

**Minnesota Volunteer Fire Relief Association
Working Group Meeting**

Office of the State Auditor
Wednesday, January 17, 2018
11 a.m. to 1 p.m.

- I. Call to Order**
Chair Auditor Otto.
- II. Introductions**
- III. Review and Approval of Working Group Meeting Minutes**
Exhibit A. Draft January 17, 2017 Meeting Minutes
- IV. Update on 2017 Legislative Proposals**
- V. Discussion of Proposal to Raise Maximum Allowable Lump-Sum Benefit Level to \$15,000**
Exhibit B.
- VI. Discussion of Municipal Ratification of Benefit Levels**
Exhibit C.
- VII. Other Business**
- VIII. Next Meeting**
Wednesday, January 31, 2018
11 a.m. to 1 p.m.
Office of the State Auditor
- IX. Adjournment**

Volunteer Fire Relief Association Working Group

Office of the State Auditor

Tuesday, January 17, 2017

11 a.m. to 1 p.m.

Members Present

Steve Donney, City of Harmony Mayor

Luke Fischer, City of Plymouth Administrative Services Director

Bruce Hemstad, Bemidji Fire Relief Association Secretary (defined benefit lump sum plans)

Dave Jaeger, Mahnomon Fire Relief Association Vice President (defined benefit lump sum plans)

Ron Johnson, Minnesota State Fire Department Association Representative (defined contribution plans) (by phone)

Aaron Johnston, Coon Rapids Fire Relief Association Treasurer (defined contribution plans)

Philip Jones, Eden Prairie Fire Relief Association Trustee (defined benefit monthly/lump sum plans)

Rebecca Otto, State Auditor

Nealon Thompson, Minnesota State Fire Chiefs Association Representative (defined benefit monthly/lump sum plans)

Members Excused

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)

Others Present

Ramona Advani, Deputy State Auditor and General Counsel

Rachel Barth, Legislative Commission on Pension and Retirement Deputy Director

Mary Chamberlain, Abdo, Eick & Meyers, LLP Representative

Candace Gislason, Van Iwaarden Associates Representative

Rose Hennessy Allen, Office of the State Auditor Pension Director

Jason Kuenle, Office of the Revisor of Statutes Representative

Molly Resch, Office of the State Auditor Pension Analyst

Mike Stroeing, Public

The following motions were duly made, seconded and approved:

RESOLVED to approve the December 6, 2016, Working Group Meeting Minutes;

RESOLVED to approve the draft legislation that updates the corporate stock restriction, requires legal compliance audits, permits supplemental benefits for volunteer emergency medical personnel, and makes a technical correction to the "Return-to Service" provision; and

RESOLVED to have language drafted that would allow return-to-service members who have been paid a service pension from a defined contribution relief association or from a relief association that pays monthly benefits to have a lower vesting requirement upon their resumption of active service.

I. Call to Order

Auditor Otto called the meeting to order.

II. Review and Approval of Working Group Meeting Minutes

The members reviewed the December 6, 2016, meeting minutes that had been provided in advance. Johnston made a motion to adopt the minutes. Donney seconded the motion that was then adopted unanimously.

III. Review of Draft Legislation

- **Corporate Stock Restriction**

Auditor Otto explained that the draft language would update the corporate stock authority on the expanded list of authorized investment securities to ensure that the securities are subject to the portfolio limitations found within the expanded list. In response to a question about who is required to monitor the investments for compliance, Hennessy Allen explained that the relief association's board of trustees and investment advisor or broker are required to monitor the investments. The Working Group members agreed that January 1, 2018, is the appropriate effective date for the change.

- **Legal Compliance Audits**

Auditor Otto shared that the draft language simply clarifies that relief association audits are required to follow the minimum audit procedures prescribed by the Office of the State Auditor (OSA). This change is in keeping with the practice that auditors should already be following and is consistent with the audit requirements for all other local units of government. The Working Group members had no questions about the draft language and agreed that January 1, 2018, is the appropriate effective date for the change.

- **Supplemental Benefits for EMS Personnel**

Auditor Otto explained that the draft language works in tandem with last year's Working Group change that, if passed into law, would allow emergency medical personnel to be members of a relief association. This change would include fire prevention personnel and volunteer emergency medical personnel as qualified recipients for supplemental benefits if they are approved locally for inclusion in a relief association's membership. The Working Group members had no questions about the draft language and agreed that January 1, 2018, is the appropriate effective date for the change.

- **Updated Definitions of Municipality and Fire Department**

Auditor Otto shared that the draft language updating the definitions of municipality and fire department is a project started last year, with the help of Kuenle. The terms are used numerous times throughout the relief association statutes, and each reference was reviewed and updated as appropriate. Thompson let the Working Group members know that the Minnesota Fire Chiefs Association is working on legislation that would allow for the creation of fire districts, which could have an impact on these definitions. Kuenle said that he would keep the topic on his radar. The Working Group members had no questions about the draft

language and agreed that January 1, 2018, is the appropriate effective date for the changes.

- **Return to Service Technical Correction**

Auditor Otto explained that the draft language is a technical correction clarifying that the “Return to Service” provision in statute applies only to firefighters who return to active firefighting after a break in service. Kuenle shared that headnotes are not part of law, which is why the technical correction is needed. The Working Group members had no questions about the draft language and agreed that the changes should be effective the day following final enactment.

Hemstad made a motion to adopt all of the draft legislation, as amended to include effective dates. Jaeger seconded the motion that was then adopted unanimously.

IV. Review of 2016 Legislation

Barth provided an update on the provisions from the 2016 Omnibus Retirement Bill that was vetoed. The 2016 provisions were updated and merged into one bill that will be incorporated into the 2017 Omnibus Retirement Bill.

V. Discussion of Permitting Different Vesting Requirements for Certain Return-to-Service Members

Auditor Otto explained that currently, if a firefighter is paid a service pension and then resumes active service and membership, the firefighter is required to complete the same vesting requirements as all other members of the relief association to receive a second service pension. At the last two meetings, the Working Group members expressed an interest in allowing relief associations that pay monthly service pensions to establish lower vesting requirements for firefighters who return to service after being paid a service pension.

Auditor Otto said that the OSA will conduct a survey to seek information on how the “return-to-service” provision in statute is working. Jones provided the members with an overview of the special legislation that the Eden Prairie Fire Relief Association is seeking on this topic, and why there may be different considerations for relief associations that pay monthly benefits than for those that solely pay lump sum benefits. Johnston shared that there may be benefits for members of defined contribution plans, too. The Working Group members expressed an interest in seeing language drafted that would allow return-to-service members who have been paid a service pension from a defined contribution relief association or from a relief association that pays monthly benefits to have a lower vesting requirement upon their resumption of active service. Thompson made a motion to have the OSA draft the language. Johnson seconded the motion that was then adopted unanimously.

VI. Other Business

Hemstad asked for an update on the benefit level issue that the Bemidji Fire Relief Association brought to the Working Group last fall. Auditor Otto said that the OSA would reach out to the League of Minnesota Cities to discuss creating educational materials on approving benefit levels, maximum benefit levels, and municipal contributions.

VII. Next Meeting

The Working Group members discussed holding one additional meeting, if necessary, to finalize the proposals for introduction during the 2017 session. Hennessy Allen said she would be in contact with the Working Group members if an additional meeting is determined to be necessary.

VIII. Adjournment

The meeting was adjourned shortly before 1:00 p.m.

Exhibit B

Lump-Sum Benefit Levels

Topic:

The Eden Prairie Fire Relief Association sought special legislation during the 2016 Legislative Session that would have allowed its maximum lump-sum service pension amount to increase from the current \$10,000 to \$15,000 per year of active service. The legislative proposal was supported by the Eden Prairie Fire Relief Association and by the City of Eden Prairie.

When the proposal was heard by the Legislative Commission on Pensions and Retirement (LCPR), it was modified from an Eden Prairie-only provision to a general provision that would be applicable to all defined-benefit relief associations. While the change would increase the maximum allowable lump-sum benefit level for all relief associations, very few relief associations would be able to offer a benefit level at the higher maximum. Each relief association would still be subject to the flexible service pension maximum based on the relief association’s average available financing per active firefighter.

The general legislative change to increase the maximum allowable benefit level to \$15,000 per year of service was included in the 2016 Omnibus Retirement Bill and in the 2017 Omnibus Retirement Bill, both of which were passed by the Legislature but vetoed by the Governor. The legislation will be before the LCPR membership for consideration this session.

A list is provided below of relief associations that offered lump-sum benefit levels during 2016 at or above \$7,000 per year of service. If available in reports currently on file with the Office of the State Auditor, the 2017 benefit levels are provided, too.

Relief Association Name	2016 Lump-Sum Benefit Level	2017 Lump-Sum Benefit Level
Eden Prairie Fire Relief Association	\$10,000	\$10,000
Maplewood Fire Relief Association	10,000	10,000
Plymouth Fire Relief Association	9,500	
Brainerd Fire Relief Association	8,750	9,500
Northfield Fire Relief Association	8,500	8,500
Inver Grove Heights Fire Relief Association	7,900	7,900
Robbinsdale Fire Relief Association	7,800	
Shakopee Fire Relief Association	7,800	8,025
Golden Valley Fire Relief Association	7,750	8,000
Alexandria Fire Relief Association	7,725	
Brooklyn Center Fire Relief Association	7,600	
Prior Lake Fire Relief Association	7,100	7,200
Rosemount Fire Relief Association	7,100	
Excelsior Fire Relief Association	7,050	7,250

Exhibit C

Municipal Ratification of Benefit Levels

Topic:

Generally, relief associations are required to obtain ratification from the affiliated municipality or independent nonprofit firefighting corporation of a benefit level change before the change becomes effective. There is authority, if certain conditions are met, for a relief association to increase its benefit level without obtaining ratification. This allows a relief association that is well-funded to make benefit level changes even if the affiliated municipality or independent nonprofit firefighting corporation does not support the change.

Whether a relief association is required to obtain ratification depends on if the relief association has a surplus and if the municipality is required to provide financial support.

However, there is a risk if a relief association decides to increase benefits on its own. If the benefit level is increased without ratification and a contribution should subsequently become required, the benefit level is no longer effective without ratification and any future benefits can only be paid using the ratified benefit level (i.e., the relief association must drop its benefit level to the last ratified level).

There currently are about 30 relief associations operating at benefit levels that have not been ratified by the affiliated municipality or independent nonprofit firefighting corporation, with almost all of them being located in Greater Minnesota.

Two topics regarding municipal ratification of benefit levels have been brought to the Working Group for discussion. The topics are:

1. Municipalities that choose not to ratify benefit level increases when the affiliated relief association has an excessively-high funding ratio; and
2. The current statutory authority that relief associations have to increase benefit levels on their own without municipal ratification.