



TO: Members of the Legislative Commission on Pensions and Retirement  
 FROM: Lawrence A. Martin, Executive Director *JAM*  
 RE: S.F. 2831 (Tomassoni); H.F. 2784 (Rukavina): Volunteer Firefighter Relief Associations;  
 Additional State Supplemental Benefit for Volunteer Fire Death Benefits  
 DATE: March 22, 2006

Summary of S.F. 2831 (Tomassoni); H.F. 2784 (Rukavina)

S.F. 2831 (Tomassoni); H.F. 2784 (Rukavina) amends Minnesota Statutes, Section 424A.10, the mandated lump sum volunteer firefighter supplemental benefit of ten percent of the benefit amount, not to exceed \$1,000, reimbursed by the State, by allowing volunteer firefighter relief associations to pay an enhanced supplemental benefit to the survivor of a deceased volunteer firefighter of 20 percent of the savings benefit, not to exceed \$2,000, also to be reimbursed by the State.

Background Information on Volunteer Firefighter Relief Associations and on Supplemental Lump Sum Volunteer Firefighter Benefits

Minnesota Statutes, Section 424A.10, enacted in 1988 (Laws 1988, Chapter 719, Article 19, Section 22), mandates that all volunteer firefighter relief associations that provide a lump sum service pension or retirement benefit provide an additional lump sum supplemental benefit, equal to ten percent of the lump sum benefit, but not to exceed \$1,000, and reimbursable in the following year by the State Department of Revenue.

The lump sum supplemental volunteer fire benefit stems from a late 1980s tax law change which caused Minnesota public pensions to be taxable and the supplemental benefit is intended to offset some or all of the effects of that tax law change.

There are about 725 volunteer firefighter relief associations in Minnesota, with most relief associations paying lump sum retirement benefits, either as defined benefit retirement plans or as defined contribution plans. The following sets forth general information from the annual compilation of volunteer firefighter relief association data assembled by the Office of the State Auditor (with two or three dozen volunteer firefighter relief associations failing to file the required data in a timely fashion every year):

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Number of Reporting Plans	692	695	686
<u>Lump Sum Associations</u>			
Defined Contribution Plans	87	88	84
Lump Sum Defined Benefit Plans	583	585	577
<u>Monthly/Combination Associations</u>			
Monthly Benefit Plans	5	4	5
Comb. Lump Sum/Monthly Benefit Plans	17	18	20
Total Active Members	16,869	16,995	16,860
Total Deferred Inactive Members	2,897	3,015	3,095
Total Retired Members	<u>1,174</u>	<u>1,112</u>	<u>1,209</u>
Total Membership	20,940	21,122	21,164
Total Actuarial Accrued Liability	\$308,923,067	\$311,801,760	\$329,287,563
Assets	<u>\$291,241,397</u>	<u>\$265,724,390</u>	<u>\$316,638,883</u>
Unfunded Actuarial Accrued Liability	\$17,681,670	\$46,077,370	\$12,648,680
Funding Ratio	94.28%	85.22%	96.16%
Total Normal Cost	\$18,498,533	\$18,998,498	\$19,305,406
Total Amortization Contribution	\$1,675,033	\$3,498,283	\$4,787,932
Total Fire State Aid	\$13,246,449	\$14,584,066	\$17,771,509
Total Municipal Contribution	\$4,766,358	\$6,379,562	\$7,220,506
Total Other Revenue	\$763,428	\$765,056	\$745,795



