

Volunteer Fire Relief Association Joint Powers Subgroup

Office of the State Auditor

Monday, July 13, 2015

1:30 p.m. to 3:30 p.m.

Members Present

Dave Ganfield, Apple Valley Fire Relief Association President

Rebecca Otto, State Auditor

Bruce Roed, State Fire Marshal Division Representative (by phone)

Chris Smith, League of Minnesota Cities Representative

Rachel Thurlow, Legislative Commission on Pensions and Retirement Director

Kevin Wall, Lower Saint Croix Valley Fire Relief Association President

Nyle Zikmund, Minnesota State Fire Chiefs Association Representative

Members Excused

Eric Hedtke, Minnesota Association of Townships Representative

Bruce Hemstad, Bemidji Fire Relief Association Secretary

Others Present

Celeste Grant, Deputy State Auditor/General Counsel

Rose Hennessy Allen, Office of the State Auditor Pension Director

Michael Johnson, Office of the State Auditor Pension Analyst

Abigail Mediger, Office of the State Auditor Pension Analyst

Jeff Reed, Office of the State Auditor Supervisor of Special Investigations

Christopher Stack, Office of the State Auditor Pension Intern

James VanEyll, Long Lake Fire Chief

The following motions were duly made, seconded, and approved:

RESOLVED to approve the June 24, 2015, Joint Powers Subgroup Meeting Minutes; and

RESOLVED to approve the Joint Powers Subgroup Purpose Statement.

I. Call to Order

Auditor Otto called the meeting to order.

II. Review and Approval of Subgroup Meeting Minutes

The members reviewed the June 24, 2015, meeting minutes that had been provided in advance. Roed made a motion to adopt the minutes. Ganfield seconded the motion that was then adopted unanimously.

III. Review of Subgroup Purpose Statement

The members reviewed the Subgroup Purpose Statement that had been updated to incorporate suggestions made during the previous meeting. Roed made a motion to adopt

the Purpose Statement. Ganfield seconded the motion that was then adopted unanimously.

IV. Discussion of Issues Regarding a Fire Department Dissolution

When a joint powers fire department dissolves and its affiliated relief association dissolves, too, there is an issue of how surplus association assets should be divided after the last eligible relief association member is paid from the municipal trust fund. Currently, when a relief association dissolves its remaining special fund assets are transferred to the municipality and used to establish a benefit trust fund. Members are paid their service pensions from the trust fund when they become eligible to receive the distribution. If any assets remain in the trust fund after the last eligible member is paid, the assets cancel to the municipality. The statutes do not anticipate the dissolution of a relief association affiliated with a joint powers fire department or how surplus assets would be handled.

The members reviewed draft language that would update the relief association statutes when a relief association dissolves and does not consolidate with another association. Auditor Otto explained that the draft language would define which municipality will establish the benefit trust fund when the relief association dissolves, how the surplus assets will be divided after the last member is paid, and how any unfunded actuarial accrued liabilities will be paid. The draft language permits the joint powers agreement to specify how each of these scenarios would be handled, and establishes a default if the agreement does not specify.

The members agreed generally with the draft language. The group discussed how to calculate total contributions from each municipality to the joint powers entity, and the time period over which the calculation should be measured. The members suggested some updates to the draft language to further clarify the intent. The topic will be revisited at the next meeting.

V. Review of Draft List of Potential Best Practices

Auditor Otto shared a list of potential best practices topics to be included in a best practices review on fire department joint powers entities. The members agreed that a minimum length of time before a municipality may withdraw from the agreement, and a cooling-off period before the withdrawal become effective, are good best practice suggestions. Zikmund also stated that having the withdrawal become effective at the end of the calendar year should be a best practice suggestion as it makes the transition smoother for calculation purposes.

The members discussed whether the composition of the joint powers board should be addressed in a best practices review. It was agreed that the decision should be made locally. However, municipalities that contribute to the joint powers entity should have

representation on the board, and municipalities may want to specify in the agreement that no one entity can have more than 50 percent of the vote.

VI. Review of Draft Legislative Changes

- **Definition of “Municipality”**

The members reviewed draft language that would update the definition of “municipality” in the relief association statutes. Smith suggested adding “section” before the citations and the members agreed.

- **Combined Service Pensions**

The members reviewed draft language that would create authority for defined contribution relief associations to offer combined service pensions for volunteer firefighters with service in more than one fire department. Additionally, the draft language moves the combined service pension provision from the section of statute that applies only to defined benefit plans to the section of statute that applies to all relief associations. Ganfield suggested breaking the defined benefit and defined contribution portions of the text into separate clauses. Thurlow will look for any legislative history on this provision.

- **New Joint Powers Subdivision**

The members reviewed draft language that would create a new subdivision within the joint powers statutes for fire departments. Auditor Otto explained that the intent of the changes is to help ensure the public’s best interests are served if there is a dissolution or partial split. Smith identified a possible conflict between the new language and the existing dissolution language in subdivision 5. The draft language will be clarified and revisited during the next meeting.

VII. Other Business

There was no other business.

VIII. Next Meeting

Tuesday, August 4, 2015
1:30 p.m. to 3:30 p.m.
Office of the State Auditor

IX. Adjournment

The meeting was adjourned shortly before 3:00.