

# **Minnesota Volunteer Fire Relief Association**

## **Working Group Meeting**

Office of the State Auditor

Wednesday, January 27, 2016

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 December 16, 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**

Exhibit G.

- Defining a Reasonable Investment Earnings Projection (G)

### **VI. Other Business**

### **VII. Next Meeting**

### **VIII. 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 January 25, 2016.

# **Volunteer Fire Relief Association Working Group**

Office of the State Auditor

Wednesday, December 16, 2015

11 a.m. to 1 p.m.

## **Members Present**

Rachel Barth, Legislative Commission on Pension and Retirement Deputy Director

Steve Donney, City of Harmony Mayor

Luke Fischer, City of Plymouth Administrative Services Director

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

Nyle Zikmund, Minnesota State Fire Chiefs Association Representative (defined benefit monthly plans)

## **Members Excused**

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

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

Susan Lenczewski, Legislative Commission on Pensions and Retirement Executive Director

## **Others Present**

Bill Braun, Woodbury Fire Relief Association Representative

Harry Blanek, Edina Fire Relief Association Representative

Mary Chamberlain, Abdo, Eick & Meyers, LLP Representative

Celeste Grant, Deputy State Auditor/General Counsel

Rose Hennessy Allen, Office of the State Auditor Pension Director

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 November 10, 2015, Working Group Meeting Minutes;

**RESOLVED** to adopt the draft language as amended that requires the fire chief to annually certify service credit information to an officer of the relief association and to the municipal clerk; and

**RESOLVED** to adopt the draft language as amended that prohibits the receipt of concurrent service credit in a volunteer firefighters relief association and in the Public Employees Retirement Association for the same hours of 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 November 10, 2015, meeting minutes that had been provided in advance. Johnston made a motion to adopt the minutes. Wall seconded the motion that was then adopted unanimously.

**III. Review of Draft Legislation**

**• Certification of Service Credit**

The Working Group members reviewed draft language that would add a requirement to statute that service credit be certified annually by the fire chief. The certification would be made to an officer of the relief association and to the municipal clerk. The members agreed that the certification data should be made available for inspection by the individual firefighter whose record it is, by the relief association, and by the municipality that was served with the certification. If a relief association were to receive a request from any other individual or entity to inspect the certification, much of the data contained in the certification would be classified as not public under Minnesota's Data Practices Act. The members agreed to strike language from the draft that would require the bylaws to identify which relief association officer should receive the certification and to strike "good time" from the service credit description. Finally, the members agreed that the effective date for the provision should be January 1, 2017. Zikmund made a motion to adopt the draft language as amended. Johnson seconded the motion that was then adopted unanimously.

**• Limitation of Relief Association Service Credit to Volunteer Service**

The Working Group members reviewed draft language that would clarify statute to prohibit the receipt of concurrent service credit. The language would 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 in the Public Employees Retirement Association (PERA). The members discussed why such a prohibition is needed, and that it is bad public policy for an individual to receive two publicly-funded pensions for the same period of service. The members agreed to strike "full-time" from the draft language to ensure that the prohibition applies to all personnel (including part-time) who may be eligible for both PERA and relief association pensions. The members agreed that the effective date for the provision should be January 1, 2017. Johnston made a motion to adopt the draft language as amended. Zikmund seconded the motion that was then adopted unanimously.

**• Expanding Relief Association Pension Eligibility to Emergency Medical Personnel**

The Working Group members reviewed draft language that would permit individuals who solely perform emergency medical services to be eligible for relief association service pensions, subject to municipal approval. The proposal is permissive and would only apply to those communities that choose to allow the pension coverage. The proposal gives tools to municipalities to effectively deliver fire and emergency medical services. The members agreed that the draft language should be updated to require a

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relief association's bylaws to be amended to permit the pension coverage. Auditor Otto said the draft language would be revised and brought back to the Group for review at the next meeting.

**IV. Review of Joint Powers Sub-Group Recommendations**

Review of the recommendations was held over to the next meeting.

**V. Schedule Form Discussion**

Discussion of the Schedule Form was held over to the next meeting.

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

Discussion of suggestions regarding portability was held over to the next meeting.

**VII. Other Business**

Auditor Otto asked the members if they would like to hold a meeting in January to finish the Group's work. The members agreed. Hennessy Allen will send an email to confirm availability and to schedule the additional meeting.

**VIII. Next Meeting**

Wednesday, January 27, 2016

11 a.m. to 1 p.m.

Office of the State Auditor

**IX. Adjournment**

The meeting was adjourned at 1:05.

## 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 service credit information to an officer of the relief association and to the municipal clerk or clerk-treasurer.

### **Optional Changes:**

#### **424A.003 CERTIFICATION OF 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 service credit for the previous calendar year of each firefighter rendering active service with the fire department.

(b) The certification shall be made to an officer of the relief association's board of trustees and to the municipal clerk or clerk-treasurer of the largest municipality in population served by the associated fire department.

(c) The fire chief shall provide to each firefighter rendering active service with the fire department notification of the amount of service credit rendered by the firefighter for the previous calendar year. The 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 service credit. If the 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 service credit.

(d) The 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 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 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 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.

Effective date: January 1, 2017

**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 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.

Effective date: January 1, 2017

[Note: Insert before current subdivision 4. Rerun 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 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 if authorized in the bylaws of the relief association and approved by the municipality.

**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, if the bylaws of the relief association so authorize and 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. Rerun 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.