



S.F. xxxx

Revisor #13-1824

H.F. xxxx

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Volunteer Firefighter Relief Associations
Relevant Provisions of Law: Minnesota Statutes, Chapters 69 and 424A
General Nature of Proposal: State Auditor's Volunteer Fire Working Group bill
Date of Summary: February 26, 2013

Specific Proposed Changes

- Makes changes largely of a technical or clarification nature.
- Specifies various statute-based leaves of absence as exceptions to the retired volunteer firefighter return to active service provision (Sec. 4).
- Adds the requirement that the governing body of the applicable municipality approve any deferred service pension interest rate set by the relief association board of trustees (Sec. 8).
- Eliminates the requirement that the volunteer firefighter relief association bylaws include the provision of the state-reimbursed lump sum volunteer firefighter relief association service pension supplemental benefit (Sec. 6).

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of the specification of statute-based leaves of absence from the return to service authorization.
2. Unclear need for, unclear use of, and unclear savings from return to service provision.
3. Appropriateness of a requirement for municipal approval of deferred service pension interest rate specifications.
4. Appropriateness of the elimination of the volunteer firefighter relief association bylaw inclusion for the supplemental benefit.

Potential Amendments

No suggested amendments by Commission staff.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *LAM*
RE: S.F. xxxx; H.F. xxxx (Revisor #13-1824): VFRA's; Recommendations of the State Auditor's 2012-2013 Volunteer Fire Working Group
DATE: February 26, 2013

Summary of S.F. xxxx; H.F. xxxx (Revisor #13-1824)

S.F. xxxx; H.F. xxxx (Revisor #13-1824) amends portions of Minnesota Statutes, Chapter 69, relating to the volunteer firefighter relief association funding, and 424A, relating to the benefit coverage of volunteer firefighter relief associations, as recommended by the State Auditor's 2012-2013 Volunteer Fire Working Group, largely of a technical or clarification nature, with the major substantive changes being:

- The specification of various statute-based leaves of absence as exceptions to the retired volunteer firefighter return to active service provision (section 4);
- The addition of the requirement that the governing body of the applicable municipality approve any deferred service pension interest rate set by the relief association board of trustees (section 8); and
- Eliminating the requirement that the volunteer firefighter relief association bylaws include the provision of the state-reimbursed lump sum volunteer firefighter relief association service pension supplemental benefit (section 6).

Background Information on Relevant Topics

The following attachments provide background information on topics relevant to the proposed legislation:

- **Attachment A:** Composition and representation of the 2013-2013 Volunteer Fire Working Group assembled by the Office of the State Auditor.
- **Attachment B:** Volunteer firefighter relief associations and volunteer firefighter service pensions.
- **Attachment C:** Historical funded condition and financing requirements of Minnesota volunteer firefighter relief associations.
- **Attachment D:** Volunteer firefighter relief association return to service authorization.
- **Attachment E:** Volunteer firefighter relief association deferred service pensions and deferred service pension interest.
- **Attachment F:** Supplemental lump sum volunteer firefighter benefits.

Discussion and Analysis

S.F. xxxx; H.F. xxxx (Revisor #13-1824) contains the recommendations of the State Auditor's Volunteer Fire Working Group for the 2012-2013 Interim, containing numerous technical or clarification modifications to various volunteer fire statutory provisions and making substantive changes relating to the return to service, deferred service pension interest, and supplemental benefit statutory provisions.

The proposed legislation raises a number of pension and related public policy issues for consideration by and possible discussion by the Commission, as follows:

1. Appropriateness of the Specification of Statute-Based Leaves of Absence from the Return to Service Authorization. The policy issue is the appropriateness of the replacement of a generalized indication of leaves of absence excepted from the leave of absence provision by a number of specific federal or state law leaves of absence. Currently, the exceptions are leaves of absence that are mandated by federal or state law. They are proposed to be replaced by a specification of the federal Family Medical Leave Act, the federal Uniformed Services Employment and Reemployment Rights Act (USERRA), state Parental Leave Act, the state Leave for Organ Donation Act, the state Leave for Civil Air Patrol Service Act, the State Leave for Immediate Family Members of Military Personnel Injured or Killed in Active Service Act. Breaks in active service from any of those leaves do not trigger the return to active service from a break in volunteer service pension of the volunteer firefighter relief association law, which require a minimum period of resumption service before the

resumption service is added to the pre-leave service credit. The addition of the specified leaves is intended to provide volunteer firefighter relief associations with greater certainty as to these exceptions, although the listing is not exclusive and other leaves made available under federal or state law also are exempted.

2. Unclear Need For, Unclear Use of, and Unclear Savings from Return to Service Provision. The policy issue is the unclear rationale for permitting retired or former firefighters to return to active firefighting service and continued or additional retirement plan coverage by a volunteer firefighter relief association. From at least 1905, with the passage of the former Minnesota Statutes, Section 69.06, until 2009, with the enactment of Minnesota Statutes, Section 424A.01, Subdivision 6, the state law governing volunteer firefighter relief association service pensions had required a separation from active service for the payment, consistent with the Commission's Principles of Pension Policy, Principle II.A.1., specifying the purpose of public pension plans as assisting the personnel system in attracting new employees, retaining existing employees, and systematically out-transitioning employees at the conclusion of a normal working career. In 2002, the qualification that the separation from active firefighting be permanent was added to the volunteer firefighter relief association law in response to observations, shared with the Commission staff, from the volunteer firefighting community, that some leadership individuals in volunteer fire departments were engaging in sham separations and in response to the issue identified by the Minnesota Area Relief Association Coalition (MARAC) for a 1999-2000 Interim Fire Subcommittee of the Commission. In 2009, when the return to service provision was first enacted, it was advocated by the Volunteer Firefighter Relief Association Working Group as a needed cost savings and manpower supply provision to entice retired firefighters to bring their training and experience back to the fire department. In 2010, the return to service provision was revised and reformatted, with the addition of an exception for state or federal law leaves. In 2012, the details of the return to service pension were further modified and clarified. The provision has yet to be subjected to any significant scrutiny by the Commission. Thus far, no data has been forwarded from the State Fire Marshal, from the League of Minnesota Cities, from the Minnesota State Fire Department Association, or any other source on the shortage of firefighters in the state's volunteer fire departments, the number of retired and former firefighters who have returned to active service, and the amount of fire department budgetary savings that have accrued because of the relaxation of the permanent separation of active service rule. The return to service authority does not appear to have represented a priority for the League of Minnesota Cities, although the argued-for budgetary savings would have favored municipalities in these troubled budgetary times. A return to service provision clearly can be viewed as advantageous to firefighters who desire to avail themselves of the earliest possible access to a service pension (age 50) and not lose the fraternal association advantages of the volunteer fire department with the option to return shortly after a service separation. This represents the fourth year in a row with major revisions in the return to service provision, arguing perhaps that the specific purpose for the provision was not well defined initially and that it consequently lacked clarity in past changes. The Commission may want to take testimony from the League of Minnesota Cities, the Minnesota State Fire Chiefs Association, and the Minnesota Fire Department Association about the extent and geographical distribution of firefighter shortages, the size of the pool of potential returning retired firefighters, the extent of returns to service to date, and the budgetary savings resulting from returns to active service before attempting to determine what deficiencies in the return to service law the proposed legislation corrects.
3. Appropriateness of a Requirement for Municipal Approval of Deferred Service Pension Interest Rate Specifications. The policy issue is the appropriateness of requiring municipal approval of any relief association board of trustee specification of the interest rate to be credited to deferred service pensions during the deferral. Before 1979, volunteer firefighters who terminated active firefighting service before attaining the normal retirement age of the relief association, typically age 50, but after receiving credit for the minimum period of active firefighting service and relief association membership, once typically 20 years of service and currently typically five years of service, retained a right to an eventual payment of the service pension, but received no interest on the deferred service pension was payable during the period of deferral. Since 1979, when the volunteer firefighter relief association statutes were reformulated and recodified, interest has been payable on deferred service pensions, paralleling the practice of deferred annuity augmentation in the various statewide defined benefit Minnesota public pension plans, and the rate of that deferred service pension interest has been periodically revised. Currently, volunteer firefighter relief associations that pay deferred service pension interest have three alternative rates, either at the rate actually earned by a separate relief association account established for that purpose, at the rate actually earned by a separate investment vehicle held by the relief association for that purpose, or at an interest rate set by the board of trustees, but not in excess of five percent, the interest rate assumption applicable to volunteer firefighter relief associations. The board authority to set the deferred interest rate was conflicted about whether municipal approval was needed in all instances.

This proposed legislation clarifies that municipal approval of the deferred service pension interest rate would be required every time that the board of trustees modifies the rate, even if the relief association was more than fully funded before and after the deferred service pension rate change. Having municipal approval for volunteer firefighter relief association benefit changes is fully compatible with the normal principle that municipalities are the general authority for local government operations. Procedurally, requiring municipal approval for all deferred service pension interest rate changes, and consequent municipal liability for any unfunded actuarial accrued liability that may subsequently arise relating to the volunteer firefighter relief association, is much clearer and cleaner than would otherwise be the case. The Office of the State Auditor indicates the following about volunteer firefighter relief associations paying deferred service pension interest, as of November 29, 2012:

	Lump Sum	Defined Contribution	Monthly/ Lump Sum Combination
No interest paid	386	24	15
Separate account	18	16	
Separate Vehicle	26	10	
Board Set Return	146		2
DC Full Gains/Losses		40	
Total	579	90	17
	<i>(of 587 plans)</i>	<i>(of 91 plans)</i>	<i>(of 18 plans)</i>

4. Appropriateness of the Elimination of the Volunteer Firefighter Relief Association Bylaw inclusion for the Supplemental Benefit. The policy issue is whether or not it is appropriate to make the volunteer firefighter lump sum supplemental benefit automatic rather than requiring the benefit be provided for in the volunteer firefighter relief association bylaws. The bylaw inclusion requirement has been part of the supplemental benefit since it was enacted in 1988, although one retroactive supplemental benefit authorization was necessary in 2005 for one relief association. If all volunteer firefighter relief associations have included the survivor benefit in their bylaws, then its elimination would have no adverse effect, although that same factual circumstance also means that the change would have no positive effect either. If some volunteer firefighter relief associations have not included the supplemental lump sum volunteer firefighter benefit in their bylaws, they may have some valid reason for doing so and the Commission should provide volunteer firefighter representatives with an opportunity to provide information regarding those relief associations.

Section by Section Summary of S.F. xxxx; H.F. xxxx (Revisor #13-1824)

Sec.	Pg.Ln	Stat. Provision	Retirement Plan	General Substance	Summary
1	1.12	69.771, Subd. 1	VFRAs	1971 Guidelines Act applicability	Replaces description of volunteer firefighter relief associations with appropriate cross-references.
2	1.22	69.774, Subd. 1	VFRAs	1971 Guidelines Act for nonprofit firefighting corporations	Revises statutory cross-references to general volunteer fire benefit coverage law and updates the language style and usage to current conventions.
3	2.12	424A.001, New Subd. 11	VFRAs	Fiscal year definition	Defines "fiscal year" as calendar year for volunteer firefighter relief associations.
4	2.17	424A.01, Subd.	VFRAs	Return to active service	Clarifies exceptions to return to service for various statute-based leaves and clarifies service periods for regained credit.
5	5.22	424A.015, Subd. 1	VFRAs	Service separation requirement	Clarifies an exception to the requirement for certain firefighters rehired full-time.
6	6.7	424A.015, Subd. ?	VFRAs	IRA transfer	Eliminates obsolete reference to a death benefit.
7	6.16	424A.016, Subd. 6	VFRAs	Defined contribution deferred service pension	Replaces specified identical pension qualifications with cross-reference to service pension provision.
8	7.31	424A.02, Subd. 7	VFRAs	Deferred defined benefit service pension	Replaces specified identical pension qualifications with cross-reference to service pension provision, requires municipal approval of deferred interest rates set by board, and clarifies start date for deferred service pension interest.
9	9.27	424A.10, Subd. 1	VFRAs	Supplemental Lump Sum Benefit	Eliminates an obsolete statutory reference from survivor definition.
10	10.14	424A.10, Subd. 2	VFRAs	Supplemental Benefit Payment	Eliminates the requirement of bylaw inclusion for supplemental benefit.
11	11.4	Repealer	VFRAs	Supplemental benefit retroactivity	Repeals Section 424A.10, Subd. 5, an obsolete retroactive benefit payment provision.
12	11.6	Effective Date	--	--	Generally effective on final enactment, except for the deferred pension interest rate changes, which are effective on January 1, 2004, and the define pension interest calculation, which is effective retroactive to January 1, 2013.

**Composition and Representation of the
2012-2013 Volunteer Firefighter Relief Association Working Group
Assembled by the Office of the State Auditor**

The Office of the State Auditor has utilized working groups of volunteer firefighters and local governmental officials since the 2004-2005 legislative interim as a mechanism for formulating revisions in volunteer firefighter relief association laws and for providing a vehicle for the provision of information on volunteer firefighter issues to state government.

During the 2012-2013 interim, the working group, chaired by State Auditor Rebecca Otto, included the following members:

Defined Contribution Plans	Aaron Johnston, Treasurer Coon Rapids Fire Relief Association
Defined Benefit Lump Sum Plans	Bruce Duncan, President Excelsior Fire Relief Association
Defined Benefit Monthly/ Lump Sum Contribution Plans	Dave Ganfield, Administrator Apple Valley Fire Relief Association
Defined Benefit Lump Sum Plans	Bruce Hemstad, Secretary Bemidji Fire Relief Association
Defined Benefit Lump Sum Plans	Dave Jaeger, Treasurer Mahnommen Fire Relief Association
Minnesota State Fire Department Association	Mark Rosenblum, Member Golden Valley Fire Relief Association
Defined Contribution Plans	Bruce Roed, Trustee Mentor Fire Relief Association
City Finance Manager	Tim Simon, Finance Director City of Elk River
City Official	Steve Donney, Mayor City of Harmony
Minnesota State Fire Chiefs Association/Monthly Plans	Nyle Zikmund, Chief Spring Lake Park-Blaine-Mounds View Fire Department

Background Information on Volunteer Fire Relief Associations and Volunteer Firefighter Service Pensions

1. Volunteer Firefighter Service Pensions. In Minnesota, most firefighters are volunteer firefighters. Minnesota provides pension coverage for volunteer firefighters as an incentive to provide services. This coverage is provided by volunteer firefighter relief associations and the volunteer firefighter relief association pension coverage either is the only compensation or is an important component of the compensation package provided to volunteer firefighters. The volunteer fire relief associations are Minnesota nonprofit corporations governed by a board made up of a majority of firefighters and a minority of city officials. In addition to the Minnesota Nonprofit Corporation Act, volunteer fire relief associations are governed by Minnesota Statutes, Chapters 69, 356A, 424A, and 424B.

The primary benefit payable from a volunteer fire relief association is a service pension. Most volunteer fire relief associations provide a lump sum service pension, with a small minority providing a monthly benefit service pension (some with an alternative lump sum service pension) and a larger minority providing a defined contribution service pension. Service pensions are not payable before age 50, and usually are payable in full only with 20 years of service. Some volunteer fire relief associations have casualty (disability and death) benefit coverage if a service pension is not otherwise payable.

The funding of volunteer fire relief associations is primarily from the annual fire state aid, which is initially allocated to cities based half on population compared to statewide totals, and half on their property value compared to the statewide total and supplemented by minimum volunteer firefighter state aid under Minnesota Statutes, Sections 69.011 to 69.051. The aid is dedicated for pension purposes. Additionally, if the actuarial cost of the volunteer firefighter relief association exceeds the fire state aid, the municipality must levy a property tax to support the volunteer fire relief association.

2. History of Volunteer Firefighter Service Pension Maximums

- a. Before 1979. Volunteer firefighter service pensions have always been subject to a benefit maximum, either under Minnesota Statutes, Section 69.06 (1905-1979) or Minnesota Statutes, Section 424A.02, Subdivision 3 (1979 to present). In the system used before 1979, a single-benefit maximum was stated in law, but without any mention of the financing needed to support that benefit level, and without any guidance for reasonable benefit levels that could be supported in municipalities where funding support was low.
- Prior to 1957, the maximum service pension payable to a retiring volunteer firefighter was a \$40 monthly benefit (plus two dollars per month per year of service beyond 20 years to a maximum of \$60 per month) or \$100 per year of service credit lump sum benefit.
 - In 1957, the lump sum benefit maximum was increased to \$200 per year of service credit.
 - In 1973, the lump sum benefit maximum was increased to \$300 per year of service credit.
 - In 1976, the monthly benefit maximum was increased to \$80 per month (plus four dollars per month per year of service beyond 20 years to a maximum of \$120 per month) or \$600 per year of service credit lump sum benefit.
- b. 1979 and After.
- In 1979, with the passage of Minnesota Statutes, Chapter 424A, recodifying the law governing volunteer fire pension coverage, the single dollar amount service pension maximums were eliminated in favor of flexible service pension maximums. The flexible service pension maximums established a sliding scale of benefit maximums based on the level of funding per firefighter for the previous three-year period, with the greatest monthly benefit service pension of \$15 per month per year of service up to 30 years of service if the funding per firefighter was at least \$744 per year and with the greatest lump sum benefit service pension of \$2,000 per year of service if the funding per firefighter was at least \$960 per year.
 - In 1983, the upper end of the monthly benefit service pension flexible maximum sliding scale was increased to \$22.50 per year of service credit up to 30 years of service with at least \$1,678 funding per firefighter per year, and the upper end of the lump sum service pension flexible maximum sliding scale was increased to \$3,000 per year of service credit with at least \$1,440 funding per firefighter per year.

- In 1990, the monthly benefit service pension flexible maximum sliding scale was increased from \$22.50 per month per year of service to \$30.00 per month per year of service credit. In 1993, the maximum permitted lump sum pension was increased from \$3,000 per year of service to \$4,000 per year of service, to be phased in by 1996.
- In 1997, Senator Terwilliger and Representative Delmont authored bills to again increase volunteer fire monthly and lump sum plan benefit maximums. The bills were S.F. 466 (Terwilliger); H.F. 568 (Delmont): Volunteer Firefighter Relief Associations; Increasing the Maximum Service Pension Amounts for Monthly and Lump Sum Plans. The Legislative Commission on Pensions and Retirement heard these bills and recommended them to pass with a Commission staff cleanup amendment. The bill passed as Laws 1997, Chapter 241, Article 6, with the new highest permitted pension set at \$40 per month per year of service, if the support level is \$4,137 or above.
- In 2007, the flexible service pension maximums were again increased (Laws 2000, Ch. 461, Art. 15, Sec. 5), but the unusual change in the required support level between \$37 per month per year of service and \$38 per month per year of service was not addressed. The 2000 Session changes increased the maximum monthly pension from \$40 per month per year of service to \$56, to be phased in by the end of calendar 2003. The maximum lump sum pension was increased from \$5,500 to \$7,500 per year of service, with a similar phase in.
- In 2008 (Laws 2008, Ch. 349, Art. 14, Sec. 8), the flexible service pension maximums were increased again, to \$8,100 per year of service credit lump sum and to \$100 per month per year monthly benefit, phased in over the period 2008-2012.

Background Information on the Historical Funded Condition and Financing Requirements of Minnesota Volunteer Firefighter Relief Associations

The following presents aggregate information on volunteer firefighter relief associations as assembled by the staff of the Legislative Commission on Pensions and Retirement (1974 and 1977) from fire state aid qualification information obtained by the Insurance Department and by the Office of the State Auditor (1980 through 2010):

		Number of Plans, 1974-1990									
		1974	1977	1980	1982	1984	1986	1987	1988	1989	1990
Lump Sum:											
Under \$50/yr		134	110	72	28	23	11	12	8	10	10
\$50-\$100/yr		122	116	79	68	60	39	33	28	25	23
\$100-\$200/yr		122	118	131	133	132	99	88	85	62	50
\$200-\$300/yr		5	45	81	83	88	115	123	108	114	108
\$300+/yr		7	57	124	18	237	277	293	331	355	379
Total Lump Sum		390	446	487	330	540	541	549	560	566	570
Monthly Benefit:											
Under \$2/mo/yr		41	16	3	0	6	8	--	--	--	--
Over \$1.99/mo/yr		10	32	26	24	23	22	33	30	28	27
Total Monthly		51	48	29	24	29	30	33	30	28	27
Mo/Lump Sum Combination		--	--	--	--	--	--	--	--	--	--
Defined Contribution		52	54	45	56	68	66	66	72	68	67
No Benefits		42	27	33	8	5	7	2	1	2	--
Total		535	575	594	580	642	641	650	663	664	664

		Number of Plans, 1991-2000									
		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Lump Sum:											
Under \$50/yr		9	13	12	10	10	8	7	--	--	--
\$50-\$100/yr		19	17	16	16	13	13	10	13	13	10
\$100-\$200/yr		55	60	59	55	49	39	45	36	26	20
\$200-\$300/yr		99	84	79	78	74	67	61	51	42	35
\$300+/yr		396	419	429	439	453	445	470	492	512	530
Total Lump Sum		578	593	595	598	599	572	593	592	593	595
Monthly Benefit:											
Under \$2/mo/yr		--	--	--	--	--	--	--	--	--	--
Over \$1.99/mo/yr		26	29	27	12	10	7	8	7	5	5
Total Monthly		26	29	27	12	10	7	8	7	5	5
Mo/Lump Sum Combination		--	--	2	15	15	16	16	16	23	18
Defined Contribution		66	72	73	74	76	76	80	84	85	87
No Benefits		--	--	--	--	--	--	--	--	--	--
Total		671	694	697	699	700	671	697	699	706	705

		Number of Plans, 2001-2010									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Lump Sum:											
Under \$50/yr		--	--	1	3	3	5	5	4	5	4
\$50-\$100/yr		6	7	3	6	6	4	6	6	4	3
\$100-\$200/yr		19	16	14	13	12	4	8	7	8	5
\$200-\$300/yr		30	24	24	21	14	13	11	10	13	8
\$300+/yr		539	549	535	526	528	564	563	564	569	569
Total Lump Sum		594	596	577	569	563	590	593	591	599	589
Monthly Benefit:											
Under \$2/mo/yr		--	--	--	--	--	--	--	--	--	--
Over \$1.99/mo/yr		5	5	5	5	5	5	5	5	5	5
Total Monthly		5	5	5	5	5	5	5	5	5	5
Mo/Lump Sum Combination		18	18	20	18	19	18	19	18	18	17
Defined Contribution		88	89	84	87	86	87	91	92	92	91
No Benefits		--	--	--	--	--	--	--	--	--	--
Total		705	708	686	679	673	700	708	706	714	702

The numbers presented above and below depend on filings by the applicable volunteer firefighter relief associations as part of the fire state aid program and, because there is a cut-off publication date for the reports from the Office of the State Auditor, there is some potential slippage in the information over time.

There is a significant trend in volunteer firefighter relief associations growing from low benefit amounts to higher benefit amounts over the 35-year period, with 62.61% of volunteer firefighter relief associations either under \$200 per year of service lump sum or \$40 per month with 20 years of service monthly annuity in 1977 and with 96.60% of lump sum volunteer firefighter relief associations currently providing a service pension over \$300 per year of service and with 100% of monthly benefit volunteer firefighter relief associations providing a service pension in excess of \$40 per month with 20 years of service in 2010. Over the period 1984-2010, the number of volunteer firefighter relief associations providing lump sum service pensions has been reasonably consistent, but there has been a significant drop in the number of volunteer firefighter relief associations providing monthly benefit service pensions, an emergence of volunteer firefighter relief associations providing a combination of monthly benefit and lump sum service pensions, a modest growth in the number of volunteer firefighter relief associations providing "split-the-pie" or defined contribution service pensions, and the apparent disappearance of volunteer firefighter relief associations which provide no service pension coverage.

Membership, 1974-1990

Members	1974	1977	1980	1982	1984	1986	1987	1988	1989	1990
Actives:										
Lump Sum	9,052	10,915	10,834	12,523	12,980	12,859	13,179	13,406	13,720	14,112
Monthly	1,549	1,592	745	812	1,092	1,125	1,305	1,252	1,178	1,174
Combination	--	--	--	--	--	--	--	--	--	--
Defined Contrib.	1,042	1,256	401	1,207	1,449	1,345	1,411	1,520	1,460	1,434
No Benefits	820	558	278	114	63	83	35	20	37	--
Total Actives	12,463	14,321	12,258	14,656	15,584	15,412	15,930	16,198	16,395	16,720
Deferreds:										
Lump Sum		139	170	296	381	451	609	520	558	639
Monthly		117	68	32	39	50	61	67	76	92
Combination		--	--	--	--	--	--	--	--	--
Defined Contrib.		12	3	9	18	29	26	29	36	68
No Benefits		--	8	0	0	0	0	0	0	--
Total Deferreds		268	249	337	438	530	696	616	670	799
Retirees:										
Lump Sum		--	527	363	410	177	124	177	173	165
Monthly		400	249	302	413	444	547	493	483	472
Combination		--	--	--	--	--	--	--	--	--
Defined Contrib.		--	38	3	20	1	1	18	19	23
No Benefits		--	67	0	0	0	0	0	0	--
Total Retirees		400	881	668	843	622	672	688	675	660
Total Members:										
Lump Sum		11,054	11,531	13,182	13,771	13,487	13,912	14,103	16,395	14,916
Monthly		2,109	1,062	1,146	1,544	1,619	1,913	1,812	1,737	1,738
Combination		--	--	--	--	--	--	--	--	--
Defined Contrib.		1,268	442	1,219	1,487	1,375	1,438	1,567	1,515	1,525
No Benefits		558	353	114	63	83	0	20	37	--
Total Members		14,989	13,388	15,661	16,865	16,564	17,263	17,502	19,684	18,179

Membership, 1991-2000

Members	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Actives:										
Lump Sum	14,049	13,583	14,051	14,187	14,189	13,655	14,022	13,854	12,612	13,244
Monthly	1,200	1,210	1,218	525	464	307	313	324	208	208
Combination	--	--	100	735	726	807	775	746	879	840
Defined Contrib.	1,407	1,594	1,565	1,647	1,721	1,727	1,972	2,033	2,039	2,106
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Actives	16,656	16,387	16,934	17,094	17,100	16,496	17,082	16,957	15,738	16,398
Deferreds:										
Lump Sum	718	841	945	1,074	1,222	1,333	1,538	1,640	1,660	1,801
Monthly	78	88	100	62	57	45	44	56	34	29
Combination	--	--	1	64	80	89	79	90	114	157
Defined Contrib.	39	122	150	171	188	166	508	266	528	666
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Deferreds	835	1,051	1,196	1,371	1,547	1,633	2,169	2,052	2,336	2,653

Membership, 1991-2000

Members	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Retirees:										
Lump Sum	214	148	173	187	184	90	76	56	36	316
Monthly	494	527	566	312	261	198	207	206	153	164
Combination	--	--	26	271	267	312	349	344	424	413
Defined Contrib.	23	14	8	6	7	5	5	11	17	62
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Retirees	731	689	773	776	719	605	637	617	630	955
Total Members:										
Lump Sum	14,981	14,572	15,169	15,448	15,595	15,078	15,636	15,550	14,308	15,361
Monthly	1,772	1,825	1,884	899	782	550	564	586	395	401
Combination	--	--	127	1,070	1,073	1,208	1,203	1,180	1,417	1,410
Defined Contrib.	1,469	1,730	1,723	1,824	1,916	1,898	2,485	2,310	2,584	2,834
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Members	18,222	18,127	18,903	19,241	19,366	18,734	19,888	19,626	18,704	20,006

Membership, 2001-2010

Members	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Actives:										
Lump Sum	13,691	13,767	13,638	13,545	13,406	13,943	14,032	14,055	14,134	13,946
Monthly	206	159	188	197	199	183	182	187	187	176
Combination	790	847	898	824	866	861	883	854	836	827
Defined Contrib.	2,182	2,222	2,136	2,201	2,202	2,249	2,300	2,291	2,290	2,238
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Actives	16,869	16,995	16,860	16,767	16,673	17,236	17,397	17,387	17,447	17,187
Deferreds:										
Lump Sum	1,948	2,042	2,041	2,021	2,001	2,135	2,201	2,114	2,271	2,186
Monthly	31	19	30	29	24	31	27	24	33	32
Combination	196	216	243	242	240	215	206	177	237	207
Defined Contrib.	722	738	781	775	762	721	841	464	824	867
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Deferreds	2,897	3,015	3,095	3,067	3,027	3,102	3,275	2,779	3,365	3,292
Retirees:										
Lump Sum	538	507	515	539	473	568	583	583	713	650
Monthly	178	149	188	197	208	208	215	214	222	234
Combination	400	392	439	417	417	412	468	448	466	462
Defined Contrib.	58	64	67	68	87	70	93	104	84	109
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Retirees	1,174	1,112	1,209	1,221	1,185	1,258	1,359	1,349	1,485	1,455
Total Members:										
Lump Sum	16,177	16,316	16,194	16,105	15,880	16,656	16,816	16,752	17,118	16,782
Monthly	415	327	406	423	431	422	424	425	442	442
Combination	1,386	1,455	1,580	1,483	1,523	1,488	1,557	1,479	1,539	1,496
Defined Contrib.	2,962	3,024	2,984	3,044	3,051	3,040	3,234	2,859	3,198	3,214
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Members	20,940	21,122	21,164	21,055	20,885	21,606	22,031	21,515	22,297	21,934

Over the period 1977-2010, there was considerable consistency in the share of the total volunteer firefighter relief association active membership covered by lump sum relief associations (76.22% in 1977 as compared to 81.14% in 2010), but a huge decline in the share of the total volunteer firefighter relief association active membership covered by a monthly benefit relief association (11.11% in 1977 as compared to 1.02% in 2010 without considering combination relief associations or to 5.84% with the inclusion of combination relief associations in 2010), and a rough doubling from 1977 to 2010 in the share of the total volunteer firefighter relief association active membership covered by a defined contribution relief association. There has been a huge growth in the number of deferred volunteer firefighter relief association members over the period 1977-2002, especially between 1996-1997, 2000-2001, 2001-2002, and 2005-2007, and with the biggest growth in the number of deferred members in defined contribution volunteer firefighter relief associations through 2007. The small number of total deferred volunteer firefighter relief association members in 1977 is consistent with the modest attention shown to deferred volunteer firefighter issues in the 1979 recodification of volunteer firefighter relief association laws (*see Laws 1979, Ch. 201*), but the growth in the number of deferred volunteer firefighters correlates with the greater demands for changes in the regulation of deferred volunteer firefighter relief association service pensions. Because retired members in volunteer firefighter relief association providing lump sum service pensions are not always tracked, the retired membership and total membership results are not wholly reliable.

Liabilities, Assets, Fire State Aid, and Municipal Contributions, 1977-1989

	1977	1980	1982	1984	1986	1987	1988	1989
Accrued Liabilities:								
Lump Sum	14,278,898	29,501,934	40,937,006	52,985,939	59,057,471	60,643,988	68,071,179	78,070,344
Monthly	9,041,863	7,547,661	10,621,672	46,490,469	25,044,975	34,347,349	35,320,800	37,432,078
Combination	--	--	--	--	--	--	--	--
Defined Cont.	1,444,286	1,219,645	2,094,808	4,417,375	5,927,094	6,449,852	8,704,595	9,581,000
Total Accrued Liab.	24,765,047	38,269,240	53,653,486	103,893,783	90,029,540	101,441,189	112,096,574	125,083,422
Assets:								
Lump Sum	15,054,337	29,791,110	40,565,620	51,654,774	61,032,069	62,395,065	69,774,320	80,004,613
Monthly	8,211,852	7,250,784	9,900,259	31,055,648	23,220,944	31,624,291	32,759,213	34,603,998
Combination	--	--	--	--	--	--	--	--
Defined Cont.	1,444,286	1,219,645	2,094,808	4,417,375	5,927,094	6,449,852	8,704,595	9,581,000
Total Assets	24,710,475	38,261,539	52,560,687	87,127,797	90,180,107	100,469,208	111,238,128	124,189,611
Normal Cost:								
Lump Sum	1,470,015	498,536	3,926,658	5,212,341	5,058,195	5,273,113	4,994,302	5,964,120
Monthly	463,651	337,988	515,211	1,503,450	934,147	957,484	859,673	755,699
Combination	--	--	--	--	--	--	--	--
Defined Cont.	151,019	500	8,769	32,776	504,008	539,181	632,067	616,205
Total Normal Cost	2,084,685	837,024	4,450,638	6,748,567	6,496,350	6,769,778	6,486,042	7,336,024
Fire State Aid:								
Lump Sum	1,419,035	2,912,095	3,690,695	4,047,173	4,512,805	4,552,052	4,733,327	4,881,199
Monthly	602,368	581,600	693,007	1,276,954	1,320,346	1,700,437	1,684,158	1,609,808
Combination	--	--	--	--	--	--	--	--
Defined Cont.	143,460	166,375	205,638	334,357	430,992	436,382	550,993	533,395
Total Fire St Aid	2,164,863	3,660,070	4,589,340	5,658,484	6,264,143	6,688,871	6,968,478	7,024,402
Municipal Contribution:								
Lump Sum	357,973	664,700	834,832	1,197,277	1,299,731	1,176,333	1,246,509	1,557,416
Monthly	277,370	164,259	284,988	2,434,045	441,115	751,488	620,926	633,533
Combination	--	--	--	--	--	--	--	--
Defined Cont.	21,569	11,296	26,879	36,797	73,016	102,799	81,074	82,810
Total Municipal Contr.	656,912	840,255	1,146,699	3,668,119	1,813,862	2,030,620	1,948,509	2,273,759

Liabilities, Assets, Fire State Aid, and Municipal Contributions, 1990-1996

	1990	1991	1992	1993	1994	1995	1996
Accrued Liabilities:							
Lump Sum	86,588,461	92,771,460	94,145,127	102,546,702	107,486,014	113,855,616	119,936,745
Monthly	39,749,215	44,543,835	47,327,072	52,161,236	28,830,599	24,678,407	14,839,392
Combination	--	--	--	2,454,593	27,615,459	28,819,704	38,743,123
Defined Cont.	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681	28,832,841
Total Accrued Liab.	136,772,671	148,664,594	158,058,569	175,258,218	181,522,821	193,273,408	202,352,101
Assets:							
Lump Sum	86,825,688	95,265,007	95,375,295	105,920,681	105,073,259	122,226,938	133,172,234
Monthly	36,463,717	40,225,667	46,002,578	47,765,817	27,362,519	22,953,953	13,813,247
Combination	--	--	--	2,196,505	21,609,884	25,008,817	37,619,149
Defined Cont.	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681	28,832,841
Total Assets	133,724,400	146,839,973	157,964,243	173,978,690	171,636,411	196,109,389	213,437,471
Normal Cost:							
Lump Sum	8,224,582	9,004,068	8,965,833	9,921,518	10,211,254	10,869,651	11,214,171
Monthly	1,355,894	1,575,915	1,600,109	1,625,173	875,806	686,563	346,433
Combination	--	--	--	120,725	939,552	981,755	1,322,315
Defined Cont.	611,359	603,678	919,866	855,696	928,280	1,411,551	2,098,195
Total Normal Cost	10,191,835	11,183,661	11,485,808	12,523,112	12,954,892	13,949,520	14,981,114
Fire State Aid:							
Lump Sum	4,805,462	4,929,212	4,739,140	4,242,494	4,950,397	5,211,582	8,060,595
Monthly	1,620,559	1,667,813	1,801,399	1,548,161	858,681	689,483	512,496
Combination	--	--	--	154,328	934,346	995,205	1,486,949
Defined Cont.	517,789	504,419	774,684	707,024	782,147	1,172,687	1,536,620
Total Fire St Aid	6,943,810	7,101,444	7,315,223	6,652,007	7,525,571	8,068,957	11,596,660
Municipal Contribution:							
Lump Sum	1,842,447	1,858,245	2,281,421	2,613,573	2,691,177	2,803,095	3,276,302
Monthly	739,970	849,286	1,085,807	1,223,934	613,418	724,911	341,465
Combination	--	--	--	37,957	680,895	870,130	1,029,153
Defined Cont.	93,570	99,259	145,182	148,672	146,133	238,864	561,575
Total Municipal Contr.	2,675,987	2,806,790	3,512,410	4,024,136	4,131,623	4,637,000	5,208,495

Liabilities, Assets, Fire State Aid, and Municipal Contributions, 1997-2003

	1997	1998	1999	2000	2001	2002	2003
Accrued Liabilities:							
Lump Sum	130,642,738	145,966,781	150,761,568	171,611,378	186,795,976	192,569,597	194,794,196
Monthly	17,085,291	20,340,226	14,338,052	15,008,219	16,915,086	12,923,387	17,273,137
Combination	39,644,188	42,204,240	54,526,028	54,173,717	57,952,711	62,876,598	64,965,158
Defined Cont.	38,390,049	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178	52,255,072
Total Accrued Liab.	225,762,266	253,268,615	270,231,973	288,221,086	308,923,067	311,801,760	329,287,563
Assets:							
Lump Sum	153,037,774	172,113,829	179,343,843	183,279,497	179,424,046	165,317,015	191,684,693
Monthly	16,602,144	20,504,773	14,132,149	13,960,203	13,385,232	9,532,988	14,070,080
Combination	40,851,421	43,579,741	59,072,419	55,443,773	51,172,825	47,442,209	58,629,038
Defined Cont.	38,390,049	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178	52,255,072
Total Assets	248,881,388	280,955,711	303,154,736	300,111,245	291,241,397	265,724,390	316,638,883
Normal Cost:							
Lump Sum	12,219,929	13,311,487	13,514,162	15,189,092	16,483,865	16,892,504	17,049,848
Monthly	358,792	470,770	284,860	312,019	340,067	261,434	306,217
Combination	1,269,951	1,307,322	1,515,019	1,662,901	1,674,601	1,844,560	1,949,341
Defined Cont.	2,684,271	2,553,138	2,640,890	2,753,206	3,004,038	3,288,331	3,759,743
Total Normal Cost	16,532,943	17,642,717	17,954,931	19,917,218	21,502,571	22,286,829	23,065,149
Fire State Aid:							
Lump Sum	7,140,394	7,731,336	7,391,107	7,937,916	8,644,841	9,378,276	11,297,078
Monthly	554,859	643,057	379,802	395,685	426,640	418,469	611,511
Combination	1,434,117	1,386,971	1,765,592	1,753,859	1,789,869	2,148,174	2,656,437
Defined Cont.	1,855,313	2,038,308	2,091,608	2,212,814	2,385,099	2,639,147	3,206,483
Total Fire St Aid	10,984,683	11,799,672	11,628,109	12,300,274	13,246,449	14,584,066	17,771,509
Municipal Contribution:							
Lump Sum	2,680,940	2,442,795	2,360,961	2,375,285	2,732,044	4,202,331	4,806,194
Monthly	305,466	353,220	273,287	279,476	309,149	176,255	307,461
Combination	1,010,042	1,029,535	1,113,773	1,069,335	1,106,226	1,351,792	1,553,591
Defined Cont.	828,958	514,830	549,282	540,392	618,939	649,184	553,260
Total Municipal Contr.	4,825,406	4,340,380	4,297,303	4,264,488	4,766,358	6,379,562	7,220,506

Liabilities, Assets, Fire State Aid, and Municipal Contributions, 2004-2010

	2004	2005	2006	2007	2008	2009	2010
Accrued Liabilities:							
Lump Sum	203,853,989	213,118,264	231,926,073	251,981,586	263,361,245	260,646,854	259,432,719
Monthly	17,553,960	17,955,395	19,099,696	20,339,123	21,063,656	21,560,679	22,172,895
Combination	66,391,848	71,303,719	72,001,594	77,431,237	79,378,310	80,249,377	82,040,956
Defined Cont.	59,427,576	63,913,404	72,770,246	79,281,167	60,578,401	73,472,630	81,180,754
Total Accrued Liab.	347,227,373	366,290,782	395,797,609	429,033,113	424,381,612	435,929,540	444,827,324
Assets:							
Lump Sum	212,747,877	225,090,170	259,293,564	278,475,236	215,355,660	243,989,115	264,075,431
Monthly	15,517,757	16,703,427	18,847,441	20,332,280	16,198,872	21,560,679	20,722,926
Combination	63,251,682	68,547,108	71,325,838	78,416,917	56,178,110	80,249,377	73,805,912
Defined Cont.	59,427,576	63,913,404	72,770,246	79,281,167	60,578,401	73,472,630	81,180,754
Total Assets	350,944,892	374,254,109	422,237,089	456,505,600	348,311,043	402,729,534	439,785,023
Normal Cost:							
Lump Sum	17,789,289	18,575,701	20,032,670	21,807,598	22,809,822	22,469,022	22,539,626
Monthly	328,271	363,133	357,569	369,740	379,526	376,156	375,201
Combination	1,868,049	1,966,756	1,865,294	2,280,932	2,321,993	2,227,449	2,231,956
Defined Cont.	4,644,018	4,655,090	5,068,303	4,785,144	4,513,026	4,057,170	4,317,198
Total Normal Cost	24,629,627	25,560,680	27,323,836	29,243,414	30,024,367	29,129,797	29,463,981
Fire State Aid:							
Lump Sum	14,484,884	14,064,593	15,456,748	13,812,683	12,031,502	10,108,885	11,458,340
Monthly	800,985	756,976	806,357	700,644	598,168	514,647	535,827
Combination	3,370,816	3,260,210	3,186,403	2,872,382	2,414,573	2,045,048	2,099,338
Defined Cont.	4,111,912	3,993,034	4,228,956	3,736,552	3,246,341	2,708,779	2,984,058
Total Fire St Aid	22,768,597	22,074,813	23,678,464	21,122,261	18,290,584	15,377,359	17,077,564
Municipal Contribution:							
Lump Sum	5,562,093	4,140,141	4,036,956	4,063,363	4,030,479	4,513,978	8,387,556
Monthly	386,110	511,574	488,211	502,135	616,359	585,188	626,372
Combination	1,331,760	1,239,171	1,238,386	1,190,737	1,382,615	1,394,748	2,851,507
Defined Cont.	532,106	662,056	839,347	1,048,592	1,266,685	1,348,391	1,291,483
Total Municipal Contr.	7,812,069	6,552,942	6,602,900	6,804,827	7,296,138	7,842,305	13,156,918

Over the period 1977-2010, there has been an 18-fold increase in volunteer firefighter relief association accrued liabilities. For defined contribution volunteer firefighter relief associations, the relief association accrued liability by definition is always equal to the relief association assets.

There has been a general growth in volunteer firefighter relief association assets over the 30-year period, until 2000-2001, when there was a general decline in the size of volunteer firefighter relief association assets during a recession and there was a resumption of growth after 2002 until 2007, with a significant decline in 2008, followed by growth in 2009 and 2010.

There also has been a significant increase in the normal cost of volunteer firefighter relief associations over the period 1977 to 2009, especially in lump sum volunteer firefighter relief associations with more than a 17-fold increase. For defined contribution volunteer firefighter relief associations, the indicated normal cost figure is the sum of the relief association's fire state aid and municipal contributions.

Fire state aid for volunteer firefighter relief associations has grown considerably over the period 1977-2006, but has declined in 2007, 2008, and 2009 before beginning to rebound in 2010. The average amount of fire state aid per active member in 2010 was \$993.63, with the average amount of fire state aid per active member was \$821.62 for lump sum volunteer firefighter relief associations, \$3,044.47 for monthly benefit volunteer firefighter relief associations, \$2,538.50 for combination volunteer firefighter relief associations, and \$1,333.36 for defined contribution volunteer firefighter relief associations. The average per active member fire state aid amounts in 1977 were \$378 for monthly benefit volunteer firefighter relief associations, \$130.01 for lump sum volunteer firefighter relief associations, and \$114 for defined contribution volunteer firefighter relief associations.

Total municipal contributions to volunteer firefighter relief associations also grew at over the period 1977-2010. The average amount of municipal contribution per active firefighter in 2010 varies, following essentially the same pattern as with the average amount of fire state aid per active member, with combination volunteer firefighter relief associations receiving an average per active member of \$765.52 in municipal contributions, with monthly benefit volunteer firefighter relief associations receiving an average per active member of \$3,558.93 in municipal contributions, with lump sum volunteer firefighter relief associations receiving an average per active member of \$601.43 in municipal contributions, and with defined contribution volunteer firefighter relief associations receiving an average per active member of \$602.50 in municipal contributions. The average per active member municipal contribution amounts in 1977 were \$32.80 for lump sum volunteer firefighter relief associations, \$174.23 for monthly benefit volunteer firefighter relief associations, and \$17.17 for defined contribution volunteer firefighter relief associations.

Background Information on Volunteer Firefighter Relief Association Return to Service Authorization

Volunteer firefighter relief associations, akin to other Minnesota public pension plans, require a separation from active covered employment or service before a service pension is payable. The general separation requirement is currently set forth in Minnesota Statutes, Section 424A.015, Subdivision 1, and the specific separation requirement is set forth in Minnesota Statutes, Section 424A.016, Subdivision 2, Paragraph (a), Clause (1), for defined contribution relief associations, or Minnesota Statutes, Section 424A.02, Subdivision 1, Paragraph (a), Clause (1).

The separation requirement was included in the initial enactment regulating volunteer firefighter relief associations, Revised Laws of 1905, Section 1655, and continued in general statute as Minnesota Statutes, Section 69.06, until it was replaced (and repealed) in 1979 (Laws 1979, Ch. 201, Sec. 12, 44) as part of the comprehensive reorganization, recodification, and revision of volunteer firefighter relief association laws.

In 1996 (Laws 1996, Ch. 438, Art. 8, Sec. 1, 2), as part of a provision sought by the Spring Lake Park-Blaine-Mounds View Fire Department to allow for membership of fire prevention personnel in volunteer firefighter relief association coverage that was broadened to a statewide proposal by the Pension Commission, the term “firefighting service” was defined to include fire prevention personnel service and the term “separate from active service” was defined as cessation to perform fire suppression duties, fire prevention duties, fire suppression supervisor duties, or fire prevention supervisor duties.

In 2000 (Laws 2000, Ch. 461, Art. 15, Sec. 4, 8), the definition of the term “separate from active service” was amended to specify that the service separation be permanent and added a service pension repayment penalty for retired volunteer firefighter relief association members who return to active service with the same fire department associated with the volunteer firefighter relief association, representing recommendations approved by a 1999-2000 Interim subcommittee of the Pension Commission that were drawn from volunteer firefighter relief association law revisions requested by the Minnesota Area Relief Association Coalition (MARAC), Nyle Zikmund, President.

In 2002 (Laws 2002, Ch. 392, Art. 13, Sec. 1), the separation from active service requirement of Minnesota Statutes, Section 424A.02, Subdivision 1, was modified, following a request from the City of White Bear Lake to allow it flexibility in hiring one of its retirement-eligible volunteer firefighters as its full-time fire chief, by the addition of an exception to the requirement for full-time fire department employees where the city files a determination that the firefighter’s experience and prior service would be difficult to replace, and where the volunteer firefighter relief association bylaws were amended to allow for the service pension or disability benefit payment.

In 2009 (Laws 2009, Ch. 169, Art. 10, Sec. 21; Sec. 58, Subd. 3), from a recommendation made by the 2009 Office of the State Auditor Volunteer Firefighter Relief Association Working Group, a return to active firefighting after a break in service was authorized, and the prior penalty on retirees returning to active firefighting service was repealed. Following a break of at least 60 days, under the 2009 legislation a firefighter who returns to service may qualify for a pension on the new service if permitted in the bylaws. If a pension had been paid, any new pension would be based solely on the service after the return, and if a monthly benefit is being paid, the benefit ceases upon return to service and resumes following the final termination. If a pension was not paid, the eventual pension may be based on the combination of the new and old service.

In 2010 (Laws 2010, Ch. 359, Art. 13, Sec. 5), the return to service provision was revised by reformatting it, by exempting from the provision any service break mandated under state or federal law, by clarifying the return to service duration requirements and permitting firefighters with a break of less than one year who were not on an authorized leave to be exempt from minimum return to service requirements if permitted under plan bylaws, and by permitting monthly benefit retirees to receive a service pension after a return to service.

In 2012 (Laws 2012, Ch. 286, Art. 12, Sec. 10), for firefighters who have a 60-day or greater break in firefighter service and return to service with the relief association, benefit procedures for defined benefit plans were clarified and procedures for defined contribution plans were newly specified. For defined contribution plans, if the returning firefighter has received a benefit, any new second benefit due to the new service can be paid upon termination of service if the person qualifies based only on the new service. If the returning firefighter did not qualify for a benefit based on prior service, and a combination of past and new service was required to meet minimum service requirements, upon subsequent termination of service a benefit may be paid based on the combination of past and new service, less amounts previously forfeited.

Background Information on Volunteer Firefighter Relief Association Deferred Service Pensions and Deferred Service Pension Interest

Volunteer firefighter relief associations pay a service pension as the pension plan's primary retirement benefit when a member volunteer firefighter terminates active firefighting service, attains the required age (at least age 50), and has credit for the required minimum years of firefighting service (at least five years of service credit; potentially 20 years of service credit) and relief association membership. For a volunteer firefighter who has completed the length of service credit required for vesting, has at least five years of relief association active membership, but separates from active volunteer firefighter service and volunteer firefighter relief association membership before age 50 (or older if the relief association requires a later retirement age), Minnesota Statutes, Section 424A.02, Subdivision 7, provides for a deferred service pension that is payable when the former firefighter reaches at least the retirement age. The deferred service pension is calculated based on the law in effect when active service terminated. If the service pension amount has increased since the deferred member terminated active service, the deferred service pensioner does not benefit from the service pension amount increase.

Before 2000 (Laws 2000, Ch. 461, Art. 15, Sec. 6), the relief association was permitted to pay interest on a deferred lump sum service pension at the rate actually earned by the relief association, but not to exceed the 5% interest rate actuarial assumption underlying lump sum volunteer firefighter relief association funding. In 2000, in legislation requested by the Minnesota Area Relief Association Coalition (MARAC), an educational organization representing volunteer firefighter relief associations, the lump sum deferred service pension interest provision was modified, to encompass three options. If the relief association bylaws so provide, interest can be provided on a lump sum deferred service pension at the actual rate of interest earned if the deferred pension amount is placed in a separate relief association account established for that purpose, at the actual rate of interest earned if the deferred pension amount is invested in a separate investment vehicle held by the relief association, or at a flat 5% interest rate.

In 2003, displeased with the 2000 deferred service pension changes, the Marshall Volunteer Firefighter Relief Association sought a legislative change to replicate the pre-2002 law change. Ultimately, the Marshall Volunteer Firefighter Relief Association general law request was converted into a demonstration project and a special law provision (1st Spec. Sess. Laws 2003, Ch. 12, Art. 12, Sec. 3), which included the additional specification of the manner in which the relief association investment earnings are to be calculated. The Marshall Volunteer Firefighter Relief Association, as a demonstration project, was permitted to pay interest on its lump sum deferred service pensions based on the actual investment performance of the relief association special fund, up to 5% annually. The actual investment performance is that reported by the Office of the State Auditor under Minnesota Statutes, Section 356.219.

In 2004 (Laws 2004, Ch. 267, Art. 14, Sec. 2), the volunteer firefighter relief associations deferred service pension interest crediting provision was modified with the addition of a temporary interest crediting procedure. Relief associations were permitted to pay interest on a deferred pension equal to the actual time weighted rate of return of the pension plan as reported by the State Auditor, not to exceed 5%, if the bylaws are amended accordingly. The provision was scheduled for expiration on December 31, 2008.

In 2005 (1st Spec. Sess. Laws 2005, Ch. 8, Art. 9, Sec. 12), the deferred volunteer firefighter relief association service pension interest crediting options were modified to allow interest of 5% or less, as set by the board of directors and approved by the municipality. Interest would be payable from the first of the month following separation from service to the first of the month in which the individual becomes eligible to receive the service pension. For defined contribution plan volunteer firefighter relief associations, if provided for in the bylaws, the association may use any of the deferred service pension interest approaches approved in law for defined benefit plans, or it may credit any investment return on the special fund assets in proportion to the share of the assets in the special fund to the credit of the given deferred member.

In 2008 (Laws 2008, Ch. 349, Art. 14, Sec. 9), the computation of interest on deferred service pensions was revised. The authority to pay interest at the rate actually earned by the association as reported by the State Auditor, not to exceed 5%, was removed, and relief associations were permitted more flexibility in determining the time period over which interest is paid. Authority was retained to create a separate account for the deferred member and to pay whatever interest is earned on that account, or to not segregate the assets and to pay a compound rate of interest as specified by the relief association, not to exceed 5%.

In 2009 (Laws 2009, Ch. 169, Art. 10, Sec. 2, 23-35), the regulation of defined contribution volunteer firefighter relief associations and the regulation of defined benefit volunteer firefighter relief associations, including deferred service pensions and deferred service pension interest, were reallocated into separate provisions to better match differences between the two types of retirement plans.

In 2010 (Laws 2010, Ch. 286, Art. 12, Sec. 12, 14), the defined contribution and defined benefit deferred service pension provisions were revised to permit persons who terminate after age 50 to defer the benefit; by clarifying that deferred service pensioners can include former volunteer firefighters who have been hired as full-time firefighters in the same department; and by specifying a default method for calculating interest amounts credited to deferred service pensions if the relief association bylaws do not specify a different interest credit method.

Background Information on Supplemental Lump Sum Volunteer Firefighter Benefits

Minnesota Statutes, Section 424A.10, enacted in 1988 (Laws 1988, Ch. 719, Art. 19, Sec. 22, the 1988 tax bill), and substantively amended in 2006 (Laws 2006, Ch. 271, Art. 13, Sec. 5) and in 2007 (Laws 2007, Ch. 134, Art. 10, Sec. 1-3), mandates that all volunteer firefighter relief associations that provide a lump sum service pension or retirement benefit provide an additional lump sum supplemental benefit. The supplemental benefit is an amount equal to 10% of the lump sum service pension for a retiring firefighter, but not to exceed \$1,000, an amount equal to 20% of the lump sum survivor benefit for the survivor of a deceased active or deferred firefighter, but not to exceed \$2,000. The supplemental benefit is 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 made Minnesota public pensions taxable and the supplemental benefit was intended to offset some or all of the effects of that tax law change. Given the relatively modest level of most volunteer fire pensions, at least as of the late 1980s, the 1988 enactment of the volunteer fire lump sum supplemental benefit may have been intended to offset the negative impact of that new Minnesota taxation, so that the new tax treatment did not discourage individuals from providing volunteer fire services.

The volunteer fire lump sum supplemental benefit state reimbursement is payable from an open and standing general fund appropriation to the Department of Revenue. The supplemental benefit is reimbursable by the state if the volunteer firefighter relief association that paid the supplemental benefit applies with the Commissioner of Revenue by the subsequent February 15, with the reimbursement paid on March 15. The amounts expended by the Department of Revenue in reimbursing volunteer fire lump sum supplemental benefits for the period 1989-2006 are as follows:

Fiscal Year	Number of Payments	Supplemental Benefit Reimbursement Appropriation
1989	169	\$248,877.98
1990	253	\$355,340.44
1991	259	\$357,604.39
1992	268	\$394,324.32
1993	264	\$384,550.40
1994	248	\$330,629.36
1995	263	\$366,189.08
1996	261	\$414,799.08
1997	262	\$371,903.61
1998	277	\$365,561.84
1999	285	\$411,695.58
2000	287	\$420,388.00
2001	275	\$439,660.80
2002	297	\$456,594.53
2003	313	\$480,665.19
2004	351	\$534,653.75
2005	336	\$521,665.15
2006	328	\$485,738.34
2007	342	\$572,199.67
2008	337	\$571,218.90
2009	356	\$608,950.98
2010	384	\$722,024.47
2011	357	\$627,806.43
2012	348	\$669,643.79

The state reimbursement of volunteer fire lump sum supplemental benefits are required to be deposited into the special fund of the applicable volunteer firefighter relief association and may be subsequently expended for any lawful purpose for the special fund of the relief association.

There are approximately 700 volunteer firefighter relief associations in Minnesota, with most relief associations paying lump sum retirement benefits, either as lump sum defined benefit retirement plans or as defined contribution plans. The table on page 2 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).

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Number of Reporting Plans	692	695	686	679	673	700	708	706	714	702
<u>Lump Sum Associations</u>										
Defined Contribution Plans	87	88	84	87	86	87	91	92	92	91
Lump Sum Defined Benefit Plans	583	585	577	569	563	590	593	591	599	589
<u>Monthly/Combination Associations</u>										
Monthly Benefit Plans	5	4	5	5	5	5	5	5	5	5
Comb. Lump Sum/Monthly Benefit Plans	17	18	20	18	19	18	19	18	18	17
Total Active Members	16,869	16,995	16,860	16,767	16,673	17,236	17,397	17,387	17,447	17,187
Total Deferred Inactive Members	2,897	3,015	3,095	3,067	3,027	3,102	3,275	2,779	3,365	3,292
Total Retired Members	1,174	1,112	1,209	1,221	1,185	1,258	1,359	1,349	1,485	1,455
Total Membership	20,940	21,122	21,164	21,055	20,885	21,596	22,031	21,515	22,297	21,934
Total Actuarial Accrued Liability	\$308,923,067	\$311,801,760	\$329,287,563	347,227,373	366,290,782	395,797,609	429,033,113	424,381,612	435,929,540	444,827,324
Assets	\$291,241,397	\$265,724,390	\$316,638,883	350,944,892	374,254,109	422,237,089	456,505,600	348,311,043	402,729,534	439,785,023
Unfunded Actuarial Accrued Liability	\$17,681,670	\$46,077,370	\$12,648,680	(\$3,717,519)	(\$7,963,327)	(\$26,439,480)	(\$27,472,487)	\$76,070,569	33,200,006	5,042,301
Funding Ratio	94.28%	85.22%	96.16%	101.07%	102.17%	106.68%	106.40%	82.07%	92.38%	98.87%
Total Normal Cost	\$21,502,571	\$22,286,829	\$23,065,149	\$24,629,327	\$25,560,680	\$27,323,836	\$29,243,414	\$30,024,367	\$29,129,797	\$29,463,991
Total Amortization Contrib.	\$1,675,033	\$3,498,283	\$4,787,932	\$3,162,278	\$2,396,127	\$2,357,404	\$1,731,787	\$3,414,339	\$7,748,890	\$5,760,077
Total Fire State Aid	\$13,246,449	\$14,584,066	\$17,771,509	\$22,768,597	\$22,074,813	\$23,678,464	\$21,122,261	\$18,290,587	\$15,377,359	\$17,077,564
Total Municipal Contribution	\$4,766,358	\$6,379,562	\$7,220,506	\$7,812,069	\$6,552,942	\$6,602,900	\$6,804,827	\$7,296,138	\$7,842,305	\$13,156,918
Total Other Revenue	\$763,428	\$765,056	\$745,795	\$1,100,045	\$533,011	\$969,384	\$1,107,166	\$1,181,642	\$1,223,643	\$1,220,239

The number of volunteer firefighter relief associations receiving volunteer fire supplemental aid following the payment of a lump sum service pension vary over time, as follows:

Year	Number of VFRAs Receiving Aid	Number of VFRAS Paying Less than Maximum Supplemental Benefit
2001	43.4%	19.0% (43.8% of associations receiving aid)
2002	45.7	18.4% (40.3% of associations receiving aid)
2003	49.1	17.8% (36.2% of associations receiving aid)
2004	<i>--insufficient data reported by the Office of the State Auditor--</i>	
2005	52.2	18.9% (39.6% of associations receiving aid)
2006	46.9	19.7% (42.1% of associations receiving aid)
2007	48.3	18.5% (38.3% of associations receiving aid)
2008	47.7	20.1% (42.1% of associations receiving aid)
2009	49.9	20.2% (40.4% of associations receiving aid)
2010	54.7	18.9% (34.6% of associations receiving aid)

A bill for an act

1.1 relating to retirement; volunteer firefighter relief associations; defining a relief
 1.2 association fiscal year; clarifying leaves exempted from minimum resumption
 1.3 service requirements for break-in-service service credit; mandating municipal
 1.4 approval for certain interest rates creditable to deferred service credits; amending
 1.5 Minnesota Statutes 2012, sections 69.771, subdivision 1; 69.774, subdivision
 1.6 1; 424A.001, by adding a subdivision; 424A.01, subdivision 6; 424A.015,
 1.7 subdivisions 1, 4; 424A.016, subdivision 6; 424A.02, subdivision 7; 424A.10,
 1.8 subdivisions 1, 2; repealing Minnesota Statutes 2012, section 424A.10,
 1.9 subdivision 5.
 1.10

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

1.12 Section 1. Minnesota Statutes 2012, section 69.771, subdivision 1, is amended to read:

1.13 Subdivision 1. **Covered relief associations.** The applicable provisions of sections
 1.14 69.771 to 69.776 apply to govern any firefighters' relief association other than defined in
 1.15 section 424A.001, subdivision 4, and do not apply to a relief association enumerated in
 1.16 section 69.77, subdivision 1a, which is organized under any laws of this state, which is
 1.17 composed of volunteer firefighters or is composed partially of volunteer firefighters and
 1.18 partially of salaried firefighters with retirement coverage provided by the public employees
 1.19 police and fire fund and which, in either case, operates subject to the service pension
 1.20 minimum requirements for entitlement and maximums contained in section 424A.02, or
 1.21 subject to a special law modifying those requirements or maximums.

1.22 Sec. 2. Minnesota Statutes 2012, section 69.774, subdivision 1, is amended to read:

1.23 Subdivision 1. **Authorized inclusion in fire state aid program; covered nonprofit**
 1.24 **corporations.** (a) This section ~~shall apply~~ applies to any independent nonprofit firefighting
 1.25 corporation incorporated or organized ~~pursuant to~~ under chapter 317A which: (1) operates
 1.26 exclusively for firefighting purposes; (2) which is composed of volunteer firefighters;

2.1 and (3) which has a duly established separate subsidiary incorporated firefighters' relief
 2.2 association which provides retirement coverage for or pays a service pension to a retired
 2.3 firefighter or a retirement benefit to a surviving dependent of either an active or a retired
 2.4 firefighter, and which operates is subject to the service pension minimum requirements
 2.5 for entitlement to and maximums for a service pension contained in section 424A.02,
 2.6 or a special law modifying those requirements or maximums applicable provisions of
 2.7 chapter 424A.

2.8 (b) Notwithstanding any law to the contrary, a municipality contracting with an
 2.9 independent nonprofit firefighting corporation ~~shall~~ must be included in the distribution of
 2.10 fire state aid to the appropriate county auditor by the state auditor only if the independent
 2.11 nonprofit firefighting corporation complies with the provisions of this section.

2.12 Sec. 3. Minnesota Statutes 2012, section 424A.001, is amended by adding a
 2.13 subdivision to read:

2.14 Subd. 11. Fiscal year. The fiscal year for a volunteer firefighter relief association
 2.15 begins on January 1 of each calendar year and ends on December 31 of the same calendar
 2.16 year.

2.17 Sec. 4. Minnesota Statutes 2012, section 424A.01, subdivision 6, is amended to read:

2.18 **Subd. 6. Return to active firefighting after break in service.** (a) ~~The requirements~~
 2.19 ~~of This section apply~~ subdivision applies to all breaks in service, except breaks in that the
 2.20 resumption service mandated by requirements of this subdivision do not apply to leaves
 2.21 of absence made available by federal or statute, such as the Family Medical Leave Act,
 2.22 United States Code, title 29, section 2691, and the Uniformed Services Employment and
 2.23 Reemployment Rights Act, United States Code, title 38, section 4301, and do not apply
 2.24 to leaves of absence made available by state law statute, such as the Parental Leave Act,
 2.25 section 181.941; the Leave for Organ Donations Act, section 181.9456; the Leave for
 2.26 Civil Air Patrol Service Act, section 181.946; the Leave for Immediate Family Members
 2.27 of Military Personnel Injured or Killed in Active Service Act, section 181.947, or the
 2.28 Protection of Jurors' Employment Act, section 593.50.

2.29 (b)(1) If a firefighter who has ceased to perform or supervise fire suppression and
 2.30 fire prevention duties for at least 60 days resumes performing active firefighting with the
 2.31 fire department associated with the relief association, if the bylaws of the relief association
 2.32 so permit, the firefighter may again become an active member of the relief association. A
 2.33 firefighter who returns to active service and membership is subject to the service pension
 2.34 calculation requirements under this section.

3.1 (2) A firefighter who has been granted an approved leave of absence not exceeding
3.2 one year by the fire department or by the relief association is exempt from the minimum
3.3 period of resumption service requirement of this section.

3.4 (3) A person who has a break in service not exceeding one year but has not been
3.5 granted an approved leave of absence and who has not received a service pension or
3.6 disability benefit may be made exempt from the minimum period of resumption service
3.7 requirement of this section by the relief association bylaws.

3.8 (4) If the bylaws so provide, a firefighter who returns to active relief association
3.9 membership under this paragraph may continue to collect a monthly service pension,
3.10 notwithstanding the service pension eligibility requirements under chapter 424A.

3.11 (c) If a former firefighter who has received a service pension or disability benefit
3.12 returns to active relief association membership under paragraph (b), the firefighter may
3.13 qualify for the receipt of a service pension from the relief association for the resumption
3.14 service period if the firefighter meets the service requirements of section 424A.016,
3.15 subdivision 3, or 424A.02, subdivision 2. No firefighter may be paid a service pension
3.16 more than once for the same period of service.

3.17 (d) If a former firefighter who has not received a service pension or disability benefit
3.18 returns to active relief association membership under paragraph (b), the firefighter may
3.19 qualify for the receipt of a service pension from the relief association for the original and
3.20 resumption service periods if the firefighter meets the service requirements of section
3.21 424A.016, subdivision 3, or 424A.02, subdivision 2, based on the original and resumption
3.22 years of service credit.

3.23 (e) A firefighter who returns to active lump-sum relief association membership under
3.24 paragraph (b) and who qualifies for a service pension under paragraph (c) must have,
3.25 upon a subsequent cessation of duties, any service pension for the resumption service
3.26 period calculated as a separate benefit. If a lump-sum service pension had been paid to the
3.27 firefighter upon the firefighter's previous cessation of duties, a second lump-sum service
3.28 pension for the resumption service period must be calculated by applying the service
3.29 pension amount in effect on the date of the firefighter's termination of the resumption
3.30 service for all years of the resumption service.

3.31 (f) A firefighter who had not been paid a lump-sum service pension returns to active
3.32 relief association membership under paragraph (b), who did not meet the minimum period
3.33 of resumption service requirement specified in the relief association's bylaws, but who
3.34 does meet the minimum service requirement of section 424A.02, subdivision 2, based
3.35 on the firefighter's original and resumption years of active service, must have, upon a
3.36 subsequent cessation of duties, a service pension for the original and resumption service

4.1 periods calculated by applying the service pension amount in effect on the date of the
4.2 firefighter's termination of the resumption service, or, if the bylaws so provide, based on
4.3 the service pension amount in effect on the date of the firefighter's previous cessation
4.4 of duties. The service pension for a firefighter who returns to active lump-sum relief
4.5 association membership under this paragraph, but who had met the minimum period
4.6 of resumption service requirement specified in the relief association's bylaws, must be
4.7 calculated by applying the service pension amount in effect on the date of the firefighter's
4.8 termination of the resumption service.

4.9 (g) If a firefighter receiving a monthly benefit service pension returns to active
4.10 monthly benefit relief association membership under paragraph (b), and if the relief
4.11 association bylaws do not allow for the firefighter to continue collecting a monthly service
4.12 pension, any monthly benefit service pension payable to the firefighter is suspended as
4.13 of the first day of the month next following the date on which the firefighter returns to
4.14 active membership. If the firefighter was receiving a monthly benefit service pension,
4.15 and qualifies for a service pension under paragraph (c), the firefighter is entitled to
4.16 an additional monthly benefit service pension upon a subsequent cessation of duties
4.17 calculated based on the resumption service credit and the service pension accrual amount
4.18 in effect on the date of the termination of the resumption service. A suspended initial
4.19 service pension resumes as of the first of the month next following the termination of the
4.20 resumption service. If the firefighter was not receiving a monthly benefit service pension
4.21 and meets the minimum service requirement of section 424A.02, subdivision 2, a service
4.22 pension must be calculated by applying the service pension amount in effect on the date of
4.23 the firefighter's termination of the resumption service for all years of service credit.

4.24 (h) A firefighter who was not receiving a monthly benefit service pension returns to
4.25 active relief association membership under paragraph (b), who did not meet the minimum
4.26 period of resumption service requirement specified in the relief association's bylaws, but
4.27 who does meet the minimum service requirement of section 424A.02, subdivision 2,
4.28 based on the firefighter's original and resumption years of active service, must have,
4.29 upon a subsequent cessation of duties, a service pension for the original and resumption
4.30 service periods calculated by applying the service pension amount in effect on the date of
4.31 the firefighter's termination of the resumption service, or, if the bylaws so provide, based
4.32 on the service pension amount in effect on the date of the firefighter's previous cessation
4.33 of duties. The service pension for a firefighter who returns to active relief association
4.34 membership under this paragraph, but who had met the minimum period of resumption
4.35 service requirement specified in the relief association's bylaws, must be calculated by

5.1 applying the service pension amount in effect on the date of the firefighter's termination of
5.2 the resumption service.

5.3 (i) For defined contribution plans, a firefighter who returns to active relief
5.4 association membership under paragraph (b) and who qualifies for a service pension
5.5 under paragraph (c) or (d) must have, upon a subsequent cessation of duties, any service
5.6 pension for the resumption service period calculated as a separate benefit. If a service
5.7 pension had been paid to the firefighter upon the firefighter's previous cessation of duties,
5.8 and if the firefighter meets the minimum service requirement of section 424A.016,
5.9 subdivision 3, based on the resumption years of service, a second service pension for
5.10 the resumption service period must be calculated to include allocations credited to the
5.11 firefighter's individual account during the resumption period of service and deductions
5.12 for administrative expenses, if applicable.

5.13 (j) For defined contribution plans, if a firefighter who had not been paid a service
5.14 pension returns to active relief association membership under paragraph (b), and who
5.15 meets the minimum service requirement of section 424A.016, subdivision 3, based on
5.16 the firefighter's original and resumption years of service, must have, upon a subsequent
5.17 cessation of duties, a service pension for the original and resumption service periods
5.18 calculated to include allocations credited to the firefighter's individual account during
5.19 the original and resumption period periods of service and deductions for administrative
5.20 expenses, if applicable, less any amounts previously forfeited under section 424A.016,
5.21 subdivision 4.

5.22 Sec. 5. Minnesota Statutes 2012, section 424A.015, subdivision 1, is amended to read:

5.23 **Subdivision 1. Separation from active service; exception.** (a) No service pension
5.24 is payable to a person while the person remains an active member of the respective fire
5.25 department, and a person who is receiving a service pension is not entitled to receive any
5.26 other benefits from the special fund of the relief association.

5.27 (b) No relief association as defined in section 424A.001, subdivision 4, may pay a
5.28 service pension or disability benefit to a former member of the relief association if that
5.29 person has not separated from active service with the fire department to which the relief
5.30 association is directly associated, unless:

5.31 (1) the person is ~~employed subsequent to retirement by~~ discontinues volunteer
5.32 firefighter duties with the municipality or the independent nonprofit firefighting
5.33 corporation, whichever applies, to perform and performs duties within the municipal fire
5.34 department or corporation on a full-time basis;

6.1 (2) the governing body of the municipality or of the corporation has filed its
 6.2 determination with the board of trustees of the relief association that the person's
 6.3 experience with and service to the fire department in that person's full-time capacity
 6.4 would be difficult to replace; and

6.5 (3) the bylaws of the relief association were amended to provide for the payment of
 6.6 a service pension or disability benefit for such full-time employees.

6.7 Sec. 6. Minnesota Statutes 2012, section 424A.015, subdivision 4, is amended to read:

6.8 Subd. 4. **Transfer to individual retirement account.** A relief association that is a
 6.9 qualified pension plan under section 401(a) of the Internal Revenue Code, as amended,
 6.10 and that provides a single payment service pension, at the written request of the applicable
 6.11 retiring member or, following the death of the active member, at the written request of the
 6.12 deceased member's surviving spouse, may directly transfer on an institution-to-institution
 6.13 basis the eligible member's lump-sum pension or the death or survivor benefit attributable
 6.14 to the member, whichever applies, to the requesting person's individual retirement account
 6.15 under section 408(a) of the Internal Revenue Code, as amended.

6.16 Sec. 7. Minnesota Statutes 2012, section 424A.016, subdivision 6, is amended to read:

6.17 Subd. 6. **Deferred service pensions.** (a) A member of a relief association is entitled
 6.18 to a deferred service pension if the member:

6.19 ~~(1) has completed the lesser of the minimum period of active service with the fire~~
 6.20 ~~department specified in the bylaws or 20 years of active service with the fire department;~~

6.21 ~~(2) has completed at least five years of active membership in the relief association; and~~

6.22 (3) separates from active service and membership and has completed the minimum
 6.23 service and membership requirements in subdivision 2. The requirement that a member
 6.24 separate from active service and membership is waived for persons who have discontinued
 6.25 their volunteer firefighter duties and who are employed on a full-time basis under section
 6.26 424A.015, subdivision 1.

6.27 (b) The deferred service pension is payable when the former member reaches at
 6.28 least age 50, or at least the minimum age specified in the bylaws governing the relief
 6.29 association if that age is greater than age 50, and when the former member makes a valid
 6.30 written application.

6.31 (c) A defined contribution relief association may, if its governing bylaws so provide,
 6.32 credit interest or additional investment performance on the deferred lump-sum service
 6.33 pension during the period of deferral. If provided for in the bylaws, the interest must be
 6.34 paid:

7.1 (1) at the investment performance rate actually earned on that portion of the assets
 7.2 if the deferred benefit amount is invested by the relief association in a separate account
 7.3 established and maintained by the relief association;

7.4 (2) at the investment performance rate actually earned on that portion of the assets
 7.5 if the deferred benefit amount is invested in a separate investment vehicle held by the
 7.6 relief association; or

7.7 (3) at the investment return on the assets of the special fund of the defined contribution
 7.8 volunteer firefighter relief association in proportion to the share of the assets of the special
 7.9 fund to the credit of each individual deferred member account through the accounting date
 7.10 on which the investment return is recognized by and credited to the special fund.

7.11 (d) Unless the bylaws of a relief association that has elected to pay interest or
 7.12 additional investment performance on deferred lump-sum service pensions under
 7.13 paragraph (c) specifies a different interest or additional investment performance method,
 7.14 including the interest or additional investment performance period starting date and ending
 7.15 date, the interest or additional investment performance on a deferred service pension
 7.16 is creditable as follows:

7.17 (1) for a relief association that has elected to pay interest or additional investment
 7.18 performance under paragraph (c), clause (1) or (3), beginning on the date that the
 7.19 member separates from active service and membership and ending on the accounting
 7.20 date immediately before the deferred member commences receipt of the deferred service
 7.21 pension; or

7.22 (2) for a relief association that has elected to pay interest or additional investment
 7.23 performance under paragraph (c), clause (2), beginning on the date that the member
 7.24 separates from active service and membership and ending on the date that the separate
 7.25 investment vehicle is valued immediately before the date on which the deferred member
 7.26 commences receipt of the deferred service pension.

7.27 (e) The deferred service pension is governed by and must be calculated under
 7.28 the general statute, special law, relief association articles of incorporation, and relief
 7.29 association bylaw provisions applicable on the date on which the member separated from
 7.30 active service with the fire department and active membership in the relief association.

7.31 Sec. 8. Minnesota Statutes 2012, section 424A.02, subdivision 7, is amended to read:

7.32 Subd. 7. **Deferred service pensions.** (a) A member of a defined benefit relief
 7.33 association is entitled to a deferred service pension if the member:

7.34 (1) ~~has completed the lesser of either the minimum period of active service with the~~
 7.35 ~~fire department specified in the bylaws or 20 years of active service with the fire department;~~

8.1 ~~(2) has completed at least five years of active membership in the relief association; and~~
 8.2 ~~(3) separates from active service and membership and has completed the minimum~~
 8.3 ~~service and membership requirements in subdivision 1. The requirement that a member~~
 8.4 ~~separate from active service and membership is waived for persons who have discontinued~~
 8.5 ~~their volunteer firefighter duties and who are employed on a full-time basis under section~~
 8.6 ~~424A.015, subdivision 1.~~

8.7 (b) The deferred service pension is payable when the former member reaches at
 8.8 least age 50, or at least the minimum age specified in the bylaws governing the relief
 8.9 association if that age is greater than age 50, and when the former member makes a valid
 8.10 written application.

8.11 (c) A defined benefit relief association that provides a lump-sum service pension
 8.12 governed by subdivision 3 may, when its governing bylaws so provide, pay interest on the
 8.13 deferred lump-sum service pension during the period of deferral. If provided for in the
 8.14 bylaws, interest must be paid in one of the following manners:

8.15 (1) at the investment performance rate actually earned on that portion of the assets
 8.16 if the deferred benefit amount is invested by the relief association in a separate account
 8.17 established and maintained by the relief association;

8.18 (2) at the investment performance rate actually earned on that portion of the assets
 8.19 if the deferred benefit amount is invested in a separate investment vehicle held by the
 8.20 relief association; or

8.21 (3) at an interest rate of up to five percent, compounded annually, as set by the board
 8.22 of ~~directors and approved as provided in subdivision 10~~ trustees.

8.23 (d) Any change in the interest rate set by the board of directors under paragraph (c),
 8.24 clause (3), must be ratified by the governing body of the municipality served by the fire
 8.25 department to which the relief association is directly associated, or by the independent
 8.26 nonprofit firefighting corporation, as applicable.

8.27 ~~(d)~~ (e) Interest under paragraph (c), clause (3), is payable beginning on the January
 8.28 1 next following the date on which the municipality has approved the deferred service
 8.29 pension interest rate established as set by the board of trustees was ratified by the governing
 8.30 body of the municipality served by the fire department to which the relief association is
 8.31 directly associated, or by the independent nonprofit firefighting corporation, as applicable.

8.32 ~~(e)~~ (f) Unless the bylaws of a relief association that has elected to pay interest
 8.33 or additional investment performance on deferred lump-sum service pensions under
 8.34 paragraph (c) specifies a different interest or additional investment performance method,
 8.35 including the interest or additional investment performance period starting date and ending

9.1 date, the interest or additional investment performance on a deferred service pension
 9.2 is creditable as follows:

9.3 (1) for a relief association that has elected to pay interest or additional investment
 9.4 performance under paragraph (c), clause (1) or (3), beginning on the first day of the
 9.5 month next following the date that on which the member separates from active service
 9.6 and membership and ending on the ~~accounting date~~ last day of the month immediately
 9.7 before the month in which the deferred member commences receipt of the deferred
 9.8 service pension; or

9.9 (2) for a relief association that has elected to pay interest or additional investment
 9.10 performance under paragraph (c), clause (2), beginning on the date that the member
 9.11 separates from active service and membership and ending on the date that the separate
 9.12 investment vehicle is valued immediately before the date on which the deferred member
 9.13 commences receipt of the deferred service pension.

9.14 ~~(f)~~ (g) For a deferred service pension that is transferred to a separate account
 9.15 established and maintained by the relief association or separate investment vehicle held
 9.16 by the relief association, the deferred member bears the full investment risk subsequent
 9.17 to transfer and in calculating the accrued liability of the volunteer firefighters relief
 9.18 association that pays a lump-sum service pension, the accrued liability for deferred service
 9.19 pensions is equal to the separate relief association account balance or the fair market value
 9.20 of the separate investment vehicle held by the relief association.

9.21 ~~(g)~~ (h) The deferred service pension is governed by and must be calculated under
 9.22 the general statute, special law, relief association articles of incorporation, and relief
 9.23 association bylaw provisions applicable on the date on which the member separated from
 9.24 active service with the fire department and active membership in the relief association.

9.25 **EFFECTIVE DATE.** The amendments to paragraphs (c) to (e) are effective January
 9.26 1, 2014. The amendment to paragraph (f) is effective retroactively from January 1, 2013.

9.27 Sec. 9. Minnesota Statutes 2012, section 424A.10, subdivision 1, is amended to read:

9.28 Subdivision 1. **Definitions.** For purposes of this section:

9.29 (1) "qualified recipient" means an individual who receives a lump-sum distribution
 9.30 of pension or retirement benefits from a volunteer firefighters' relief association or from
 9.31 the voluntary statewide lump-sum volunteer firefighter retirement plan for service that the
 9.32 individual has performed as a volunteer firefighter;

9.33 (2) "survivor of a deceased active or deferred volunteer firefighter" means the
 9.34 surviving spouse of a deceased active or deferred volunteer firefighter ~~under section~~

10.1 ~~424A.001, subdivision 6,~~ or, if none, the surviving child or children of a deceased active
 10.2 or deferred volunteer firefighter;

10.3 (3) "active volunteer firefighter" means a person who regularly renders fire
 10.4 suppression service for a municipal fire department or an independent nonprofit firefighting
 10.5 corporation, who has met the statutory and other requirements for relief association
 10.6 membership, and who is deemed by the relief association under law and its bylaws to be a
 10.7 fully qualified member of the relief association or from the voluntary statewide lump-sum
 10.8 volunteer firefighter retirement plan for at least one month; and

10.9 (4) "deferred volunteer firefighter" means a former active volunteer firefighter who
 10.10 terminated active firefighting service, has sufficient service credit from the applicable relief
 10.11 association or from the voluntary statewide lump-sum volunteer firefighter retirement plan
 10.12 to be entitled to a service pension under the bylaws of the relief association, but has not
 10.13 applied for or has not received the service pension.

10.14 Sec. 10. Minnesota Statutes 2012, section 424A.10, subdivision 2, is amended to read:

10.15 Subd. 2. **Payment of supplemental benefit.** (a) Upon the payment by a volunteer
 10.16 firefighters' relief association or by the voluntary statewide lump-sum volunteer firefighter
 10.17 retirement plan of a lump-sum distribution to a qualified recipient, the association must
 10.18 pay a supplemental benefit to the qualified recipient. Notwithstanding any law to the
 10.19 contrary, the relief association must pay the supplemental benefit out of its special fund
 10.20 and the voluntary statewide lump-sum volunteer firefighter retirement plan must pay
 10.21 the supplemental benefit out of the voluntary statewide lump-sum volunteer firefighter
 10.22 retirement plan. This benefit is an amount equal to ten percent of the regular lump-sum
 10.23 distribution that is paid on the basis of the recipient's service as a volunteer firefighter.
 10.24 In no case may the amount of the supplemental benefit exceed \$1,000. A supplemental
 10.25 benefit under this paragraph may not be paid to a survivor of a deceased active or deferred
 10.26 volunteer firefighter in that capacity.

10.27 (b) Upon the payment by a relief association or the retirement plan of a lump-sum
 10.28 survivor benefit to a survivor of a deceased active volunteer firefighter or of a deceased
 10.29 deferred volunteer firefighter, the association ~~may~~ must pay a supplemental survivor
 10.30 benefit to the survivor of the deceased active or deferred volunteer firefighter from the
 10.31 special fund of the relief association ~~if its articles of incorporation or bylaws so provide~~
 10.32 and the retirement plan ~~may~~ must pay a supplemental survivor benefit to the survivor of
 10.33 the deceased active or deferred volunteer firefighter from the retirement fund if chapter
 10.34 353G so provides. The amount of the supplemental survivor benefit is 20 percent of the
 10.35 survivor benefit, but not to exceed \$2,000.

11.1 (c) An individual may receive a supplemental benefit under paragraph (a) or under
11.2 paragraph (b), but not under both paragraphs with respect to one lump-sum volunteer
11.3 firefighter benefit.

11.4 Sec. 11. **REPEALER.**

11.5 Minnesota Statutes 2012, section 424A.10, subdivision 5, is repealed.

11.6 Sec. 12. **EFFECTIVE DATE.**

11.7 Sections 1 to 7 and 9 to 11 are effective the day following final enactment.

APPENDIX
Repealed Minnesota Statutes: 13-1824

424A.10 STATE SUPPLEMENTAL BENEFIT; VOLUNTEER FIREFIGHTERS.

Subd. 5. **Retroactive reimbursement in certain instances.** A supplemental survivor benefit may be paid by a relief association for the death of an active volunteer firefighter or of a deferred volunteer firefighter that occurred on or after August 1, 2005, if the relief association articles of incorporation or bylaws provide for a supplemental survivor benefit and provide for retroactivity.