H.F. 1415
(Melin)

S.F. 1129
(Tomassoni)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s):	Volunteer Firefighter Relief Associations
Relevant Provisions of Law:	Uncoded
General Nature of Proposal:	Fire State Aid; Deadline extension for calendar year 2009 financial reporting required for 2010 aid allocation
Date of Summary:	May 3, 2011

Specific Proposed Changes

- Extends the deadline for filing the calendar year 2009 volunteer firefighter relief association annual financial reporting to qualify for 2010 fire state aid from November 30, 2010, to April 30, 2011, without any aid forfeiture or future aid disqualification, if the 2009 annual volunteer firefighter relief association financial reporting is filed before May 1, 2011.

Policy Issues Raised by the Proposed Legislation

1. The number of municipalities and volunteer firefighter relief associations affected by the proposed legislation, their identity, their justification for the filing delay, and their argument for deadline extension.

2. The extent of late filings of volunteer firefighter relief associations' financial reports, the number of municipalities and volunteer firefighter relief associations penalized for late filing in the past, and the consequent potential for future fire state aid forfeitures and requests for similar extensions.

3. Whether there is any precedent in prior special legislation for the proposed special legislation and whether the proposed special legislation, if enacted, would likely constitute a precedent for similar future requests.

Potential Amendments

No staff amendments.

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director LAM

RE: H.F. 1415 (Melin); S.F. 1129 (Tomassoni): Fire State Aid; Deadline Extension for Calendar Year 2009 Financial Reporting Required for 2010 Aid Allocation

DATE: April 12, 2011

Summary of H.F. 1415 (Melin); S.F. 1129 (Tomassoni)

H.F. 1415 (Melin); S.F. 1129 (Tomassoni) extends the deadline for filing the calendar year 2009 volunteer firefighter relief association annual financial reporting to qualify for 2010 fire state aid from November 30, 2010, to April 30, 2011, without any aid forfeiture or future aid disqualification, if the 2009 annual volunteer firefighter relief association financial reporting is filed before May 1, 2011.

Relevant Background Information

To provide a perspective on and a context for the subject matter of the proposed legislation, the following provide relevant background information:

- **Attachment A** contains background information on volunteer firefighter relief association financial reporting.
- **Attachment B** contains background information on the elements of the fire state aid program.
- **Attachment C** contains background information on the historical development of the fire state aid program.
- **Attachment D** contains background information on fire state aids to volunteer firefighter relief associations.
- **Attachment E** contains background information on volunteer firefighter relief association fire state aid qualification requirements.

Discussion and Analysis

H.F. 1415 (Melin); S.F. 1129 (Tomassoni) extends from November 30, 2010, to April 30, 2011, the deadline applicable to municipalities and their associated fire relief associations for receipt of the 2010 fire state aid, without a forfeiture of the 2010 fire state aid and without a disqualification for future fire state aid, if the 2009 annual volunteer firefighter relief association financial report or statement is filed before May 1, 2011.

The proposed legislation raises a number of pension and related public policy issues for consideration by and potential discuss by the members of the Legislative Commission on Pensions and Retirement, as follows:

1. Municipalities and Volunteer Firefighter Relief Associations Affected by the Proposed Legislation. The policy issue is the number of municipalities and volunteer firefighter relief associations which are affected by the proposed legislation, their identity, their justification for their delay to file their financial reporting, and their argument for a deadline extension. Three municipalities forfeited their 2010 fire state aid. The municipalities and the amount of 2010 fire state aid are:

County	Municipality	2010 Fire State Aid
Mower	Mapleview*	$6,874
St. Louis	Hibbing**	$57,035
St. Louis	Makinen	$6,874
		$70,783

* Mapleview, along with Kiester in Faribault County and Twin Lakes in Mahnomen County, also forfeited fire state aid in 2009.

** The fire state aid is allocated between the Hibbing Volunteer Firefighter Relief Association and the Hibbing employer obligation for firefighters with Public Employees Police and Fire Retirement Plan (PERA-P&F) retirement coverage.

The reported funded condition of the three volunteer firefighter relief associations, as of the most recent results contained in the Office of the State Auditor volunteer firefighter relief association financial report compilation, are as follows:

	Mapleview 2002	Hibbing 2008	Makinen 2007
Membership			
Active Members	20	18	10
Deferred Members	0	8	1
Retired Members	0	1	0
Total Membership	20	27	11
Accrued Liabilities	$96,870	$332,706	$82,600
Assets	$132,962	$270,522	$69,802
Unfunded Actuarial Accrued Liabilities	($36,092)	$62,184	$12,798
Funded Ratio	135%	81%	85%
Benefits Payable		$39,600	$0
Normal Cost	$9,670	$22,835	$5,030
Administrative Expenses	$16	$2,633	$100
Amortization Requirement	($3,609)	$0	$4,340
Total Financial Requirements	$6,077	$25,468	$9,470
Fire State Aid	$5,072	$8,698	$7,508
Municipal Contribution	$0	$682	$0
Expected Investment Income	$6,648	$13,526	$3,490
Total Funding	$11,720	$22,906	$10,998
Total Financial Requirements	$6,077	$25,468	$10,998
Total Funding	$11,720	$22,906	$9,470
Deficiency (Surplus)	($5,643)	$2,562	$1,528

Source: State Auditor Volunteer Firefighter Relief Association Compilation Reports

2. Extent of Past Late Volunteer Firefighter Relief Association Financial Reports Filers. The policy issue is the extent of late filings of volunteer firefighter relief associations' financial reports, the number of municipalities and volunteer firefighter relief associations penalized for late volunteer firefighter relief association financial reports in the past, and the consequent potential for future fire state aid forfeitures and requests for similar extensions. Of the roughly 775 volunteer firefighter relief associations in existence in the state, the number of relief associations who fail to file financial reports in a timely fashion over time is considerable, the amount of fire state aid initially withheld is considerable, and the number of relief associations subject to penalties for their financial reporting delay is regularly recurring and larger than desirable, as follows:

Year	Withheld Number	Withheld Amount	Penalized Number	Late Filing Penalty Recipients
2004	298	N/R	N/R	N/R
2005	N/R	$5,876,340	N/R	N/R
2006	N/R	$2,906,132	13	Anoka County, Benton Cook County, Grand Marais Freeborn County, Twin Lakes City Hennepin County, Osseo Itasca County, Bearville Township McLeod County, Ceylon Norman County, Shelly Pipestone County, Holland St. Louis County, Lakeland Wilkin County, Breckenridge Wright County, Rockford Wright County, Waverly Yellow Medicine County, Echo
2007	N/R	$3,300,525	21	Clay County, Felton Clay County, Hawley Cook County, Maple Hill Freeborn County, London Hennepin County, Osseo Hennepin County, Medicine Lake Jackson County, Okabena Lac qui Parle County, Boyd Le Sueur County, Elysian Marshall County, Twin Lakes Vol. Fire Dept. Martin County, Grygla McLeod County, Ceylon McLeod County, Granada Murray County, Iona Pipestone County, Holland Pope County, Glenwood Pope County, Sedan St. Louis County, Clinton St. Louis County, McKinley Sherburne County, Becker Wright County, Waverly

Year	Withheld Number	Withheld Amount	Penalized Number	Late Filing Penalty Recipients
2008	221	$3,839,735	7	Beltrami County, Red Lake Reservation Carlton County, Perch Lake Township Chisago County, Almelund Dodge County, Hayfield Rock County, Magnolia St. Louis County, Alborn St. Louis County, Hermantown
2009	219	$2,834,209	6	Beltrami County, Red Lake Reservation Carlton County, Wright Clay County, Sabin Freeborn County, Twin Lakes City Hennepin County, Loretto Stearns County, New Munich
2010	167	$2,560,179	10	Beltrami County, Red Lake Reservation Blue Earth County, South Bend Township Cass County, Federal Dam Cass County, Hackensack Freeborn County, Twin Lakes City Marshall County, Twin Lakes Vol. Fire Dept. Morrison County, Bowlus Morrison County, Flensburg Norman County, Shelly Otter Tail County, Bluffton

3. Precedent. The policy issue is whether there is any precedent in prior special legislation for the proposed special legislation and whether the proposed special legislation, if enacted, would likely constitute a precedent for similar future requests. The Commission staff cannot identify any prior special legislation where the Legislature extended the deadline for a municipality or volunteer fire department relief association failed to file its annual financial reporting in a timely fashion. Given the relatively large number of localities with withheld fire state aid and with fire state aid penalties in the past, special legislation that extends the deadline and waives the fire state aid forfeiture penalty will undoubtedly set a precedent for future requests unless the affected localities are required to make a very persuasive case for the extension and that persuasive case is well documented on the record.

Background Information on Volunteer Firefighter Relief Association Financial Reporting

Since 1965 (Laws 1965, Ch. 359, Sec. 1), Minnesota public pension plans have been required to prepare annual financial reporting. The statutory requirement is codified as Minnesota Statutes, Section 356.20. For volunteer firefighter relief associations, a financial report under Minnesota Statutes, Section 69.051, is considered to meet the reporting requirements of Minnesota Statutes, Section 356.20.

The financial reporting requirement under Minnesota Statutes, Section 69.051, was first imposed as part of the fire state aid revisions of 1969 (Laws 1969, Ch. 1001, Sec. 5). From 1969 to 1986, all volunteer firefighter relief associations filed the same reporting form, which was initially prescribed by the Commissioner of Insurance and then by the Commissioner of Commerce. The 1969-1986 form was required to include the information needed by the Commissioner to reveal the true financial condition of the relief association and to reveal the extent of compliance by the relief association with the regulatory, financing, and funding provisions of the applicable state law. The financial report was to be prepared as of December 31 for the prior calendar year, was required to be countersigned by the municipal clerk, and was to be certified by an independent accountant or auditor, who was required to provide an opinion on the condition of the relief association and any exceptions.

In 1986, after the discovery of a significant fraud and misappropriation of funds involving the secretary of the Winona Police Relief Association, the local relief association financial reporting requirements to qualify for state aid under section 69.051 were modified. The 1986 financial reporting law amendments gave the State Auditor authority and responsibility to audit all relief associations and centralized the receipt and certification of financial statements of all relief associations in the Office of the State Auditor, provided that the Commissioner of Revenue process the distribution of state aid only after notification by the State Auditor that a relief association's financial reports and actuarial valuations are complete, and provided more municipal oversight of the relief associations by requiring annual reports to the municipality of relief association financial affairs. The 1986 legislation also gave the Commission authority to request information from the various funds and the funds are authorized and directed to promptly furnish any data requested and required the State Auditor in performing an audit or examination of a pension plan to notify the Commission if the audit or examination reveals malfeasance, misfeasance, or nonfeasance in office and requires the Commissioner of Revenue to notify the Commission if the State Auditor has not filed with the Commissioner of Revenue the required financial compliance reports by the July 1 deadline. The State Auditor was required to oversee the completion and auditing of financial statements of fire relief associations rather than the Commissioner of Revenue and was required to notify the Commissioner of Revenue by July 1 in any year which relief associations that with the financial reporting requirements necessary to qualify for fire state aid, and the primary administration of the fire and police state aid program was transferred from the Department of Revenue to the State Auditor. The deadline for fire state aid applications was moved from June 1 to July 1.

The requirements for the preparation and submission of financial reports are based on the size of the relief association, and for volunteer associations with assets or liabilities of at least $200,000, the relief association must:

1) prepare its annual financial reports on forms prescribed by the State Auditor;
2) file the report in its office for public inspection and present it to the city council; and
3) submit audited financial statements to the State Auditor within 180 days after the close of the fiscal year.

For volunteer associations with assets and liabilities less than $200,000, the relief association must:

1) prepare annually a detailed financial statement on a form prescribed by the State Auditor;
2) have the detailed financial statement certified by an independent public accountant or auditor or the auditor that regularly examines the books of the municipality;
3) file the statement in its office for public inspection and present it to the city council within 45 days of the close of the fiscal year; and
4) send a copy of the statement to the State Auditor within 90 days of the end of the fiscal year.

The surety bond of the volunteer firefighter relief association treasurer must be at least 10% of the assets, but is not required to exceed $500,000.

Background Information on the
Elements of the Fire State Aid Program

1. Establishment. The fire state aid program was initially established in 1885 (Laws 1885, Ch. 187). The program is currently codified in Minnesota Statutes, Sections 69.011 through 69.051.

   The 1885 fire state aid program dedicated one-half of the premium taxes (essentially 1% of premiums) collected by the state from fire insurance companies as fire state aid. The allocation of the fire state aid was on the basis of the amount of premiums received by the fire insurance companies for each city, town, village, or other municipal corporation that had previously filed a certificate of the existence of an organized fire department that had been in existence for at least one year and that had at least one fire engine, hook and ladder truck, or hose cart. The municipal certification, prepared by the municipal recorder or clerk, was required annually, no later than October 31, and was to include information on the number of fire engines possessed by the fire department, the number of hook and ladder trucks and hose carts actually used by the fire department, the system of water supply used by the fire department, and any additional information the insurance commissioner required. Fire insurance companies were required, by the subsequent July 1, to complete an insurance commissioner form that listed the various towns entitled to receive fire state aid by reporting the amount of the prior year's annual fire insurance premiums received in each of the named towns, cities, villages or other municipal corporations.

   The fire state aid was initially intended to assist municipal and other fire departments in obtaining firefighting equipment and in providing firefighter pension coverage. The 1885 fire state aid was payable to the city, town, village, or municipal corporation treasurer and was required to be placed in a special municipal fund and expended, first, for the support and relief of firefighters who were injured or disabled in the line of duty and, second, for equipping and maintaining the fire department. In 1903 (Laws 1903, Chapter 20), the fire state aid program was revised. The principal revisions were an increase in the amount of the fire insurance premium tax that was dedicated to the program from one-half of the premium taxes collected to the total amount, the inclusion of the widow and orphans of firefighters as a permissible fire state aid expenditure, the expansion of fire state aid expenditure requirements to include firefighters who became sick or who were injured or disabled other than while on duty, the addition of a requirement that a municipality's fire state aid be paid directly to the relief association treasurer if there is an incorporated fire department relief association in the municipality that was organized with municipal consent, and the addition of a requirement that the public examiner examines the books of the relief association periodically. The fire state aid program was also clarified by the 1903 legislation as applicable to partially paid and partially volunteer fire departments as well as to organized fire departments. In 1943 (Laws 1943, Chapter 328), for municipalities and nonprofit firefighting corporations with fire pension coverage, the fire state aid was dedicated to fire pension funding.

   Fire state aid is payable to municipalities and fire departments with paid or volunteer firefighters or with a combination of paid and volunteer firefighters.

2. Source of Fire State Aid Revenue. Since 1995, the fire state aid program has been primarily funded from a premium tax on various types of minimum coverage, primarily fire insurance. For the fire state aid program, the dedicated revenue is the greater of either 107% of the fire, lightning, sprinkler leakage, and extended coverage insurance premium taxes collected or an amount equal to 1% of the fire, lightning, sprinkler leakage, and extended coverage premiums written by town and farmers' mutual insurance companies and by mutual property and casualty companies with assets not exceeding $5 million and to 2% of the fire, lightning, sprinkler leakage, and extended coverage premiums written by all other fire risk insurers. The fire state aid program includes modifications in 1969, 1988, 1991, 1995, and 1996.

   The 1969 Legislature (Laws 1969, Ch. 1001) extended the premium tax dedicated to the fire state aid program beyond fire insurance premium taxes paid by domestic mutual insurance companies to include township and farmers' insurance companies and to include lightening and sprinkler leakage insurance coverage, but excluded automobile and ocean marine fire business. Nonprofit firefighting corporations that have a relief association or a retirement plan were also included in the fire state aid allocation. The fire state aid apportionment method also changed from a system based on the geographical location of the insured property to a system with the geographical location of the insured property to a system with one-half based on the relative population size, based on the last federal census, and one-half based on the relative property value.

In 1988 (Laws 1988, Ch. 719, Art. 2, Secs. 1-5), the Legislature began altering the fire insurance premium tax base, the fire insurance premium tax rates, and the relationship between tax revenues and fire state aid. In 1988, the Legislature created a uniform premium tax base for all insurance companies but created differential tax rates.

In 1991 (Laws 1991, Ch. 291, Art. 13), the Legislature reversed the prior (1988) policy of insulating fire state aid recipients from changes in tax collections and the tax amounts dedicated to the program were limited to the amount generated by the actual fire insurance premium tax rates in effect, which for mutual insurance companies under $1.6 billion in assets as of December 1, 1989, is less than 2% on insurance premiums reported for fire, lightning, sprinkler damage, and extended coverage.

In 1995 (Laws 1995, Ch. 264, Art. 9), the various insurance premium taxes were increased and the revenue available for the fire state aid program was also increased. The 1995 Legislature increased the insurance premium tax rates for town and farmers' mutual insurance companies and for mutual property casualty companies with assets no greater than $1.6 billion. The pre-1995 insurance premium tax rate for these mutual insurance companies was one-half of 1% of the amount of all premiums. The rate was increased by the 1995 Legislature to 2% of all life insurance premiums, 1% of all other insurance premiums for all town and farmers' mutual insurance companies and for the smaller mutual property and casualty companies (assets of no more than $5 million) and 1.26% of all other insurance premiums for the larger mutual property and casualty companies (assets over $5 million and no greater than $1.6 billion). The 1995 Legislature increased the insurance premium tax revenue dedicated to the fire state aid program and the police state aid program. For the fire state aid program, the dedicated revenue was increased from the amount of insurance premium taxes collected on fire, lightning, sprinkler leakage, and extended coverage insurance, to the greater amount of either 107% of the fire, lightning, sprinkler leakage, and extended coverage insurance premium taxes collected or an amount equal to 1% of the fire, lightning, sprinkler leakage, and extended coverage premiums written by town and farmers' mutual insurance companies and by mutual property and casualty companies with assets not exceeding $5 million and to 2% of the fire, lightning, sprinkler leakage, and extended coverage premiums written by all other fire risk insurers.

In 1996 (Laws 1996, Ch. 438, Art. 4, Secs. 2 & 9), the Legislature decided to implement a minimum fire state aid floor for volunteer firefighter relief associations that currently receive a disproportionately small amount of fire state aid on a per active member (1993 count) basis. The fire state aid floor is funded from sources other than the insurance premium tax structure. Thirty percent of any unallocated amortization or supplemental amortization state aid (caused by payment of a 13th check by the Minneapolis Police or Minneapolis Fire Relief Associations, or by a police or paid fire relief association or consolidation account reaching full funding) is to be used to establish a minimum fire state aid amount for volunteer fire relief associations. The aid is to be allocated to the relief associations so that all municipalities or fire departments with volunteer firefighter relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter, based on a maximum of 30 firefighters. The amount of the minimum fire state aid is a function of the amount of the funding available.

A minimum fire state aid floor, funded from a portion of local police and paid fire relief association amortization aid or supplemental amortization aid that has been freed up by fully funded local police and paid fire pension plans, targeted at volunteer firefighter relief associations that would otherwise receive a disproportionately small amount of fire state aid on a per-active-member basis, was established in 1996 and is added to the initial fire state aid amount.

Total fire state aid, including the minimum fire state aid floor since 1996, has increased over time, as follows:

Year	Total Fire State Aid	Annual Percentage Increase	Aid to Volunteer Firefighters	Annual Percentage Increase	Aid to Paid Firefighters	Annual Percentage Increase
1988	$10,840,404	--	$7,528,581	--	$3,311,823	--
1989	10,923,145	0.76%	7,601,263	0.96%	3,321,882	0.30%
1990	10,872,111	(0.47)	7,508,647	(1.22)	3,363,464	1.25
1991	10,491,446	(3.50)	7,650,439	1.89	2,841,532	(15.52)
1992	10,530,014	0.37	7,716,007	0.85	2,814,007	(0.97)
1993	9,997,957	(5.05)	7,349,215	(4.75)	2,648,742	(5.88)
1994	10,665,543	6.68	7,869,847	7.08	2,795,696	5.55
1995	11,336,631	6.29	8,405,060	6.80	2,931,571	4.86
1996	14,797,126	30.52	11,006,256	30.95	3,790,870	29.31
1997	15,148,160	2.37	11,476,519	4.27	3,671,641	(3.15)
1998	16,088,768	6.21	11,976,222	4.35	4,112,546	12.01
1999	16,682,376	3.69	12,419,342	3.70	4,263,034	3.66
2000	17,265,502	7.31	12,879,980	3.71	4,385,522	2.87

Year	Total Fire State Aid	Annual Percentage Increase	Aid to Volunteer Firefighters	Annual Percentage Increase	Aid to Paid Firefighters	Annual Percentage Increase
2001	17,964,376	4.05	13,595,203	5.55	4,369,173	(0.37)
2002	19,912,608	10.84	14,930,886	9.82	4,981,722	14.02
2003	24,343,081	22.25	18,185,901	21.80	6,157,180	23.60
2004	31,206,380	28.19	23,331,575	28.29	7,874,805	27.90
2005	30,461,385	(2.39)	22,746,982	(2.51)	7,714,403	(2.04)
2006	32,357,893	6.22	24,255,625	6.63	8,102,268	5.03
2007	28,299,538	(12.64)	20,972,309	(13.63)	7,327,229	(9.54)
2008	24,400,838	(13.77)	17,659,980	(15.79)	6,740,858	(8.01)
2009	20,136,318	(17.47)	14,833,602	(16.01)	5,302,716	(21.33)
2010	21,202,016	5.29	15,680,158	5.71	5,521,858	4.13

3. Qualification Requirements for Receipt of Fire State Aid. Before 1969, fire state aid was provided to municipalities that had an organized fire department upon the filing of a certificate by the municipal clerk stating that the fire department exists, stating that the fire department does not employ any minor under age 18, and indicating the fire department's water supply, the number for fire department organized companies, the number of fire department engines and trucks, the number of hose carts in use, and the number of hose feet in use.

   In 1969, the qualifications for fire state aid were increased. Municipalities and independent nonprofit firefighting corporations using paid, volunteer, or a combination of paid and volunteer firefighters can qualify to receive state aid. To determine which municipalities and independent nonprofit firefighting corporations qualify for the aid, the municipal clerk or the secretary of the nonprofit firefighting corporation, if appropriate, and fire chief certify by March 15 of each year to the Department of Revenue that a municipal fire department or nonprofit firefighting corporation exists which meets minimum required standards for the aid. These standards include a requirement that the fire department or nonprofit firefighting corporation be in existence at least one year, that it have at least ten paid or volunteer firefighters, that regularly scheduled meetings are held for training and equipment maintenance, and that the department has at least one fire truck and other necessary firefighting equipment.

4. Allocation of Fire State Aid. Initially, fire state aid was allocated to the various municipalities and independent nonprofit firefighting corporations based on the amount of fire insurance written in that firetown, as identified by the various insurance agents and insurance companies. The allocation method eventually proved problematic, in part because of errors made by insurance company agents in identifying applicable firetowns.

   In 1969, the allocation method was shifted to a combination of population ranking and property value ranking. One-half of the fire state aid was distributed in proportion to the population according to the last federal census and one-half was distributed in proportion to property market values, excluding mineral values but including tax-exempt property. This allocation method reflected an assumption that local property values and population relative to the whole state reflect the relative need for fire protection services.

   In 1996, for municipalities and independent nonprofit firefighting corporations with wholly volunteer fire departments, and additional allocation of aid is made to bring the municipal or corporation total up to the minimum volunteer firefighter fire state aid amount multiplied by the total number of active volunteer firefighters to a maximum of 30 firefighters.

5. Permissible Use of Fire State Aid. Initially, in 1885, fire state aid could be used to provide firefighters with pension coverage or to maintain the fire department, including the purchase of fire equipment. In 1943, the fire state aid was dedicated solely to firefighter pension funding if the firefighters have pension coverage. For municipalities and nonprofit firefighting corporations where the associated firefighters do not have pension coverage, fire state aid must be used to maintain the fire department or purchase fire equipment.

Background Information on the Historical Development of the Fire State Aid Program

1. 1885 Creation of Fire State Aid. In 1885 (Laws 1885, Ch. 187), the fire state aid program was established. The 1885 fire state aid program dedicated one-half of the premium taxes (essentially 1% of premiums) collected by the state from fire insurance companies as fire state aid. The allocation of the fire state aid was on the basis of the amount of premiums received by the fire insurance companies for each city, town, village, or other municipal corporation that had previously filed a certificate of the existence of an organized fire department that had been in existence for at least one year and that had at least one fire engine, hook and ladder truck, or hose cart. The municipal certification, prepared by the municipal recorder or clerk, was required annually, no later than October 31, and was to include information on the number of fire engines possessed by the fire department, the number of hook and ladder trucks and hose carts actually used by the fire department, the system of water supply used by the fire department, and any additional information the insurance commissioner required. Fire insurance companies were required, by the subsequent July 1, to complete an insurance commissioner form that listed the various towns entitled to receive fire state aid by reporting the amount of the prior year's annual fire insurance premiums received in each of the named towns, cities, villages or other municipal corporations. The 1885 fire state aid was payable to the city, town, village, or municipal corporation treasurer and was required to be placed in a special municipal fund and expended, first, for the support and relief of firefighters who were injured or disabled in the line of duty and, second, for equipping and maintaining the fire department.

   The Minnesota Insurance Department was created in 1872 and Minnesota was one of the first states to regulate insurance business. The total insurance premium taxes paid to the State of Minnesota in 1880 were $28.4 million. In 1902, fire insurance premium taxes totaled $120,000, of which $60,000 was allocated as fire state aid. A. R. McGill, of St. Peter, was the Insurance Commissioner in 1885, when the fire state aid program was created, and became Governor of Minnesota for one term in 1887.

2. 1903 Revision of the Fire State Aid Program. In 1903 (Laws 1903, Ch. 20), the fire state aid program was revised. The principal revisions were an increase in the amount of the fire insurance premium tax that was dedicated to the program from one-half of the premium taxes collected to the total amount, the inclusion of the widow and orphans of firefighters as a permissible fire state aid expenditure, the expansion of fire state aid expenditure requirements to include firefighters who became sick or who were injured or disabled other than while on duty, the addition of a requirement that a municipality's fire state aid be paid directly to the relief association treasurer if there is an incorporated fire department relief association in the municipality that was organized with municipal consent, and the addition of a requirement that the public examiner examines the books of the relief association periodically. The fire state aid program was also clarified by the 1903 legislation as applicable to partially paid and partially volunteer fire departments as well as to organized fire departments.

3. 1943-1945 Increased Connection Between Fire State Aid and Firefighter Service Pensions. In 1943 (Laws 1943, Ch. 323), the prior authority to use the aid to purchase fire equipment and to cover other costs of operating the fire service was deleted. In 1945 (Laws 1945, Ch. 225), legislation was enacted that provided for the use of fire state aid for firefighting equipment purposes only if no firefighter relief association is associated with the department. That restriction on the use of fire state aid in the event that a firefighter relief association exists remains the applicable law to this date.

4. 1969 Revision of the Fire State Aid Program. In 1969 (Laws 1969, Ch. 1001), the Legislature substantially revised the fire state aid program. The 1969 Legislature extended the premium tax dedicated to the fire state aid program beyond fire insurance premium taxes paid by domestic mutual insurance companies to include township and farmers' insurance companies and to include lightening and sprinkler leakage insurance coverage, but excluded automobile and ocean marine fire business. Nonprofit firefighting corporations that have a relief association or a retirement plan were also included in the fire state aid allocation. The qualification requirements for fire state aid were augmented, with the addition of fire department minimums, including at least ten firefighters, regular meetings and drills, at least one motorized fire truck of a minimum size, housing for fire apparatus, and a mechanism for sounding a fire alarm, with the fire department to be inspected by the state fire marshal. The fire state aid apportionment method also changed from a system based on the geographical location of the insured property to a system with the geographical location of the insured property to a system with one-half based on the relative population size, based on the last federal census, and one-half based on the relative property value. The initial allocation was on a county basis and, within a county, on a firetown basis. Provision was also made for allocating the population and property value of firetowns served by more than one fire department.

The 1969 fire state aid program changes were prompted by a growing dislike in the firefighting community with the prior system based on insurance company reporting of premiums, because fire insurance agents were not correctly identifying the firetown associated with each municipality and nonprofit firefighting corporation or with each property, and the resulting fire state aid allocations for some municipalities were consequently greatly overstated and for some municipalities were greatly understated. The 1969 changes were proposed by a special working group operating under the auspices of the Legislative Research Committee. The special working group took extensive testimony from representatives of the firefighting community.

5. 1988 Fire and Related Insurance Premium Tax Changes. In 1988 (Laws 1988, Ch. 719, Art. 2, Sec. 1-5), the Legislature began altering the fire insurance premium tax base, the fire insurance premium tax rates, and the relationship between tax revenues and fire state aid. As of 1987, the Minnesota tax system gave preferential treatment to a segment of Minnesota companies. Minnesota mutual insurance companies, including township and farmers' insurance companies, paid a premium tax of 2% of the premiums for Minnesota properties on fire, lightning, and sprinkler damage leakage premiums. Other Minnesota-based insurance companies and all non-Minnesota-based insurance companies paid a 2% tax on a broader base of all premiums for any type of insurance written for Minnesota clients, except for certain marine insurance, including policies written on workers' compensation, automobile, aircraft, and the liability portion of homeowners insurance, commercial multiple peril insurance, farm owners multiple peril insurance, and the extended coverage fire policies.

   In 1988, the Legislature created a uniform premium tax base for all insurance companies but created differential tax rates. The changes were in response to court cases from other jurisdictions. A few years earlier, several insurance companies successfully challenged the state challenged the states of Alabama and North Dakota for giving domestic (located in that state) companies preferential premium tax treatment. The United States Supreme Court ruled the preference given to domestic companies in those states was discriminatory and unconstitutional, based on an equal protection argument. To avoid a similar successful challenge in Minnesota, the 1988 Legislature changed the insurance premium tax system, although it in effect substituted one form of discrimination for another. The Legislature created a uniform insurance premium tax base for all companies, but varied the tax rate according to the nature of the insurance products sold and the company's asset size. The premium tax base is the net premiums on all direct business received by the insurer in this state. To the premium tax base are applied the insurance premium tax rates. Life insurance companies, and other insurance companies having assets on December 31, 1989 of more than $1.6 billion, were required to pay a 2% tax on the base. Other insurers were required to pay a lower tax rate. For those insurers subject to the lower base, the rate changes were phased in. On premiums paid on January 1, 1989, and before January 1, 1992, the tax was 1%. As of January 1, 1992, and thereafter, the rate was 0.5%.

   The 1988 Legislature decided to insulate the fire state aid recipients from the changes in tax collections by severing the relationship between the tax collection amount and the aid distribution amount. Despite the tax rate and tax base change, the aid base and the rate used to compute the fire state aid was to remain the same. The Department of Revenue, using the information contained in the Minnesota Firetown Premium Reports, was to compute an amount of revenue equal to 2% of the reported premiums for fire, lightning, sprinkler leakage, and extended coverage policy premiums. The balance of the computed aid amount above the actual premium tax collections was appropriated from the general fund through an open appropriation and distributed as fire state aid.

6. 1991 Fire and Related Insurance Premium Tax Changes. In 1991 (Laws 1991, Ch. 291, Art. 13), the Legislature reversed the policy of insulating fire state aid recipients from changes in tax collections and the tax amounts dedicated to the program were limited to the amount generated by the actual fire insurance premium tax rates in effect, which for mutual insurance companies under $1.6 billion in assets as of December 1, 1989, is less than 2% on insurance premiums reported for fire, lightning, sprinkler damage, and extended coverage.

   Also in 1991, the initial step in allocating fire state aid by apportioning the fire insurance premium tax proceeds between counties was eliminated. For the municipalities in some counties, the new procedure produced considerably lower fire state aid due to two effects, the within-county distributional effect and the effect of the treatment of "unprotected lands." The within-county distributional effect occurs in a county that has a relatively low population and where that population is not uniformly distributed within the county. Under the pre-1991 distributions, a relatively populated municipality in a sparsely populated county could receive a larger share of aid than it would in 1991 and later allocations. Also in 1991, the property value portion of the fire state aid distribution changed from being based on net tax capacity, exclusive of mineral values, to full market value, exclusive of mineral values and including tax-exempt property values.

A few counties also had lower fire state aid under the post-1990 distributions because of the effect of a change in recognizing unprotected lands within the counties. Unprotected lands are areas that are not served by a qualifying fire department. Under the pre-1991 fire state aid allocations, property wealth and population in unprotected lands were reflected in the aid allocated to the county. This total county-level aid was then distributed only among the municipalities and fire protection districts. When the county-level allocation was eliminated in 1991, population and property wealth lying outside a municipality or fire protection district was no longer reflected. The municipalities and fire protection districts in counties with significant unprotected lands would lose fire state aid relative to earlier distributions. Most counties have little or no unprotected land and thus were not impacted by the different treatment of unprotected lands under the post-1991 allocation system. However, several counties have considerable unprotected lands, including Cook, Lake of the Woods, Koochiching, and Clearwater, causing this different treatment to have a major impact on the fire state aid received.

7. 1995 Fire Insurance Premium Tax Increase. In 1995 (Laws 1995, Ch. 264, Art. 9), the various insurance premium taxes were increased and the revenue available for the fire state aid program was also increased. The 1995 Legislature increased the insurance premium tax rates for town and farmers' mutual insurance companies and for mutual property casualty companies with assets no greater than $1.6 billion. The pre-1995 insurance premium tax rate for these mutual insurance companies was 0.5% of the amount of all premiums. The rate was increased by the 1995 Legislature to 2% of all life insurance premiums, 1% of all other insurance premiums for all town and farmers' mutual insurance companies and for the smaller mutual property and casualty companies (assets of no more than $5 million) and 1.26% of all other insurance premiums for the larger mutual property and casualty companies (assets over $5 million and no greater than $1.6 billion). The 1995 Legislature increased the insurance premium tax revenue dedicated to the fire state aid program and the police state aid program. For the fire state aid program, the dedicated revenue was increased from the amount of insurance premium taxes collected on fire, lightning, sprinkler leakage, and extended coverage insurance, to the greater amount of either 107% of the fire, lightning, sprinkler leakage, and extended coverage insurance premium taxes collected or an amount equal to 1% of the fire, lightning, sprinkler leakage, and extended coverage premiums written by town and farmers' mutual insurance companies and by mutual property and casualty companies with assets not exceeding $5 million and to 2% of the fire, lightning, sprinkler leakage, and extended coverage premiums written by all other fire risk insurers.

8. 1996 Minimum Fire State Aid/Volunteer Firefighter Additional Fire State Aid. In 1996 (Laws 1996, Ch. 438, Art. 4, Sec. 2, 9), the Legislature decided to implement a minimum fire state aid floor for volunteer firefighter relief associations that currently receive a disproportionately small amount of fire state aid on a per active member (1993 count) basis. The fire state aid floor is funded from sources other than the insurance premium tax structure. Thirty percent of any unallocated amortization or supplemental amortization state aid (caused by payment of a 13th check by the Minneapolis Police or Minneapolis Fire Relief Associations, or by a police or paid fire relief association or consolidation account reaching full funding) is to be used to establish a minimum fire state aid amount for volunteer fire relief associations. The aid is to be allocated to the relief associations so that all municipalities or fire departments with volunteer firefighter relief associations receive in total at least a minimum fire state aid amount per 1993 active volunteer firefighter, based on a maximum of 30 firefighters. The amount of the minimum fire state aid is a function of the amount of the funding available. The 1996 minimum fire state aid program was intended to resolve shortcomings in the pre-1996 fire state aid program. The principal shortcoming is in the fire state aid allocation procedure, since that procedure does not consider the ability of the local area to finance fire-related services. Areas with high property wealth are generally areas with a high average income, suggesting that considerable fire state aid is going to areas with the highest ability to finance fire services locally. Areas with relative low property wealth and low population receive little fire state aid under the base formula, but the need for fire protection services could be relatively high due to the age or nature of the insurable property. The minimum fire state aid was an effort to address a longstanding concern that the post-1969 fire state aid provides unreasonably low aid amounts per firefighter in many communities in the state. Many jurisdictions were receiving well under $100 per firefighter before 1986. After the new aid system was introduced, the floor aid per eligible firefighter was increased to slightly over $260 per firefighter.

   To address the inadequate funding to the many jurisdictions receiving minimal amounts of state fire tax aid, the Legislature tapped another money source and directed the additional aid to those recipients receiving the least amount of aid per firefighter. The money source was the unallocated aid in the police and paid fire amortization and supplemental amortization aid programs. The amortization aid programs were established around 1980 to provide additional funding to police and paid fire relief associations that were closed to new members. Amortization aid is not paid to the Minneapolis police or fire relief associations if those associations pay a 13th check, and the amortization aids also are terminated for any relief association or consolidation accounts that become fully funded. Due to these events, some of the appropriation set aside for amortization and supplemental amortization aids is not allocated. Under the 1996 law, 70% of this unallocated amortization aid is reallocated to the Teachers Retirement Association (TRA) on behalf of the former Minneapolis Teachers Retirement Fund Association (MTRFA) and the St. Paul Teacher Retirement Fund Association (SPTRFA), and 30% is used to fund the minimum floor fire state aid program. The revenue allocated to the minimum floor fire state aid program is targeted to those volunteer fire relief associations that receive low aid per firefighter under the state fire tax aid program. The firefighter count used in the allocation procedure is the number of firefighters, not to exceed 30 firefighters, in each relief association in existence in 1993. The minimum floor fire state aid program brings the funding for those associations receiving the least aid per firefighter up to a higher, uniform level.

9. 1999 Minimum Fire State Aid Amendments. In 1999 (Laws 1999, Ch. 222, Art. 5), the Legislature modified the minimum fire state aid/additional volunteer firefighter state aid program by making municipalities with volunteer firefighter relief associations established after 1993 eligible for inclusion in the minimum floor fire aid distribution, using the 1998 member count for those post-1993 relief associations, but not to exceed 30 firefighters.

10. Post-1999 Minimum Fire State Aid Amendment. In 2000 (Laws 2000, Ch. 461, Art. 15, Sec. 1), for relief associations established after calendar year 1999, the number of active volunteer firefighters used in the calculation of the minimum fire state aid is the State Auditor compilation report number, but no more than 20 firefighters.

11. Restriction on Insurance Premium Tax Insurance. In 2000 (Laws 2000, Ch. 461, Art. 15, Sec. 2), if police or fire relief association funding requirements exceed all applicable revenue sources, including insurance premium taxes dedicated to police or fire state aid, the shortfall is payable from the State General Fund if appropriated by the Legislature.

12. Inclusion of Statewide Volunteer Firefighter Retirement Plan in Aid. In 2009 (Laws 2009, Ch. 169, Art. 9, Sec. 3-9), the voluntary statewide lump-sum volunteer firefighter retirement plan was included in the qualification for fire state aid and as the ultimate recipient of fire state aid.

13. Permitted Disbursement of Fire State Aid for Certain PERA-P&F Employer Costs. In 2009 (Laws 2009, Ch. 169, Art. 10, Sec. 1), authority was given for a municipality to disburse fire state aid to meet the employer contribution requirement to the Public Employees Police and Fire Retirement Plan (PERA-P&F).

Background Information on
Fire State Aids to Volunteer Fire Relief Associations

Volunteer fire relief associations that comply with applicable laws and financial reporting requirements are eligible to receive fire state aid. This program dates back to 1885. The new program, intended to create an acceptable floor aid per firefighter, was enacted in 1996, and currently assists approximately half the relief associations in the state. The new program was established to address a shortcoming of the primary fire state aid program—the distribution based on population and property wealth caused many areas of the state to receive an unacceptably low aid per firefighter. The recently established minimum floor fire state aid program uses a different revenue source than the primary aid program, unallocated amortization and supplemental aid, and is distributed to associations receiving the least aid per firefighter under the primary fire aid program. The new program is an effort to bring these associations to the highest uniform aid per firefighter achievable from the available minimum fire aid revenue. The firefighter count used in the allocation is the number of firefighters in each relief association during 1993 (but not to exceed 30 firefighters in any given relief association if established before 2000 and not to exceed 20 firefighters in any given relief association if established after 1999).

1. Fire State Aid

   a. Total Available Aid. All relief associations which file appropriate financial reports or statements with the Office of the State Auditor and meet other basic requirements (have at least ten firefighters, have appropriate firefighting equipment, etc.) are eligible to share in the state fire tax aid allocation. At the current time, the total state aid appropriated for distribution under the main fire aid program is the greater of the following:

      i. 107% of the *tax collected* through fire, lightning, sprinkler leakage, and extended coverage insurance premium taxes, or
      ii. an amount equal to 1% of the *premiums* on policies written for fire, lightning, sprinkler leakage, and extended coverage insurance policies by town and farmers' mutual insurance companies and mutual property and casualty companies with assets not exceeding $5 million, plus 2% of the *premiums* on similar policies written by all other fire risk insurers.

   b. Allocation. Given the size of the aid pot determined above, the aid is then allocated to each jurisdiction based half on the population of the jurisdiction compared to the statewide total, and half upon property wealth relative to the statewide total. This aid allocation system suggests an assumption that the greater the population, the greater the need for fire services to protect that population. Similarly, the greater the property wealth, the greater the potential dollar value of losses due to fire and the greater the need for fire protection.

   c. System Shortcomings. Both the procedures for determining the statewide aid total and the aid allocation procedure are open to criticism. The system for determining the total statewide aid is, in essence, a dedicated tax. There is no reason to believe that the amount raised matches the need. Regarding the distribution system, that procedure does not consider the ability of the local area to finance fire related services. Areas with high property wealth are generally areas with a high average income, suggesting that considerable aid is going to areas with the highest ability to finance fire services locally. Areas with relatively low property wealth and low population receive little aid, but the need for fire protection services could be relatively high due to the age or nature of the insurable property.

2. Minimum Floor Fire State Aid Program

   a. Program Description. A new additional aid system was enacted in the 1996 legislative session and is currently coded in Section 69.021, Subdivision 7, and Section 423A.02, Subdivision 3. The new aid was an effort to address a long-standing concern that the state fire tax aid, described above, provides unreasonably low aid amounts per firefighter in many communities in the state. Many jurisdictions were receiving well under $100 per firefighter. After the new aid system was introduced, the floor aid per eligible firefighter was increased to slightly over $260 per firefighter.

      To address the inadequate funding to the many jurisdictions receiving minimal amounts of state fire tax aid, the new aid system tapped another money source and directed the additional aid to those recipients receiving the least aid per firefighter. The money source is the unallocated aid in the police and paid fire amortization and supplemental amortization aid programs. The amortization aid programs were established around 1980 to provide additional funding to police and paid fire relief associations that were closed to new members. Amortization aid is not paid to the Minneapolis police or fire relief associations if those associations pay a 13th check, and the amortization aids also are terminated for any relief association or consolidation accounts that become fully funded. Due to these events, some of the appropriation set aside for amortization and supplemental amortization aids is not allocated. Under the 1996 revised laws, 70% of this unallocated amortization aid is reallocated to the Minneapolis Teachers Retirement Fund Association (redirected to the Teachers Retirement Association after 2006) and the St. Paul Teacher Retirement Fund Association (SPTRFA), and 30% is used to fund the minimum floor fire state aid program.

b. Allocation Procedures: Minimum Floor Fire State Aid Program. The revenue allocated to the minimum floor fire state aid program is targeted to volunteer fire relief associations that receive low aid per firefighter under the state fire tax aid program. The firefighter count used in the allocation procedure is the number of firefighters, not to exceed 30, in each relief association in 1993. The minimum floor fire state aid program brings the funding for those associations receiving the least aid per firefighter up to a higher, uniform level. To visualize the impact of this new aid system, assume that the state fire tax aid has been allocated, based on relative property wealth and population, to the various relief associations eligible for that aid. Taking the aid which each association has received under that program, we can then divide by the number of active firefighters in the association during 1993 (but not more than 30) and these results can be ranked from highest to lowest. Given that ranking, the money from the minimum floor fire state aid program would then be initially directed to the association at the bottom end of the ranking, increasing the aid per firefighter to that of the next lowest association in the ranking. If unallocated money remains, aid would be increased to both those organizations until the aid per firefighter is equal to that of the third lowest association in the ranking. This process would continue until the available aid pool is exhausted, bringing as many associations as possible up to a new, higher uniform level of aid per firefighter.

c. Impact of the Floor Provision. When the Legislative Commission on Pensions and Retirement first considered the minimum floor fire state aid program in 1996, it was estimated that 362 relief associations would receive higher total aid as a result of the proposed program, which was nearly half of all volunteer fire relief associations, and that the resulting minimum aid floor would be $260 per active firefighter.

   The $260 floor initially established might either increase or decrease over time, but it is expected, at least for several years, to increase. Any increases in unallocated amortization aid which occur over time, as police and paid fire relief associations or consolidation accounts reach full funding and are no longer eligible for the amortization aids, will lead to an increase in the unallocated amortization aid, increasing the total pot that may be allocated under the minimum fire aid program. Any increase in total aid under the primary fire aid program may also lead to an increase in the minimum floor obtainable. If relief associations begin with a higher aid per firefighter before the application of the minimum fire state aid program, due to an increase in aid through the primary fire state aid program, the application of the minimum floor aid program should result in a higher floor. Some other changes could cause the achievable floor to fall. The primary fire aid program distribution is based on population and property values. Changes in population, or changes in the distribution of property values throughout state, could lead to a lower floor amount if the shifts caused a greater number of relief associations to be concentrated in the lower end of an aid-per-firefighter ranking. This would lead to more relief associations sharing in the minimum fire aid distribution, lowering the achievable floor amount possible from any given available aid revenue.

3. Decision to Use 1993 as Base Year

When the Commission considered the minimum floor fire state aid legislation in 1996, Commission members wanted to increase the aid level to volunteer fire relief associations receiving low aid per firefighter, without creating incentives for those associations to increase or otherwise inflate the number of active relief association members solely to receive more state aid. If the minimum floor fire state aid were based on the most recently reported firefighter count just prior to the current distribution of aid, any association could increase its total aid, without any perceivable decrease in aid per firefighter, by adding more firefighters. Furthermore, while any one association could react to this incentive without serious statewide consequences, if many associations reacted to this incentive, the impact of the minimum floor program would be undermined, as available state dollars are spread over an increasing number of relief association members.

As a solution, the Commission decided in 1996 to base the allocation on the firefighter count in a past year, 1993. Under that approach, the firefighter count would not be influenced by the existence of a program of per-firefighter-aid, or even the expectation that such a system would be implemented. The Commission did understand that the approach was not ideal, and that it would be necessary to revisit the issue periodically. As time passed, the 1993 firefighter count no longer reflected the legitimate needs of the municipality for individuals to provide firefighting and fire prevention services, as the community's population and housing stock changed over time, leading to the subsequent refinements in the number of active firefighter maximum after 1996.

Background Information on Volunteer Firefighter Relief Association Fire State Aid Qualification Requirements

Minnesota Statutes, Section 69.771, Subdivision 3, a portion of the Volunteer Firefighter Relief Association Financing Guidelines Act, initially enacted in 1971 (Laws 1971, Ch. 261), was substantially revised under recommendations from the State Auditor's Volunteer Fire Working Group in 2005 (1st Spec. Sess. Laws 2005, Ch. 8, Art. 9, Sec. 3). The provision specifies the basis for the State Auditor to determine whether or not a volunteer firefighter relief association has complied with the relief association funding and related statutory requirements.

In addition to Minnesota Statutes, Sections 69.011, Subdivisions 2, 4, and 5, and 69.021, Subdivision 4, which require that the clerk of a municipality or the secretary of an independent nonprofit firefighting corporation certify the existence of the fire department on or before March 15, that the municipal fire department must have been officially established and organized for at least one year, that an independent nonprofit firefighting corporation must operate exclusively for firefighting purposes and must provide retirement benefits to firefighters, and that the fire department or firefighting corporation must have at least ten firefighters, must have regular meetings and frequent drills, must have a motorized fire truck with equipment, must have suitable housing for apparatus, must have an alarm system, must have second piece of motorized apparatus if service area exceeds municipal limits, and must meet other Department of Revenue requirements, with compliance determined by the State Fire Marshal, the fire state aid qualification and retention requirements of Minnesota Statutes, Section 69.771, Subdivision 3, include the following:

1. Relief Association Financial Report or Statement. The volunteer firefighter relief association must file a financial statement (liabilities or assets under $200,000) by March 31 or a financial report (liabilities or assets of at least $200,000) by July 1 under Minnesota Statutes, Section 69.051.

2. Relief Association Treasurer Bond. The volunteer firefighter relief association treasurer must be bonded to a minimum amount under Minnesota Statutes, Section 69.051, Subdivision 2.

3. Lump Sum Relief Association Accrued Liability and Annual Accruing Liability Determination. The volunteer firefighter relief association officers are required to properly determine the accrued liability of the special fund of the relief association and its annual accruing liability under Minnesota Statutes, Section 69.772, Subdivisions 2, 2a, and 3, if the volunteer firefighter relief association provides solely a lump sum service pension.

4. Monthly Benefit Relief Association Obtain and File Periodic Actuarial Valuations. The volunteer firefighter relief association officers are required to obtain and file a periodic actuarial valuation, which must contain:

   (a) the actuarial accrued liability of the special fund determined under the entry age normal actuarial cost method;
   (b) the special fund assets;
   (c) the special fund unfunded actuarial accrued liability;
   (d) the special fund normal cost determined under the entry age normal actuarial cost method;
   (e) the amortization of the special fund unfunded actuarial accrued liability contribution for the applicable amortization target date;
   (f) a summary of the relief association benefit plan;
   (g) a membership summary;
   (h) an actuarial assumption summary;
   (i) an attestation by the actuary of the results; and
   (j) a certification by the actuary of the actuary's qualifications as an approved actuary under Minnesota Statutes, Section 356.215.

5. Relief Association Minimum Municipal Contribution. The municipality or the independent nonprofit firefighting corporation must budget for the minimum contribution and the municipality must budget for that contribution amount under Minnesota Statutes, Sections 69.772 and 69.773.

6. Municipal Ratification of Plan Amendments. Unless the volunteer firefighter relief association is fully funded before and after the plan amendment, the municipality must ratify plan amendments affecting benefits under Minnesota Statutes, Sections 69.772, Subdivision 6; 69.773, Subdivision 6; and 424A.02, Subdivision 10.

7. Authorized Relief Association Investments. Volunteer firefighter relief association special fund assets must be investment in authorized investment securities under Minnesota Statutes, Sections 69.775 and 356A.06, Subdivisions 6 and 7.

8. Authorized Relief Association Administrative Expenses. The volunteer firefighter relief association or the municipality must limit administrative expenses to authorized expenses under Minnesota Statutes, Section 69.80 or 424A.05, Subdivision 3.

9. Relief Association Investment Performance Reporting. The volunteer firefighter relief association must make investment portfolio and investment performance report under Minnesota Statutes, Section 356.219.

10. Investment Authority Statement. The volunteer firefighter relief association must provide all investment brokers with written statement of investment restrictions and receive acknowledgement and compliance agreement from the broker annually under Minnesota Statutes, Section 356A.06, Subdivision 8b.

11. No Prohibited Transactions. The volunteer firefighter relief association must not permit a prohibited transaction to occur or must correct a prohibited transaction that did occur under Minnesota Statutes, Section 356A.06, Subdivision 9.

12. No Excessive Service Pension Amount. The defined benefit volunteer firefighter relief association must not provide a service pension that is in excess of the applicable service pension maximum under Minnesota Statutes, Section 424A.02, Subdivision 3.

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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

HOUSE FILE NO. 1415

April 11, 2011
Authored by Melin and Rukavina
The bill was read for the first time and referred to the Committee on Government Operations and Elections

A bill for an act
relating to retirement; fire and police department aid; relief associations; providing an extension for submitting reports.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **DEADLINE FOR REPORTS EXTENDED.**

Notwithstanding Minnesota Statutes, section 69.051, subdivision 1b, the deadline for reports submitted under Minnesota Statutes, section 69.051, subdivisions 1 and 1a, for 2009 is extended to April 30, 2011. A municipality or relief association does not forfeit its 2010 state aid or any future state aid if 2009 reports are received by the state auditor on or before April 30, 2011.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective the day following final enactment.