auditor recommends that relief associations consult their attorneys for guidance on how this case could affect their relief associations.

Options:

One option that is being implemented as an alternative to stopping interest allocations based on a member's age is to define a maximum length of time applicable to all deferred members during which interest is allocated. For example, a relief association could define in its bylaws that interest is paid for five years following a member's separation from active service or until the deferred member is paid his or her deferred service pension, whichever occurs sooner.

Another option is to change the deferred interest option so that interest is paid to deferred members at the investment performance rate actually earned on the assets invested in a separate investment account or separate investment vehicle. Under these deferred interest payment options, the deferred member bears the full investment risk.

Any change to deferred interest bylaw provisions only affects members who separate from service on or after the date of the bylaw change. Currently-deferred members continue to receive interest according to the bylaw provisions that were effective when they separated.

Do the Working Group members have any additional options to share?

Exhibit I

Portability of Accrued Service Credit and Benefits

Topic:

Portability of service credit and benefits for volunteer firefighters has been a topic brought to the Working Group's attention on numerous occasions recently. Firefighters are moving around more and there currently is not a system in place to permit earned benefits to move with the firefighter. More generally, relief association trustees are asking for guidance on ways to help retain members, encourage participation, reward members who perform beyond the minimum requirements that are established, and encourage members in their transition to retirement.

Suggestions made for the Working Group's consideration include allowing accrued assets and service credit to transfer from one relief association to another when a firefighter changes fire departments. Pros of this suggestion are that the fire department receiving the firefighter obtains someone who is experienced and trained, and that the firefighter does not lose his or her earned benefits. Cons of this suggestion are that the relief association from which the firefighter is leaving loses the member's assets and investment earnings on those assets and loses forfeiture income of members who do not vest.

Other suggestions made for the Working Group to consider include creating a tiered pension system to reward members who respond to more calls with a higher pension amount or to permit benefit level changes to be made on a prospective basis. These two suggestions would be very difficult for relief associations to administer and for the Office of the State Auditor to oversee.

Are there any additional suggestions for the Working Group to consider?

Additional Resources:

Chevuru, Partha; Cote, Maria; Hasskamp, Brad; Verma, Mamta. (2014). Empty Boots, Quiet Sirens: The State of Non-Career Firefighting in Minnesota: A Report to the Minnesota State Fire Chiefs Association. Hubert H. Humphrey School of Public Affairs. Retrieved from the University of Minnesota Digital Conservancy, <http://hdl.handle.net/11299/164931>.