

December 8, 1981 Meeting
Room 81, State Office Building
2:30 p.m.

MINUTES

Senator Collin Peterson, chairman, opened the meeting

PRESENT: Senators Peterson, Moe, Frederickson, and Renneke
Representatives Rice, Kaley, and Reding

H.F. 825 (Reding); S.F. 787 (C.C. Peterson): Volunteer Firefighters:
Flexible Service Maximums; Casualty Benefit Coverage

Bill provides for benefits for volunteers; for interest to be paid on lump sum benefit payments when paid in installments; clarifies law for volunteers of second class city firefighters relief associations; removes ceiling on flexible service maximums; modifies benefits for deferred recipients to provide that law in effect at time begin receipt of pension governs pension amount; and modifies limitation on payments other than service pension.

Larry Martin went over the memo and discussion followed:
The proposal presents the following problems:

- 1) it would extend the flexible service maximums indefinitely;
- 2) it would change the calculation of deferred pensions from current practice as of using the law in effect as of the date of termination to that of using the law in effect as of the date of the beginning of receipt of the service pension; and
- 3) it would provide a minimum survivor's benefit rather than a benefit based on years of service.

Gus Welter, Volunteer Fire, explained why the changes are requested by the Volunteer Firefighters group. In some instances, the funds want to raise the flexible service maximums because there is excess money in the treasury. Other changes are requested as recruitment tools.

Staff presented two technical amendments. Senator Moe moved the adoption of the technical amendments. Motion carried.

Dick Johnson, Minnesota Professional Firefighters group, expressed concern about the elimination of the age 35 limitation for firefighters of the second class city fire departments.

Discussion followed on the application of the age 35 limitation to both paid and volunteer firefighters of the second class cities. Current volunteer law in Chapter 424A has no age 35 limitation.

Stan Peskar, League of Minnesota Cities, addressed the issue of the age 35 limitation. He testified that he understood that the age 35 limitation was to be eliminated to help with recruitment of volunteers in second class cities.

Representative Rice moved that the bill be amended to make it clear that the age 35 limitation will still apply to both volunteers and salaried firefighters in the second class cities. Motion carried on a 4-3 vote.

Gus Welter explained the request to permit the payment of a service pension to those who had been on deferred status to be based on the law in effect at the time the service pension is to be paid, not the law at the time service terminated.

Senator Peterson discussed a proposal that the bill be amended to remove the open ended maximums on the flexible service maximums and replace it with a higher ceiling. Discussion followed on the subject of statewide pension plans' average benefits compared to the maximum benefits permitted by the volunteer firefighters law.

Mike McLaren, PERA executive Director, testified that the maximum PERA-P&F pension is about \$1300 per month.

Gus Welter said that a limit of up to 50% higher than the current limits would be acceptable if the Commission were unwilling to approve unlimited maximums. In answer to a question, he replied that many volunteers receive \$4 per hour compensation for serving as a volunteer firefighter.

Representative Kaley moved to amend the bill to remove the unlimited ceiling on the lump sum benefits and monthly benefits and to extend the charts to a maximum of \$450 per month for monthly benefit plans and \$3000 per year of service for lump sum benefit plans. Motion carried with one vote in opposition.

Representative Reding moved that the bill be passed as amended. Motion approved.

H.F. 824 (Reding); S.F. 786 (C.C. Peterson): Volunteer Firefighters; Authorizing relief associations to modify benefits without municipal approval in certain cases Bill changes requirement for municipal ratification of benefit changes if the municipality currently is not required to pay any tax levies to the relief association; relief associations are entitled to raise benefits to levels financed by current fire state aid.

Larry Martin went over the memo.

Senator Peterson offered an author's amendment which would provide that if future fire state aid is not enough to pay for the increased benefit that was adopted without municipal ratification, the benefit level is to drop back to the level that can be supported by the current financing. The amendment was adopted.

Staff offered a technical amendment. Representative Kaley moved the technical amendment. Motion carried.

Discussion followed on the following topics;

- 1) Why various municipalities do not approve benefit increases despite adequate financing;
- 2) When municipalities do not ratify benefit changes, the fund balances increase; and
- 3) If bill is passed, benefit levels will still be subject to flexible service maximums.

Representative Rice moved the bill as amended. Motion carried.

Senator Peterson announced that the remainder of the agenda will be taken up at later Commission meetings.

Senator Peterson announced a new agenda item: discussion of proposal to cut contributions to MSRS as part of cutting current state obligations.

Senator Peterson had to leave to attend Senate Finance Meeting; Representative Rice assumed the chair.

Larry Martin went over a memo on the topic of the reduction in contributions to MSRS: Financial Impact of Governor Quie's Proposals Concerning MSRS

Larry Martin indicated that the House Appropriations Committee was requesting information on the technical problems associated with the Governor's proposal. He stated that he had been told that the Department of Finance was withdrawing its proposed reduction in contributions to the MSRS Unclassified Plan.

Discussion continued on the following subjects:

- 1) Amount of money actually saved by the proposal;
- 2) Retroactive nature of proposal and technical problems; and
- 3) Administrative problems for MSRS

Paul Groschen, MSRS Executive Director, testified in opposition to the plan:

- 1) Relies on valuations which now show surplus funding, surplus may not be there in 1981 valuation;
- 2) State budgets should not be balanced with retirement systems' money -- bad precedent;
- 3) Potential IRS problems due to favoring of Unclassified Plan if continue funding at 4% for Unclassified employees but reduce funding of general employees and correctional employees -- may lose qualified plan status;

(Paul Groschen's testimony, continued)

4) Important to retain uniform funding of statewide pension plans. PERA, TRA and MSRS do not have identical benefit plans due to different needs of members of plans, but the plans should have comparable normal costs; and

5) If necessary, adjust the amortization payment but do not reduce the payment toward normal cost.

Representative Rice asked if anyone wished to speak in favor of the Governor's proposal. No one so testified.

Representative Rice stated that there was not a quorum present, it was impossible for the Commission to take a vote for or against the Governor's proposal.

He suggested that Mr. Martin discuss the proposal with the absent Commission members before Mr. Martin reported the Commission's views back to the House Appropriations Committee.

The meeting adjourned with no date set for the next meeting.

Karen Dduley
Commission Staff