



**H.F. 826**  
(Murphy, M.)

**S.F. 884**  
(Rosen)

## **Executive Summary of Commission Staff Materials**

<i><u>Affected Pension Plan(s):</u></i>	Volunteer firefighters relief associations
<i><u>Relevant Provisions of Law:</u></i>	Minnesota Statutes, Chapters 69 and 424A
<i><u>General Nature of Proposal:</u></i>	State Auditor's volunteer fire working group recommendations
<i><u>Date of Summary:</u></i>	February 27, 2015

## **Specific Proposed Changes**

- Delegates the specification of the procedures for the certification of volunteer firefighters relief association financial statements to the State Auditor's office, includes auditing and accounting services specifically in allowable administrative expenses, and requires multiple check signers for relief association disbursements.
- Permits the State Auditor to waive penalty for certain maximum service pension amount determination errors and clarifies ineligibility of lump-sum volunteer firefighters relief associations to grant post-retirement adjustments.
- Adds references to the 2013 police and fire retirement supplemental state aid to fire state aid references in various aspects of volunteer firefighters relief association benefit and funding provisions.
- Provides a default start date for membership commencement unless relief association specifies a different date and limits the number of relief associations to be associated with a fire department.

## **Policy Issues Raised by the Proposed Legislation**

1. Appropriateness of delegation to the State Auditor of the procedures for certifying volunteer firefighter relief association financial statements (Art. 1, Sec. 1).
2. Waiver authority delegation to the Office of the State Auditor concerning maximum service pension calculation errors (Art. 2, Sec. 1).
3. Continued propriety of the current termination date of the 2013 police and firefighter retirement supplemental state aid for volunteer firefighters relief associations (Art. 3).

## **Potential Amendments**

H0826-1A is an alternative to the proposed waiver delegation, set at a to-be-specified percentage of the VFRA'S calendar year-end assets, in an amount to be specified, for each occurrence, potentially appropriate if the Commission believes that some penalty for a violation should be imposed, but concurs that the loss of one year's fire state aid plus the amount of the overpayment is too great and that the penalty amount needs to be reduced.

H0826-2A is an attempt to more fully regulate the proposed delegation by requiring the disclosure of all waivers, with particulars also disclosed, granted in the previous year and published in the annual compilation of volunteer firefighters relief association financial and investment data.

H0826-3A makes the volunteer firefighters relief association portion of the 2013 state aid permanent for the volunteer firefighters relief associations.

H0826-4A sets a termination date for the volunteer firefighters relief association portion of the 2013 state aid as of a date to be specified.

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TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director *JLM*

RE: H.F. 826 (Murphy, M.); S.F. 884 (Rosen): VFRA's; State Auditor's 2014-2015 Volunteer Fire Relief Association Working Group Recommendations

DATE: February 27, 2015

## General Summary of H.F. 826 (Murphy, M.); S.F. 884 (Rosen)

H.F. 826 (Murphy, M.); S.F. 884 (Rosen) amends portions of Minnesota Statutes, Chapters 69 and 424A, relating to volunteer firefighters relief association accounting, administrative expenses, benefits, state aid receipt, funding, establishment, and membership, by making the following changes recommended by the Volunteer Fire Working Group assembled by the Office of the State Auditor for 2014-2015:

1. Disbursement and Accounting Issues. Delegates the specification of the procedures for the certification of volunteer firefighters relief association financial statements to the State Auditor's office, includes auditing and accounting services specifically in allowable administrative expenses, and requires multiple check signers for relief association disbursements (Art. 1);
2. Benefit Issues. Permits the State Auditor to waive penalty for certain maximum service pension amount determination errors and clarifies ineligibility of lump-sum volunteer firefighters relief associations to grant post-retirement adjustments (Art. 2);
3. State Aid References. Adds references to the 2013 police and fire retirement supplemental state aid to fire state aid references in various aspects of volunteer firefighters relief association benefit and funding provisions (Art. 3); and
4. Relief Association Establishment and Membership Issues. Provides a default start date for membership commencement unless relief association specifies a different date and limits the number of relief associations to be associated with a fire department (Art. 4).

## Section-by-Section Summary

A section-by-section summary H.F. 826 (Murphy, M.); S.F. 884 (Rosen) is attached.

## 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 Volunteer Fire Relief Association Working Group assembled by the State Auditor.
- **Attachment B:** Historical funded condition and financing requirements of Minnesota Volunteer Firefighter Relief Associations.
- **Attachment C:** Benefit coverage provided by volunteer firefighter relief associations.
- **Attachment D:** Volunteer Fire Relief Association Financing Guidelines Act of 1971.
- **Attachment E:** Volunteer firefighter relief association fire state aid qualification requirements.
- **Attachment F:** 2013 police and fire supplemental retirement state aid.
- **Attachment G:** Volunteer firefighter relief association special fund disbursements.

## Discussion and Analysis

H.F. 826 (Murphy, M.); S.F. 884 (Rosen) contains the recommendations of the 2014-2015 State Auditor's Volunteer Fire Working Group, resolves some volunteer firefighters relief association disbursement and accounting issues, resolves some volunteer firefighters relief association benefit issues, updates some references to state aids received by volunteer firefighters relief associations, and resolves some volunteer firefighters relief association establishment and membership issues.

The proposed legislation raises several pension and related public policy issues which may merit Commission consideration and discussion, including the following:

1. Appropriateness of Delegation to the State Auditor of the Procedures for Certifying Volunteer Firefighter Relief Association Financial Statements (Art. 1, Sec. 1). The policy issue is the appropriateness of replacement of the current statutory requirement that the accountant for the volunteer firefighters relief association certify the financial condition of the relief association, give an opinion on the condition of the relief association fund, and comment on an exception to the report with a delegation to the State Auditor of the specification of agreed-upon procedures and forms for certifying a detailed financial statement for the relief association. Relief associations with less than \$500,000 in liabilities or assets (up from \$200,000 under 2013 legislation not reviewed by the Pension Commission) need only file an annual financial statement from their accountant, while higher asset or liability relief associations are required to file an annual financial report and audit. Financial statements represent a less complete and less costly accountant's report than the full audit and financial report. The shift to a certification in accordance with agreed-upon procedures prescribed by the State Auditor is a change sought by the Office of the State Auditor presumably to gain substantive improvement in the oversight of the finances of volunteer firefighters relief associations and to gain a procedural improvement for the Office of the State Auditor and for the various accounting practitioners, but the nature and magnitude of the improvement is not obvious from the substituted language. The Commission may wish to have the Office of the State Auditor indicate the differences between the current process and the planned procedure and to indicate the benefits to be obtained.
2. Waiver Authority Delegation to the Office of the State Auditor Concerning Maximum Service Pension Calculation Errors (Art. 2, Sec. 1). The policy issue is the appropriateness of delegating to the State Auditor the authority to waive the loss of fire state aid penalty for the payment of service pension amount in excess of the flexible service pension maximum amount applicable to the volunteer firefighters relief association. For defined benefit volunteer firefighters relief associations, current statute sets a maximum service pension amount that a volunteer firefighters relief association may pay in relation to the average total state aid and municipal contribution amount received by the relief association for the prior three-year period. If a volunteer firefighters relief association pays a service pension amount in excess of its flexible service pension maximum amount, current law provides that the applicable municipality or nonprofit firefighting corporation is disqualified from receipt of fire state aid for the next calendar year and that the volunteer firefighters relief association treasurer must collect the overpayment amount. The volunteer fire community has expressed the belief that the penalty for the error of miscalculating the flexible service pension amount, which reportedly has never been actually imposed, is too draconian and needs to be moderated. As the Attachment E background document indicates, qualification for fire state aid is predicated on the occurrence (or alternatively, the avoidance) of several conditions. When the regulation by the Legislature of volunteer fire benefit practices is limited to the setting of certain preconditions for benefits and the setting of certain limits on benefits, those conditions and limits are presumably important to policymakers, even if viewed as too stringent by those who are being regulated. Although the complaint that the unutilized penalty is too great, the proposed legislation provides for a waiver of the entire penalty with the existence of any evidence of good faith and with the initiation of recovery actions by the relief association rather than the imposition of a smaller dollar amount penalty.
  - **Amendment H0826-1A** is an alternative to the proposed waiver delegation, set at a to-be-specified percentage of the volunteer firefighters relief association's calendar year-end assets, in an amount to be specified, for each occurrence, potentially appropriate if the Commission believes that some penalty for a violation should be imposed, but concurs that the loss of one year's fire state aid plus the amount of the overpayment is too great and that the penalty amount needs to be reduced. The average lump-sum volunteer firefighters relief association had assets of just under \$450,000 in 2012, while the average monthly benefit volunteer firefighters relief association had assets of slightly more than \$4.1 million in 2012.
  - **Amendment H0826-2A** is an attempt to more fully regulate the proposed delegation by requiring the disclosure of all waivers, with particulars also disclosed, granted in the previous year and published in the annual compilation of volunteer firefighters relief association financial and investment data.
3. Continued Propriety of the Current Termination Date of the 2013 Police and Firefighter Retirement Supplemental State Aid for Volunteer Firefighters relief associations (Art. 3). The policy issue, related to the inclusion of the 2013 police and Firefighter Retirement Supplemental State Aid fully into the calculation of the financial support for volunteer firefighters relief associations, is the advisability of doing so when the 2013 State Aid is intended to be a temporary aid program scheduled to terminate when the State Patrol Retirement Plan and the Public Employees Police and Fire Retirement Plan (PERA-P&F) are both at least 90% funded. The 2013 State Aid had its genesis

during the 2013-2013 Interim in the funding problems faced by those two retirement plans and, during the course of initial discussions with legislators and stakeholders, was broadened during the proposal formulation process to include the volunteer firefighters relief associations, but scheduled to terminate based on the actuarial condition of two other retirement plans and unlikely to occur for at least a few more years (the State Patrol Retirement Plan is 83.37% funded and PERA-P&F is 89.23% funded on a market value of assets basis, although both currently have sizeable contribution deficiencies which will provide a drag on future funded ratio improvements). Terminating funding for a large set of retirement plans based on the funded condition of two other plans is an unusual arrangement for pension state aids in Minnesota and makes any long-term projection of funding resources for volunteer firefighters relief association and municipal officials very problematic. If the legislative intent from 2013 is to provide more than temporary additional financial support to volunteer firefighters relief associations, undoing the intertwined aid termination date and either making the volunteer firefighters relief association portion of the state aid permanent or specifying a date-certain termination date would be of assistance to the volunteer firefighters relief association community.

- **Amendment H0826-3A** makes the volunteer firefighters relief association portion of the 2013 State Aid permanent for the volunteer firefighters relief associations.
- **Amendment H0826-4A** sets a termination date for the volunteer firefighters relief association portion of the 2013 State Aid as of a date to be specified.

Section-by-Section Summary of H.F. 826 (Murphy, M.); S.F. 884 (Rosen)

Sec.	Pg.Ln	Stat. Provision	Program or Plan	Summary
<b>Article 1: Disbursement and Accounting Issues</b>				
1	1.14	69.051, Subd. 1a	Fire State Aid Reporting	Detailed financial statement contents; delegates specific reporting requirements to agreed-upon procedures and forms as prescribed by the State Auditor.
2	2.31	69.80	VFRAs	Permissible administrative expenses; allows relief association payment of expenses for audit services, accounting and accounting services.
3	3.33	424A.05, Subd. 3	VFRAs	Special fund disbursements; requires minimum of two check signers or electronic fund transfer authorizers and requires volunteer firefighters relief associations to formulate payment and internal control procedures.
<b>Article 2: Benefit Issues</b>				
1	4.33	424A.02, Subd. 3a	VFRAs	Maximum service pension errors; permits the State Auditor to qualify relief association for fire state aid if maximum service pension error make in good faith and payment recovery procedures have begun.
2	6.1	424A.02, Subd. 9a	VFRAs	Post-retirement increase eligibility; clarifies that post-retirement increase authority is limited to monthly benefit volunteer firefighters relief associations.
<b>Article 3: State Aid References</b>				
1	6.16	424A.016, Subd. 4	Defined contribution VFRAs	2013 State Aid allocation; includes police and firefighter retirement supplemental state aid in member account allocation.
2	7.28	424A.02, Subd. 3	Lump sum VFRAs	Flexible service pension maximums; includes police and firefighter retirement supplemental state aid in calculation of the available funding per firefighter calculation.
3	14.30	424A.05, Subd. 2	VFRAs	Special fund revenue; includes police and firefighter retirement supplemental state aid in fund revenue.
4	15.9	424A.092, Subd. 3	Lump sum VFRAs	Financial requirements calculation; includes police and firefighter retirement supplemental state aid in calculation.
5	17.3	424A.092, Subd. 6	Lump sum VFRAs	Benefit increase ratification; includes police and firefighter retirement supplemental state aid in calculation of exception to municipal ratification requirement.
6	18.3	424A.093, Subd. 5	Monthly benefit VFRAs	Financial requirements calculation; includes police and firefighter retirement supplemental state aid in calculation.
7	19.14	424A.093, Subd. 5	Monthly benefit VFRAs	Benefit increase ratification; includes police and firefighter retirement supplemental state aid in calculation of exception to municipal ratification requirement.
<b>Article 4: Relief Association Establishment and Membership Issues</b>				
1	20.15	424A.001, New Subd. 12	VFRAs	Membership start date; sets default date if relief association does not specify different date.
2	20.22	424A.002, Subd. 1	VFRAs	Relief association limit; limits volunteer firefighters relief associations associated with fire department or corporation to one.

**Composition and Representation of the  
Volunteer Fire 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.

**Volunteer Firefighter Working Group Membership 2014-2015**

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City Finance Manager	Dennis Feller, Finance Director, City of Lakeville
City Official	Steve Donney, Mayor, City of Harmony
Defined Benefit Lump Sum Plans	Bruce Hemstad, Secretary, Bemidji Fire Relief Assoc.
Defined Benefit Lump Sum Plans	Dave Jaeger, Vice President, Mahnomen Fire Relief Assoc.
Defined Benefit Lump Sum Plans	Kevin Wall, President, Lower Saint Croix Valley Fire Relief Assoc.
Defined Benefit Monthly/Lump Sum Contribution Plans	Dave Ganfield, President, Apple Valley Fire Relief Assoc.
Defined Contribution Plans	Aaron Johnston, Treasurer, Coon Rapids Fire Relief Assoc.
Defined Contribution Plans	Bruce Roed, Trustee, Mentor Fire Relief Assoc.
Minnesota State Fire Chiefs Assoc./ Monthly Plans	Nyle Zikmund, Chief, Spring Lake Park, Blaine & Mounds View Fire Department
Minnesota State Fire Dept. Assoc.	Mark Rosenblum, Member, Golden Valley Fire Relief Assoc.
Legislative Commission on Pensions and Retirement	Lawrence A. Martin, Executive Director
State Auditor's Office	Rebecca Otto, State Auditor

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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 2012):

Number of Plans, 1974-1991											
	1974	1977	1980	1982	1984	1986	1987	1988	1989	1990	1991
Lump Sum:											
Under \$50/yr	134	110	72	28	23	11	12	8	10	10	9
\$50-\$100/yr	122	116	79	68	60	39	33	28	25	23	19
\$100-\$200/yr	122	118	131	133	132	99	88	85	62	50	55
\$200-\$300/yr	5	45	81	83	88	115	123	108	114	108	99
\$300+/yr	7	57	124	18	237	277	293	331	355	379	396
Total Lump Sum	390	446	487	330	540	541	549	560	566	570	578
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	26
Total Monthly	51	48	29	24	29	30	33	30	28	27	26
Mo/Lump Sum Combination	--	--	--	--	--	--	--	--	--	--	--
Defined Contribution	52	54	45	56	68	66	66	72	68	67	66
No Benefits	42	27	33	8	5	7	2	1	2	--	--
Total	535	575	594	580	642	641	650	663	664	664	671

Number of Plans, 1992-2002											
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Lump Sum:											
Under \$50/yr	13	12	10	10	8	7	--	--	--	--	--
\$50-\$100/yr	17	16	16	13	13	10	13	13	10	6	7
\$100-\$200/yr	60	59	55	49	39	45	36	26	20	19	16
\$200-\$300/yr	84	79	78	74	67	61	51	42	35	30	24
\$300+/yr	419	429	439	453	445	470	492	512	530	539	549
Total Lump Sum	593	595	598	599	572	593	592	593	595	594	596
Monthly Benefit:											
Under \$2/mo/yr	--	--	--	--	--	--	--	--	--	--	--
Over \$1.99/mo/yr	29	27	12	10	7	8	7	5	5	5	5
Total Monthly	29	27	12	10	7	8	7	5	5	5	5
Mo/Lump Sum Combination	--	2	15	15	16	16	16	23	18	18	18
Defined Contribution	72	73	74	76	76	80	84	85	87	88	89
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total	694	697	699	700	671	697	699	706	705	705	708

Number of Plans, 2003-2012										
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Lump Sum:										
Under \$50/yr	1	3	3	5	5	4	5	4	2	2
\$50-\$100/yr	3	6	6	4	6	6	4	3	4	4
\$100-\$200/yr	14	13	12	4	8	7	8	5	4	4
\$200-\$300/yr	24	21	14	13	11	10	13	8	5	4
\$300+/yr	535	526	528	564	563	564	569	569	563	575
Total Lump Sum	577	569	563	590	593	591	599	589	578	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	20	18	19	18	19	18	18	17	18	17
Defined Contribution	84	87	86	87	91	92	92	91	90	91
No Benefits	--	--	--	--	--	--	--	--	--	--
Total	686	679	673	700	708	706	714	702	691	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 three decade plus 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 97.4% 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 2011.

Over the period 1984-2012, 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.

Members	Membership, 1974-1991										
	1974	1977	1980	1982	1984	1986	1987	1988	1989	1990	1991
Actives:											
Lump Sum	9,052	10,915	10,834	12,523	12,980	12,859	13,179	13,406	13,720	14,112	14,049
Monthly	1,549	1,592	745	812	1,092	1,125	1,305	1,252	1,178	1,174	1,200
Combination	--	--	--	--	--	--	--	--	--	--	--
Defined Contrib.	1,042	1,256	401	1,207	1,449	1,345	1,411	1,520	1,460	1,434	1,407
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	16,656
Deferreds:											
Lump Sum		139	170	296	381	451	609	520	558	639	718
Monthly		117	68	32	39	50	61	67	76	92	78
Combination		--	--	--	--	--	--	--	--	--	--
Defined Contrib.		12	3	9	18	29	26	29	36	68	39
No Benefits		--	8	0	0	0	0	0	0	--	--
Total Deferreds		268	249	337	438	530	696	616	670	799	835
Retirees:											
Lump Sum		--	527	363	410	177	124	177	173	165	214
Monthly		400	249	302	413	444	547	493	483	472	494
Combination		--	--	--	--	--	--	--	--	--	--
Defined Contrib.		--	38	3	20	1	1	18	19	23	23
No Benefits		--	67	0	0	0	0	0	0	--	--
Total Retirees		400	881	668	843	622	672	688	675	660	731
Total Members:											
Lump Sum		11,054	11,531	13,182	13,771	13,487	13,912	14,103	16,395	14,916	14,981
Monthly		2,109	1,062	1,146	1,544	1,619	1,913	1,812	1,737	1,738	1,772
Combination		--	--	--	--	--	--	--	--	--	--
Defined Contrib.		1,268	442	1,219	1,487	1,375	1,438	1,567	1,515	1,525	1,469
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	18,222

Members	Membership, 1992-2002										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Actives:											
Lump Sum	13,583	14,051	14,187	14,189	13,655	14,022	13,854	12,612	13,244	13,691	13,767
Monthly	1,210	1,218	525	464	307	313	324	208	208	206	159
Combination	--	100	735	726	807	775	746	879	840	790	847
Defined Contrib.	1,594	1,565	1,647	1,721	1,727	1,972	2,033	2,039	2,106	2,182	2,222
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Actives	16,387	16,934	17,094	17,100	16,496	17,082	16,957	15,738	16,398	16,869	16,995
Deferreds:											
Lump Sum	841	945	1,074	1,222	1,333	1,538	1,640	1,660	1,801	1,948	2,042
Monthly	88	100	62	57	45	44	56	34	29	31	19
Combination	--	1	64	80	89	79	90	114	157	196	216
Defined Contrib.	122	150	171	188	166	508	266	528	666	722	738
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Deferreds	1,051	1,196	1,371	1,547	1,633	2,169	2,052	2,336	2,653	2,897	3,015

Members	Membership, 1992-2002										
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Retirees:											
Lump Sum	148	173	187	184	90	76	56	36	316	538	507
Monthly	527	566	312	261	198	207	206	153	164	178	149
Combination	--	26	271	267	312	349	344	424	413	400	392
Defined Contrib.	14	8	6	7	5	5	11	17	62	58	64
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Retirees	689	773	776	719	605	637	617	630	955	1,174	1,112
Total Members:											
Lump Sum	14,572	15,169	15,448	15,595	15,078	15,636	15,550	14,308	15,361	16,177	16,316
Monthly	1,825	1,884	899	782	550	564	586	395	401	415	327
Combination	--	127	1,070	1,073	1,208	1,203	1,180	1,417	1,410	1,386	1,455
Defined Contrib.	1,730	1,723	1,824	1,916	1,898	2,485	2,310	2,584	2,834	2,962	3,024
No Benefits	--	--	--	--	--	--	--	--	--	--	--
Total Members	18,127	18,903	19,241	19,366	18,734	19,888	19,626	18,704	20,006	20,940	21,122

Members	Membership, 2003-2012									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Actives:										
Lump Sum	13,638	13,545	13,406	13,943	14,032	14,055	14,134	13,946	13,560	13,276
Monthly	188	197	199	183	182	187	187	176	173	177
Combination	898	824	866	861	883	854	836	827	832	806
Def. Contrib.	2,136	2,201	2,202	2,249	2,300	2,291	2,290	2,238	2,274	2,231
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Actives	16,860	16,767	16,673	17,236	17,397	17,387	17,447	17,187	16,839	16,490
Deferreds:										
Lump Sum	2,041	2,021	2,001	2,135	2,201	2,114	2,271	2,186	2,234	2,207
Monthly	30	29	24	31	27	24	33	32	33	32
Combination	243	242	240	215	206	177	237	207	237	265
Def. Contrib.	781	775	762	721	841	464	824	867	840	816
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Deferreds	3,095	3,067	3,027	3,102	3,275	2,779	3,365	3,292	3,344	3,320
Retirees:										
Lump Sum	515	539	473	568	583	583	713	650	633	542
Monthly	188	197	208	208	215	214	222	234	234	242
Combination	439	417	417	412	468	448	466	462	482	478
Def. Contrib.	67	68	87	70	93	104	84	109	104	113
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Retirees	1,209	1,221	1,185	1,258	1,359	1,349	1,485	1,455	1,453	1,375
Total Members:										
Lump Sum	16,194	16,105	15,880	16,656	16,816	16,752	17,118	16,782	16,427	16,025
Monthly	406	423	431	422	424	425	442	442	440	451
Combination	1,580	1,483	1,523	1,488	1,557	1,479	1,539	1,496	1,551	1,549
Def. Contrib.	2,984	3,044	3,051	3,040	3,234	2,859	3,198	3,214	3,218	3,160
No Benefits	--	--	--	--	--	--	--	--	--	--
Total Members	21,164	21,055	20,885	21,606	22,031	21,515	22,297	21,934	21,636	21,185

Over the period 1977-2012, 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 80.51% in 2012), 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 1.01% in 2012 without considering combination relief associations or to 5.96% with the inclusion of combination relief associations in 2012), and a rough doubling from 1977 to 2012 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 1977-2012, 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, 1990-1997								
	1990	1991	1992	1993	1994	1995	1996	1997
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	130,642,738
Monthly	39,749,215	44,543,835	47,327,072	52,161,236	28,830,599	24,678,407	14,839,392	17,085,291
Combination	--	--	--	2,454,593	27,615,459	28,819,704	38,743,123	39,644,188
Defined Cont.	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681	28,832,841	38,390,049
Total Accrued Liab.	136,772,671	148,664,594	158,058,569	175,258,218	181,522,821	193,273,408	202,352,101	225,762,266
Assets:								
Lump Sum	86,825,688	95,265,007	95,375,295	105,920,681	105,073,259	122,226,938	133,172,234	153,037,774
Monthly	36,463,717	40,225,667	46,002,578	47,765,817	27,362,519	22,953,953	13,813,247	16,602,144
Combination	--	--	--	2,196,505	21,609,884	25,008,817	37,619,149	40,851,421
Defined Cont.	10,434,995	11,349,299	16,586,370	18,095,687	17,590,749	25,919,681	28,832,841	38,390,049
Total Assets	133,724,400	146,839,973	157,964,243	173,978,690	171,636,411	196,109,389	213,437,471	248,881,388
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	12,219,929
Monthly	1,355,894	1,575,915	1,600,109	1,625,173	875,806	686,563	346,433	358,792
Combination	--	--	--	120,725	939,552	981,755	1,322,315	1,269,951
Defined Cont.	611,359	603,678	919,866	855,696	928,280	1,411,551	2,098,195	2,684,271
Total Normal Cost	10,191,835	11,183,661	11,485,808	12,523,112	12,954,892	13,949,520	14,981,114	16,532,943
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	7,140,394
Monthly	1,620,559	1,667,813	1,801,399	1,548,161	858,681	689,483	512,496	554,859
Combination	--	--	--	154,328	934,346	995,205	1,486,949	1,434,117
Defined Cont.	517,789	504,419	774,684	707,024	782,147	1,172,687	1,536,620	1,855,313
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	10,984,683
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	2,680,940
Monthly	739,970	849,286	1,085,807	1,223,934	613,418	724,911	341,465	305,466
Combination	--	--	--	37,957	680,895	870,130	1,029,153	1,010,042
Defined Cont.	93,570	99,259	145,182	148,672	146,133	238,864	561,575	828,958
Total Municipal Contr.	2,675,987	2,806,790	3,512,410	4,024,136	4,131,623	4,637,000	5,208,495	4,825,406

Liabilities, Assets, Fire State Aid, and Municipal Contributions, 1998-2005								
	1998	1999	2000	2001	2002	2003	2004	2005
Accrued Liabilities:								
Lump Sum	145,966,781	150,761,568	171,611,378	186,795,976	192,569,597	194,794,196	203,853,989	213,118,264
Monthly	20,340,226	14,338,052	15,008,219	16,915,086	12,923,387	17,273,137	17,553,960	17,955,395
Combination	42,204,240	54,526,028	54,173,717	57,952,711	62,876,598	64,965,158	66,391,848	71,303,719
Defined Cont.	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178	52,255,072	59,427,576	63,913,404
Total Accrued Liab.	253,268,615	270,231,973	288,221,086	308,923,067	311,801,760	329,287,563	347,227,373	366,290,782
Assets:								
Lump Sum	172,113,829	179,343,843	183,279,497	179,424,046	165,317,015	191,684,693	212,747,877	225,090,170
Monthly	20,504,773	14,132,149	13,960,203	13,385,232	9,532,988	14,070,080	15,517,757	16,703,427
Combination	43,579,741	59,072,419	55,443,773	51,172,825	47,442,209	58,629,038	63,251,682	68,547,108
Defined Cont.	44,757,368	50,606,325	47,427,772	47,259,294	43,432,178	52,255,072	59,427,576	63,913,404
Total Assets	280,955,711	303,154,736	300,111,245	291,241,397	265,724,390	316,638,883	350,944,892	374,254,109
Normal Cost:								
Lump Sum	13,311,487	13,514,162	15,189,092	16,483,865	16,892,504	17,049,848	17,789,289	18,575,701
Monthly	470,770	284,860	312,019	340,067	261,434	306,217	328,271	363,133
Combination	1,307,322	1,515,019	1,662,901	1,674,601	1,844,560	1,949,341	1,868,049	1,966,756
Defined Cont.	2,553,138	2,640,890	2,753,206	3,004,038	3,288,331	3,759,743	4,644,018	4,655,090
Total Normal Cost	17,642,717	17,954,931	19,917,218	21,502,571	22,286,829	23,065,149	24,629,627	25,560,680
Fire State Aid:								
Lump Sum	7,731,336	7,391,107	7,937,916	8,644,841	9,378,276	11,297,078	14,484,884	14,064,593
Monthly	643,057	379,802	395,685	426,640	418,469	611,511	800,985	756,976
Combination	1,386,971	1,765,592	1,753,859	1,789,869	2,148,174	2,656,437	3,370,816	3,260,210
Defined Cont.	2,038,308	2,091,608	2,212,814	2,385,099	2,639,147	3,206,483	4,111,912	3,993,034
Total Fire St Aid	11,799,672	11,628,109	12,300,274	13,246,449	14,584,066	17,771,509	22,768,597	22,074,813
Municipal Contribution:								
Lump Sum	2,442,795	2,360,961	2,375,285	2,732,044	4,202,331	4,806,194	5,562,093	4,140,141
Monthly	353,220	273,287	279,476	309,149	176,255	307,461	386,110	511,574
Combination	1,029,535	1,113,773	1,069,335	1,106,226	1,351,792	1,553,591	1,331,760	1,239,171
Defined Cont.	514,830	549,282	540,392	618,939	649,184	553,260	532,106	662,056
Total Municipal Contr.	4,340,380	4,297,303	4,264,488	4,766,358	6,379,562	7,220,506	7,812,069	6,552,942

Liabilities, Assets, Fire State Aid, and Municipal Contributions, 2006-2012							
	2006	2007	2008	2009	2010	2011	2012
Accrued Liabilities:							
Lump Sum	231,926,073	251,981,586	263,361,245	260,646,854	259,432,719	255,740,868	254,684,155
Monthly	19,099,696	20,339,123	21,063,656	21,560,679	22,172,895	22,628,587	23,164,032
Combination	72,001,594	77,431,237	79,378,310	80,249,377	82,040,956	83,779,496	84,458,569
Defined Cont.	72,770,246	79,281,167	60,578,401	73,472,630	81,180,754	79,371,244	86,139,318
Total Accrued Liab.	395,797,609	429,033,113	424,381,612	435,929,540	444,827,324	441,520,195	448,446,074
Assets:							
Lump Sum	259,293,564	278,475,236	215,355,660	243,989,115	264,075,431	255,740,868	272,544,879
Monthly	18,847,441	20,332,280	16,198,872	21,560,679	20,722,926	20,748,308	22,314,763
Combination	71,325,838	78,416,917	56,178,110	80,249,377	73,805,912	72,544,764	78,531,840
Defined Cont.	72,770,246	79,281,167	60,578,401	73,472,630	81,180,754	79,371,244	86,139,318
Total Assets	422,237,089	456,505,600	348,311,043	402,729,534	439,785,023	428,405,184	459,530,800
Normal Cost:							
Lump Sum	20,032,670	21,807,598	22,809,822	22,469,022	22,539,626	22,167,314	22,313,242
Monthly	357,569	369,740	379,526	376,156	375,201	384,694	380,059
Combination	1,865,294	2,280,932	2,321,993	2,227,449	2,231,956	2,244,090	2,211,448
Defined Cont.	5,068,303	4,785,144	4,513,026	4,057,170	4,317,198	4,306,654	4,247,787
Total Normal Cost	27,323,836	29,243,414	30,024,367	29,129,797	29,463,981	29,102,752	29,152,536
Fire State Aid:							
Lump Sum	15,456,748	13,812,683	12,031,502	10,108,885	11,458,340	11,632,926	11,487,122
Monthly	806,357	700,644	598,168	514,647	535,827	549,995	558,465
Combination	3,186,403	2,872,382	2,414,573	2,045,048	2,099,338	2,075,167	2,106,201
Defined Cont.	4,228,956	3,736,552	3,246,341	2,708,779	2,984,058	2,923,918	2,903,136
Total Fire St Aid	23,678,464	21,122,261	18,290,584	15,377,359	17,077,564	17,182,006	17,054,924
Municipal Contribution:							
Lump Sum	4,036,956	4,063,363	4,030,479	4,513,978	8,387,556	7,567,939	5,462,160
Monthly	488,211	502,135	616,359	585,188	626,372	736,191	688,340
Combination	1,238,386	1,190,737	1,382,615	1,394,748	2,851,507	2,397,498	1,947,364
Defined Cont.	839,347	1,048,592	1,266,685	1,348,391	1,291,483	1,382,736	1,344,651
Total Municipal Contr.	6,602,900	6,804,827	7,296,138	7,842,305	13,156,918	12,084,364	9,442,515

Over the period 1977-2012, 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, another slight dip in 2011, and a resumption of growth in 2012.

There also has been a significant increase in the normal cost of volunteer firefighter relief associations over the period 1977 to 2012, especially in lump sum volunteer firefighter relief associations with a 15-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 rebounded in 2010 and 2011, and declined again in 2012. The average amount of fire state aid per active member in 2012 was \$1,034.26, with the average amount of fire state aid per active member was \$865.25 for lump sum volunteer firefighter relief associations, \$3,155.17 for monthly benefit volunteer firefighter relief associations, \$2,613.15 for combination volunteer firefighter relief associations, and \$1,301.27 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 1977-2012. The average amount of municipal contribution per active firefighter in 2012 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 \$2,416.08 in municipal contributions, with monthly benefit volunteer firefighter relief associations receiving an average per active member of \$3,888.93 in municipal contributions, with lump sum volunteer firefighter relief associations receiving an average per active member of \$411.43 in municipal contributions, and with defined contribution volunteer firefighter relief associations receiving an average per active member of \$602.71 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  
Benefit Coverage Provided by Volunteer Fire Relief Associations**

1. In General. The state law regulating the benefit coverage provided to volunteer firefighters by defined benefit volunteer firefighter relief associations from the relief association special fund is primarily Minnesota Statutes, Sections 424A.015, 424A.016, 424A.02, 424A.021, 424A.03, and 424A.10. Minnesota Statutes, Chapter 424A, was enacted in 1979, when the Legislature undertook a general review and analysis of volunteer fire benefit coverage.

Unlike most public employee pension coverage, where state law specifies all or most aspects of the benefit plan, the statutory regulation of volunteer firefighter relief associations largely consists of specifying certain minimum eligibility requirements and certain benefit maximums for defined benefit plans, with the actual benefit plan assembled in the articles of incorporation or the bylaws of the particular volunteer firefighter relief association. The primary benefit coverage provided by a volunteer firefighter relief association is the service pension coverage, and most minimum eligibility requirements and benefit maximums relate to the service pension coverage.

Volunteer fire relief associations may provide either defined benefit pensions or defined contributions pensions. Most volunteer firefighters' relief associations are defined benefit plans. These defined benefit plans provide a monthly benefit amount, or a lump sum amount at retirement, or an option to select either a lump sum or a monthly benefit. Defined contribution plans are less common. In 2012, according to the State Auditor report, Financial and Investment Report of Volunteer Fire Relief Associations for the year ended December 31, 2012, there 702 volunteer fire relief associations. Of the 702 associations, the number of associations provided each type of benefit was as follows:

Lump sum only	589
Monthly benefit only	5
Lump sum or monthly benefit	17
Defined contributions only	<u>91</u>
Total	702

Minnesota Statutes, Section 424A.015, generally prohibits the payment of a service pension to a person who remains an active firefighter, prohibits the payment of other special fund benefits to a person receiving a service pension, exempts volunteer firefighter relief association pensions and benefits from garnishment, judgment, execution or legal process other than marriage dissolution or child support obligations, and prohibits the assignment of any service pension or benefit from a volunteer firefighter relief association. For plans that provide a lump sum payout, the retirement or death benefit payout can be transferred to the Minnesota Deferred Compensation Plan or to an Individual Retirement Account (IRA) using direct institution to institution transfer, or can be used to purchase an annuity contract from an insurance carrier licensed to do business in the state.

2. All Plans: Service Pension Eligibility Requirements. Minnesota Statutes, Section 424A.02, Subdivision 1, authorizes a volunteer firefighter relief association to provide a service pension to a member of the relief association if the volunteer firefighter meets the following conditions:
- a. Terminate Active Service. The person must separate from active service with the fire department.
  - b. Attain at Least Age 50. The person must reach at least age 50.
  - c. Have Credit for At Least Five Years Fire Department Service. The person must have credit for at least five years of service as an active member of the fire department with which the relief association is associated.
  - d. Have Credit for At Least Five Years Relief Association Membership. The person must have credit for at least five years of active membership in the relief association before separating from service (open to modification for a new relief association covering an existing volunteer fire department, with firefighters having prior service).
  - e. Compliance with Additional Conditions. The person must comply with any additional age, service, or membership conditions prescribed in the relief association bylaws.
3. All Plans: Deferred Service Pensions. 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, Minnesota Statutes, Section 424A.02, Subdivision 7, provides for a

deferred service pension payable when the former firefighter reaches at least age 50. The applicable provision for defined benefit plans is Minnesota Statutes, Section 424A.02, Subdivision 7, and the provision for defined contribution plans is Minnesota Statutes, Section 424A.016, Subdivision 6. The service pension is calculated based on the law in effect when active service terminated. A defined contribution or lump sum service pension may be credited with interest earned over the deferral period. Interest on a defined contribution plan lump sum pension may not exceed 5%.

4. All Plans: Ancillary Benefit Limits. Minnesota Statutes, Section 424A.016, Subdivision 7, and Section 424A.02, Subdivision 9, place limits on ancillary retirement benefit coverage. Ancillary benefits are those benefits provided by a volunteer firefighter relief association other than the service pension, such as disability benefits, death benefits, or survivor benefits. The limitations are needed to protect the financial solvency regulation of volunteer firefighter relief associations, which is built around determining the accrued liability and financial requirements for the level of the service pension coverage provided by the volunteer firefighter relief association. The limitations are:
- a. No Post-Retirement Benefit Beyond the Lump Sum Service Pension. Volunteer firefighter relief associations that provide lump sum service pensions are prohibited from paying any additional benefit to a retired firefighter or on behalf of a retired firefighter once payment of the service pension commences; and
  - b. Maximum Ancillary Benefit Available. All volunteer firefighter relief associations are limited in the payment of pre-retirement and post-retirement ancillary benefits to the amount of the accrued service pension of the volunteer firefighter, except that the survivor benefit payable on behalf of a deceased short service firefighter may be based on a five years of service accrued benefit if that produces a larger accrued service pension amount.
5. Defined Benefit Plans: Partial Vesting With Less Than 20 Years of Service Credit. Volunteer firefighter relief associations have traditionally required 20 years of service for a person to become eligible to receive a service pension. Between 1979 and 1989, ten years of service were required as the minimum service requirement for entitlement to a partial service pension. In 1989, the ten years of service requirement was reduced to five years. Under state law (Minn. Stat. Sec. 424A.02, Subd. 2), applicable defined benefit volunteer fire plans, the maximum service pension payable with less than 20 years of service is limited to a portion of the service pension earned or accrued. The percentage of the accrued or earned benefit must be set forth in the articles of incorporation or the bylaws of the relief association, but cannot exceed the following:

Completed Years of Service	Non-Forfeitable Percentage of Pension Amount
5	40%
6	44%
7	48%
8	52%
9	56%
10	60%
11	64%
12	68%
13	72%
14	76%
15	80%
16	84%
17	88%
18	92%
19	96%
20	100%
and thereafter	

6. Defined Benefit Plans: Flexible Service Pension Maximums. Before 1979, Minnesota Statutes 1978, Section 69.06, set a single dollar amount maximum on volunteer fire service pensions. This was replaced by Minnesota Statutes, Section 424A.02, Subdivision 3, under which the service pension maximum has been a sliding scale depending on the financial resources of the relief association on a per firefighter basis. The required level of financial support for any given benefit level is specified in Minnesota Statutes, Sections 69.771 through 69.776, the Volunteer Firefighter Relief Association Guidelines Act. If the municipality provides the volunteer firefighter relief association with a substantial portion of the funding required under the Guidelines Act for a given pension level per year of service, the relief association is allowed to provide in its articles of incorporation or bylaws that service pension level.



7. Defined Benefit Plans: Benefit Calculation Uniformity. Minnesota Statutes, Section 424A.02, Subdivision 3, provides that the method of calculating defined benefit service pensions must be applied uniformly for all years of active service.
8. Defined Benefit Lump Sum Plans: Installment Payments. Volunteer firefighter relief associations that pay lump sum service pensions are authorized by Minnesota Statutes, Section 424A.02, Subdivision 8, to pay the lump sum service pension in installments. No limit in the number of installments is specified. The installments are to have the same present value as the lump sum service pension, based on a 5% interest assumption.
9. Defined Benefit Monthly Plans: Post-Retirement Increases. A volunteer firefighter relief association paying a monthly service pension may, if it chooses, provide a post-retirement increase to service pension and benefit recipients upon providing a benefit increase to active firefighters, under Minnesota Statutes, Section 424A.02, Subdivision 9a.
10. Defined Benefit Plans: Municipal Approval of Benefit Changes; State Filing Requirements. Minnesota Statutes, Section 424A.02, Subdivision 10, requires municipal approval of any benefit changes or amendments to the relief association articles of incorporation or bylaws impacting on benefits unless the volunteer firefighter relief association has authority under the 1971 Volunteer Firefighter Relief Association Financing Guidelines Act to implement the benefit increase without local approval. The benefit change approval request must be accompanied by an estimate of the actuarial impact of the benefit change. Upon making a benefit change, the volunteer firefighter relief association must file a copy of the revised articles of incorporation or bylaws with the Commissioner of Commerce in order to retain eligibility for fire state aid.
11. Defined Benefit Plans: Combined Volunteer Firefighter Relief Association Service Pensions. If the volunteer firefighter relief association elects to do so, the relief association under Minnesota Statutes, Section 424A.02, Subdivision 13, can recognize total service rendered for any other participating volunteer firefighter relief association in meeting its vesting requirement and can pay a prorated service pension based on the accrual service rendered in that relief association.
12. Lump Sum Volunteer Firefighter Relief Associations and the Public Employees Retirement Association Voluntary Statewide Lump Sum Volunteer Firefighters' Retirement Plan: Supplemental Benefit. Minnesota Statutes, Section 424A.10, requires the Public Employees Retirement Association (PERA) Voluntary Statewide Lump Sum Volunteer Firefighters' Retirement Plan or a volunteer firefighter relief association that pays a lump sum service pension or survivor benefit to pay a supplemental benefit from the retirement fund to the retiring firefighters or survivors who receive a lump sum benefit. The supplemental benefit is an amount equal to 10% of the lump sum service pension paid, up to \$1,000, or 20% of the survivor benefit not to exceed \$2,000. The supplemental benefits paid are reimbursable annually in March to volunteer firefighter relief associations and to PERA from the state general fund by the Commissioner of Revenue, if the applicable relief associations and PERA apply for the reimbursement by February 15. The supplemental benefit was intended to offset the impact of a federal Internal Revenue Code 10% income tax surcharge on pre-age 59-1/2 non-annuity pension distributions. The supplemental benefit is in lieu of a state income tax exclusion for lump sum retirement benefit distributions.

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## **Background Information on the Volunteer Fire Relief Association Financing Guidelines Act of 1971**

1. In General. The Volunteer Firefighter Relief Association Financing Guidelines Act of 1971 (Laws 1971, Ch. 261) was the result of an interim study by the Legislative Commission on Pensions and Retirement during the 1969-1971 Interim. The 1971 Guidelines Act was adapted from the Local Police and Paid Firefighter Relief Association Guidelines Act of 1969 (Laws 1969, Ch. 223).

The Volunteer Firefighter Relief Association Financing Guidelines Act of 1971 was initially coded as Minnesota Statutes, Sections 69.771 to 69.776. In 2013 (Laws 2013, Ch. 111, Art. 5, Sec. 8, and Art. 6, Sec. 1), the Guidelines Act was repositioned as Minnesota Statutes, Sec. 424A.171 to 424A.196.

Minnesota Statutes, Sections Sec. 424A.171 to 424A.196, Volunteer Firefighter Relief Association Financing Guidelines Act of 1971, governs the calculation of the actuarial accrued liability and annual funding requirement of volunteer firefighter relief associations, the determination of the financial requirements of volunteer firefighter relief associations, the determination of the minimum obligation of municipalities or independent nonprofit firefighting corporations toward the volunteer firefighter relief association, the requirement for municipal ratification of volunteer firefighter relief association plan amendments, and the investment of volunteer firefighter relief association special fund assets.

2. Determination of Volunteer Fire Relief Association Asset Values for Funding Purposes. Under Minnesota Statutes, Section 424A.192, Subdivision 3, Paragraph (b), Clause (2), for lump sum volunteer fire relief associations, the determination of the relief association's funded condition and financial requirements is based on the total present assets of the special fund projected to December 31 of the current year, including receipts by and disbursements from the special fund anticipated through the upcoming December 31. The asset value is to be based on the current market value of assets to the extent possible for assets for which a market value is readily ascertainable. For assets for which no market value is readily ascertainable, the cost or book value of the assets must be used. Under Minnesota Statutes, Section 424A.193, Subdivision 4, Paragraph (c), for monthly benefit volunteer fire relief associations, the determination of the relief association's funded condition and financial requirements is based on the current market value of assets for which there is a readily ascertainable market value and on the cost or book value, whichever is applicable, of assets for which there is no readily ascertainable market value.

The value of assets for funding purposes for lump sum and monthly benefit volunteer fire relief associations differs from the value of assets for funding purposes for other Minnesota public pension plans. For all statewide retirement plans and for the Duluth Teachers Retirement Fund Association (DTRFA), the St. Paul Teachers Retirement Fund Association (SPTRFA), the MERF Division of PERA, and the Bloomington Firefighters Relief Association, the pension plan assets are valued based on a five-year moving average of expected and market values where, at the end of each plan year, an average asset value is calculated as the average of the market asset value at the beginning and end of the fiscal year net of investment income for the fiscal year, the investment gain or loss is taken as the excess of actual investment income over the expected investment income based on the average asset value as calculated, and is recognized over five years at 20% per year, and the total asset value is the sum of the expected asset value plus the scheduled recognition of investment gains or losses during the current and the preceding four plan years.

3. Calculation of Volunteer Firefighter Relief Association Actuarial Accrued Liability and Annual Funding Requirement. State law differentiates in the calculation of volunteer firefighter relief association actuarial accrued liabilities or its equivalent and the annual funding requirements. For volunteer firefighter relief associations providing monthly benefit service pensions, because there is a mortality risk and the need for making complicated computations, the relief association is required by Minnesota Statutes, Section 424A.193, to utilize an approved actuary and have a quadrennial actuarial valuation prepared. For volunteer firefighter relief associations providing lump sum service pensions, because there is no mortality risk and the liability and funding calculations are less complicated, the relief association officers are required by Minnesota Statutes, Section 424A.192, to estimate the association's actuarial liabilities and its annual funding requirement.

The monthly benefit volunteer firefighter relief association actuarial work is governed essentially by the same requirements applicable for other Minnesota public pension plans, Minnesota Statutes, Sections 356.215, and 356.216. The actuarial valuations will disclose the relief association's actuarial accrued liability, the assets, unfunded actuarial accrued liability, normal cost, and amortization of the unfunded actuarial accrued liability (typically using a 20-year amortization period).

The financial requirement of the monthly benefit relief association is the combination of five items:

- a. The normal cost; plus
- b. the prior year’s administrative expense, multiplied by a factor of 1.035; plus
- c. the amount needed to amortize the relief association unfunded actuarial accrued liability on a level-dollar basis by the December 31 occurring ten years later if there is an unfunded actuarial accrued liability and there has been no benefit increase, actuarial assumption change, or actuarial method change since the last actuarial valuation; plus
- d. the amount needed to amortize the unfunded actuarial accrued liability from a recent benefit increase, actuarial assumption change, or actuarial method change over 20 years for each change and aggregated into a single figure, if there is an unfunded actuarial accrued liability; and less
- e. one-tenth of the amount of relief association assets in excess of relief association actuarial accrued liability if there is no unfunded actuarial accrued liability.

The lump sum volunteer firefighter relief association computations are required to follow simplified calculation procedures set forth in Minnesota Statutes, Section 424A.192, Subdivision 2. The Commission and its consulting actuary developed the table and related provisions in Minnesota Statutes, Section 424A.192, Subdivision 2, in 1970-1971. The statutory table is basically a present value table assuming a lump sum benefit payable immediately after 20 years of service, based on a 3% interest assumption, and assuming no pre-retirement turnover or mortality. The following is the statutory pension liability table, applicable for a \$100 per year of service lump sum benefit:

Cumulative Year	Accrued Liability	Cumulative Year	Accrued Liability
1	\$60	12	\$962
2	\$124	13	\$1,070
3	\$190	14	\$1,184
4	\$260	15	\$1,304
5	\$334	16	\$1,428
6	\$410	17	\$1,560
7	\$492	18	\$1,698
8	\$576	19	\$1,844
9	\$666	20	\$2,000
10	\$760	21 and thereafter	\$100 add’l per year
11	\$858		

The financial requirement of the lump sum relief association is the combination of the following items:

- a. The annual accruing liability (difference between the current accrued liability and the accrued liability determined assuming an additional year of service for each member); plus
- b. the prior year’s administrative expenses, multiplied by a factor of 1.035; plus
- c. one-tenth of the original amount of the unfunded liability resulting from the last benefit increase if there is an unfunded liability; plus
- d. one-tenth of the unfunded liability resulting from a net accrued investment loss occurring since the most recent benefit increase if there is an unfunded liability (added by First Special Session Laws 2005, Chapter 8, Article 9, Section6); and less
- e. one-fifth of the amount by which relief association assets exceed relief association liabilities if there is no unfunded liability.

- 4. Calculation of the Minimum Municipal Obligation. The Volunteer Firefighter Relief Association Financing Guidelines Act of 1971, Minnesota Statutes, Sections 424A.191 through 424A.196, requires municipal support of a relief association if the main other revenue source, the fire state aid program under Minnesota Statutes, Sections 69.011 through 69.051, is insufficient. Specifically, Minnesota Statutes, Section 424A.192, Subdivision 3, for lump sum volunteer firefighter relief associations, and Minnesota Statutes, Section 424A.193, Subdivision 5, for monthly benefit volunteer firefighter relief associations, require that the municipality include in its budget, levy for, and pay over to the relief association the amount of the financial requirements of the relief association, reduced by the amount of the fire state aid anticipated to be received in the following year. The determination of the minimum municipal obligation must be made by the officers of the relief association, and must be certified to the municipality as part of the municipal budget preparation process.
- 5. Compliance with Municipal Funding Requirement. If the municipality fails to include the minimum municipal obligation in its budget or fails to spread the obligation in its property tax levy, Minnesota Statutes, Section 424A.192, Subdivision 4, for lump sum volunteer firefighter relief associations, and Minnesota Statutes, Section 424A.193, Subdivision 5, for monthly benefit volunteer firefighter relief

associations, require that the relief association officers certify the required municipal obligation amount to the county auditor, who is required to levy that amount.

6. Municipal Ratification of Plan Amendments. Minnesota Statutes, Section 424A.192, Subdivision 6, for lump sum volunteer firefighter relief associations, and Minnesota Statutes, Section 424A.193, Subdivision 6, for monthly benefit volunteer firefighter relief associations, generally require municipal ratification of benefit plan amendments made by volunteer firefighter relief associations. This municipal ratification requirement applies unless the volunteer firefighter relief association has assets in excess of its actuarial accrued liability and hence does not require municipal support, when the relief association can approve benefit plan amendments and improve benefit increases with an estimate of the actuarial impact of the change if the actuarial impact does not exceed 90% of the asset surplus and does not require the annual financial requirements to exceed the anticipated fire state aid of the municipality. After a benefit change that is subject to relief association approval only is implemented, if the financial requirements of the relief association exceed the fire state aid, the benefit change is no longer effective without subsequent municipal ratification.
7. Application to Relief Associations Subsidiary to Independent Nonprofit Firefighting Corporations. Volunteer firefighter relief associations that are subsidiaries of independent nonprofit firefighting corporations are also covered by the 1971 Guidelines Act. Subsidiary volunteer firefighter relief associations that provide lump sum service pensions are governed through Minnesota Statutes, Section 424A.194, Subdivision 2, Clause (a), by the applicable provisions of the lump sum volunteer firefighter relief association accrued liability and financial requirements determination statute. Subsidiary volunteer firefighter relief associations that provide monthly benefit service pensions are governed through Minnesota Statutes, Section 424A.194, Subdivision 2, Clause (b), by the applicable provisions of the monthly benefit volunteer firefighter relief association accrued liability and financial requirements determination statute. Under Minnesota Statutes, Section 424A.194, Subdivision 2, Clauses (c) and (d), the independent nonprofit firefighting corporation has the same obligation that a municipality would have under Minnesota Statutes, Section 424A.192 or 424A.193.
8. Investments. Volunteer firefighter relief associations are required to invest special fund assets under the short list of authorized investments or the long list of authorized investments set forth in public pension plan fiduciary obligation law, whichever applies. An exception is provided for sizeable (maximum of 75%) mutual fund investments if the mutual fund conforms with the authorized investment list in its holdings. Volunteer firefighter relief associations are also permitted to invest through the State Board of Investment in the Minnesota Supplemental Investment Fund.

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

Minnesota Statutes, Section 424A.091, Subdivision 3, a portion of the Volunteer Firefighter Relief Association Financing Guidelines Act, initially enacted in 1971 (Laws 1971, Ch. 261), was substantially revised under recommendations from the State Auditor's Volunteer Fire Working Group in 2005 (1<sup>st</sup> Spec. Sess. Laws 2005, Ch. 8, Art. 9, Sec. 3). The provision specifies the basis for the State Auditor to determine whether or not a volunteer firefighter relief association has complied with the relief association funding and related statutory requirements.

In addition to Minnesota Statutes, Section 69.011, Subdivisions 2, 4, and 5, and Section 69.021, Subdivision 4, which require that the clerk of a municipality or the secretary of an independent nonprofit firefighting corporation certify the existence of the fire department on or before March 15, that the municipal fire department must have been officially established and organized for at least one year, that an independent nonprofit firefighting corporation must operate exclusively for firefighting purposes and must provide retirement benefits to firefighters, and that the fire department or firefighting corporation must have at least ten firefighters, must have regular meetings and frequent drills, must have a motorized fire truck with equipment, must have suitable housing for apparatus, must have an alarm system, must have second piece of motorized apparatus if service area exceeds municipal limits, and must meet other Department of Revenue requirements, with compliance determined by the State Fire Marshal, the fire state aid qualification and retention requirements of Minnesota Statutes, Section 424A.091, Subdivision 3, include the following:

1. Relief Association Financial Report or Statement. The volunteer firefighter relief association must file a financial statement (liabilities or assets under \$500,000) by March 31 or a financial report (liabilities or assets of at least \$500,000) by July 1 under Minnesota Statutes, Section 69.051.
2. Relief Association Treasurer Bond. The volunteer firefighter relief association treasurer must be bonded to a minimum amount under Minnesota Statutes, Section 69.051, Subdivision 2.
3. Lump Sum Relief Association Accrued Liability and Annual Accruing Liability Determination. The volunteer firefighter relief association officers are required to properly determine the accrued liability of the special fund of the relief association and its annual accruing liability under Minnesota Statutes, Section 424A.092, Subdivisions 2, 2a, and 3, if the volunteer firefighter relief association provides solely a lump sum service pension.
4. Monthly Benefit Relief Association Obtain and File Periodic Actuarial Valuations. The volunteer firefighter relief association officers are required to obtain and file a periodic actuarial valuation, which must contain:
  - (a) the actuarial accrued liability of the special fund determined under the entry age normal actuarial cost method;
  - (b) the special fund assets;
  - (c) the special fund unfunded actuarial accrued liability;
  - (d) the special fund normal cost determined under the entry age normal actuarial cost method;
  - (e) the amortization of the special fund unfunded actuarial accrued liability contribution for the applicable amortization target date;
  - (f) a summary of the relief association benefit plan;
  - (g) a membership summary;
  - (h) an actuarial assumption summary;
  - (i) an attestation by the actuary of the results; and
  - (j) a certification by the actuary of the actuary's qualifications as an approved actuary under Minnesota Statutes, Section 356.215.
5. Relief Association Minimum Municipal Contribution. The municipality or the independent nonprofit firefighting corporation must budget for the minimum contribution and the municipality must budget for that contribution amount under Minnesota Statutes, Sections 424A.092 and 424A.093.

6. Municipal Ratification of Plan Amendments. Unless the volunteer firefighter relief association is fully funded before and after the plan amendment, the municipality must ratify plan amendments affecting benefits under Minnesota Statutes, Section 424A.092, Subdivision 6; Section 424A.093, Subdivision 6; and Section 424A.02, Subdivision 10.
7. Authorized Relief Association Investments. Volunteer firefighter relief association special fund assets must be investment in authorized investment securities under Minnesota Statutes, Section 424A.095, and Section 356A.06, Subdivisions 6 and 7.
8. Authorized Relief Association Administrative Expenses. The volunteer firefighter relief association or the municipality must limit administrative expenses to authorized expenses under Minnesota Statutes, Section 69.80 or 424A.05, Subdivision 3.
9. Relief Association Investment Performance Reporting. The volunteer firefighter relief association must make investment portfolio and investment performance report under Minnesota Statutes, Section 356.219.
10. Investment Authority Statement. The volunteer firefighter relief association must provide all investment brokers with written statement of investment restrictions and receive acknowledgement and compliance agreement from the broker annually under Minnesota Statutes, Section 356A.06, Subdivision 8b.
11. No Prohibited Transactions. The volunteer firefighter relief association must not permit a prohibited transaction to occur or must correct a prohibited transaction that did occur under Minnesota Statutes, Section 356A.06, Subdivision 9.
12. No Excessive Service Pension Amount. The defined benefit volunteer firefighter relief association must not provide a service pension that is in excess of the applicable service pension maximum under Minnesota Statutes, Section 424A.02, Subdivision 3.



**Background Information on the  
2013 Police and Fire Supplemental Retirement State Aid**

The police and fire supplemental retirement state aid was proposed on behalf of a coalition of police organizations and professional firefighter organizations to assist in addressing the growing retirement funding problems.

As initially drafted and introduced as a legislative bill in 2013, the proposal amended Minnesota Statutes, Chapters 69, relating to policy and fire state aid, and 297I, relating to insurance premium taxes, to impose a \$5 per calendar year surcharge on homeowners insurance and automobile insurance policies, with the proceeds from the homeowners insurance surcharge allocated roughly one-third to the fire state aid program and distributed to the statewide lump-sum volunteer firefighter retirement fund or to municipalities or nonprofit firefighting corporations and roughly two-thirds to the Public Employees Police and Fire Retirement Plan (PERA-P&F) and with the proceeds from the automobile insurance surcharge allocated one-third to the police state aid program and distributed to all counties, cities, and state departments employing police officers and two-thirds to PERA-P&F and the State Patrol Retirement Plan distributed on the basis of the number of active member police officers.

When heard by the Legislative Commission on Pensions and Retirement, the Commission corrected the allocation mechanism of the proposed legislation to match the proponents expressed intent, specified a date for the aid allocations from the two accounts, November 1 annually, one month after the allocation date for the fire state aid and police state aid programs, on which portions of the new aid allocation depend, and required reporting from the Public Employees Retirement Association (PERA) to the Commissioner of Revenue information on Public Employees Police and Fire Retirement Plan (PERA-P&F) coverage and Statewide Lump-Sum Volunteer Firefighter Retirement Plan (PERA-SVF) participation that is needed to implement the surcharge fire pension aid allocation formula and set a termination date for the new state aid based on when the State Patrol Plan and the Public Employees Police and Fire Retirement Plan (PERA-P&F) achieve a 90% funded ratio on a market value of assets basis.

The new state aid was intended to raise \$23 million and was specified to be allocated as follows:

<u>Surcharge Fire Pension Aid Account</u>		
Statewide Volunteer Fire Plan	\$137,990	1.84%
Volunteer firefighter relief associations	\$5,412,010	72.16%
Paid firefighter municipalities	\$649,350	8.66%
PERA-P&F	\$1,300,650	17.34%
Total	\$7,500,000	100.00%
<u>Surcharge Police Pension Aid Account</u>		
PERA-P&F employers	\$4,645,300	29.97%
Dept. of Public Safety and Dept. of Natural Resources	\$516,150	3.33%
State Patrol Retirement Plan	\$1,033,800	6.67%
PERA-P&F	\$9,304,650	60.03%
Total	\$15,500,000	100.00%
<u>Total Aid Allocation</u>		
Volunteer firefighter plans	\$5,550,000	24.13%
Municipalities and counties	\$5,294,630	23.03%
Dept. of Public Safety and Dept. of Natural Resources	\$516,150	2.24%
State Patrol Retirement Plan	\$1,033,800	4.49%
PERA-P&F	\$10,065,300	46.11%
Total	\$23,000,000	100.00%

When the proposed police and fire supplemental retirement state aid was subsequently heard by standing legislative committees, the source of the funding of the new state aid program was controversial and was ultimately modified, replaced by a direct State General Fund appropriation rather than by a surcharge on insurance policies.

As the new state aid program was added to the 2013 tax bills, the amount of the aid was revised to be \$15,500,000 and the recipients of the new state aid were narrowed to the State Patrol Plan, the PERA-P&F, and the various volunteer firefighter relief associations.

As enacted (Laws 2013, Ch. 143, Art. 2, Sec. 6), the police and fire supplemental retirement state aid was funded by a \$15.5 million annual appropriation, to be allocated 58.065% to PERA-P&F, 35.484% to municipalities other than those solely using firefighters covered by PERA-P&F, and 6.452% to MSRS on behalf of the State Patrol Plan, with the portion allocated to municipalities other than those solely using firefighters covered by PERA-P&F allocated within that group based on the proportion of total fire state aid received relative to each fire department, and terminates for all recipients when PERA-P&F and the State Patrol Retirement Plan both become at least 90% funded.

The fire department recipients of Police and Fire Retirement Supplemental State Aid with the largest amount of aid in 2013 were:

<u>Fire Department</u>	<u>County</u>	<u>Amount</u>
Plymouth Fire Department .....	Hennepin .....	\$102,477.93
Eden Prairie City Fire Department.....	Hennepin .....	95,957.37
Maple Grove Fire Department .....	Hennepin .....	86,482.18
Edina Fire Department .....	Hennepin .....	86,359.02
Brooklyn Park Fire Department .....	Hennepin .....	84,666.57
Eagan City Fire Department.....	Dakota .....	84,494.56
Woodbury Volunteer Fire Dept. Inc. ....	Washington .....	81,067.84
Minnetonka Fire Department .....	Hennepin .....	79,918.26
Burnsville Fire Department.....	Dakota .....	72,571.74
Lakeville City Fire Department .....	Dakota .....	70,565.72
Coon Rapids Fire Department.....	Anoka .....	67,362.86
Apple Valley City Fire Department .....	Dakota .....	59,168.05

The fire department recipients of Police and Fire Retirement Supplemental State Aid with the smallest amount of aid in 2013 were:

<u>Fire Department</u>	<u>County</u>	<u>Amount</u>
Correll Volunteer Fire Department .....	Big Stone.....	\$32.95
Louisburg Fire Department .....	Lac Qui Parle.....	43.05
Arco Fire Department .....	Lincoln .....	64.81
Alida/Bear Creek Fire Control .....	Cook .....	269.60
Skyline Fire Department .....	Blue Earth.....	323.53
Avoca Fire/Rescue Department .....	Murray.....	422.12
Nielsville Volunteer Fire Department.....	Polk .....	536.24
Big Falls Fire Department.....	Koochiching .....	596.95
Perley-Lee Township Volunteer Fire Dept. ....	Norman.....	597.52
Minnesota City Fire Department.....	Winona .....	719.31
Beltrami Fire Department .....	Polk .....	746.28
Oslo Fire/Rescue Department .....	Marshall.....	779.91
Sedan Fire/Rescue Department .....	Pope.....	788.43
Bruno Volunteer Fire Department .....	Pine.....	807.85
Iona Fire Department .....	Murray.....	925.01
Eagles Nest Fire Department .....	St. Louis .....	939.57

## **Background Information on Volunteer Firefighter Relief Association Special Fund Disbursements**

Minnesota Statutes, Section 424A.05, governs the special funds of volunteer firefighters' relief associations, including the disbursements authorized from volunteer firefighter relief association special funds.

Minnesota Statutes, Section 424A.05, enacted in 1979, replaced Minnesota Statutes 1978, Section 424.31, in part. Minnesota Statutes 1978, Section 424.31, with respect to authorized volunteer firefighter relief association special fund disbursements, limited expenditures from the volunteer firefighter relief association special fund to the following:

- (1) for the relief of sick, injured, and disabled members of the fire department in the city;
- (2) for the payment of pensions to disabled firefighters and the surviving spouses and orphans of firefighters;
- (3) for the payment of pensions to retired firefighters under the laws of the state;
- (4) for the payment of the fees, dues, and assessments in the Minnesota State Fire Department Association, and in the Volunteer Firemen's Benefit Association of Minnesota so as to entitle the members of any qualified fire department to membership in and benefits of such state association;
- (5) for the payment of such death or funeral benefits as may be from time to time stipulated in the bylaws of the relief association; and
- (6) for the payment of necessary expenses of administering the relief association, including the salaries of the president, secretary, and treasurer.

Laws 1979, Chapter 201, Section 15, Subdivision 3, coded as Minnesota Statutes 1979 Supplement, Section 424A.05, Subdivision 3, limited the expenditures payable from a volunteer firefighter relief association special fund to the following:

- (1) for the payment of service pensions to retired members of the relief association if authorized and paid pursuant to law and the bylaws governing the relief association;
- (2) for the payment of temporary or permanent disability retirement benefits to disabled members of the relief association if authorized and paid pursuant to law and specified in amount in the bylaws governing the relief association;
- (3) for the payment of survivor retirement benefits to surviving spouses and surviving children of deceased members of the relief association if authorized by and paid pursuant to law and specified in amount in the bylaws governing the relief association;
- (4) for the payment of any funeral benefits to the surviving spouse, or if no surviving spouse, the estate, of the deceased member of the relief association if authorized by law and specified in amount in the bylaws governing the relief association;
- (5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the State Volunteer Firefighters Benefit Association in order to entitle relief association members to membership in and the benefits of these state associations; and
- (6) for the payment of administrative expenses of the relief association as authorized pursuant to Section 69.80.

In 2000 (Laws 2000, Ch. 461, Art. 15, Sec. 11), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended, based primarily on volunteer firefighter relief association changes suggested by the Minnesota Area Relief Association Coalition (MARAC) and recommended by the Fire Subcommittee of the Legislative Commission on Pensions and Retirement, allowing the payment of a survivor benefit to a designated beneficiary if the designated beneficiary is a natural person and if there is no surviving spouse or surviving child, and allowing the payment of MARAC dues.

In 2006 (Laws 2006, Ch. 271, Art. 13, Sec. 4), Minnesota Statutes, Section 424A.05, Subdivision 3, was again amended, based on a recommendation from the Volunteer Fire Relief Association Working Group assembled by the Office of the State Auditor to permit the payment of a death benefit to the estate of a deceased active firefighter if there is no designated beneficiary.

In 2008 (Laws 2008, Ch. 349, Art. 14, Sec. 11), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended upon the recommendation of the State Auditor's Volunteer Firefighter Relief Association Working Group to eliminate authority for the payment of funeral benefits that were authorized by law and provided for in the relief association bylaws.

In 2009 (Laws 2009, Ch. 169, Art. 10, Sec. 41), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended to expand the survivor benefit payment authority to include survivors of deceased deferred firefighters and to permit the purchase of casualty insurance coverage from a licensed insurance carrier instead of the volunteer firefighter relief association.

In 2010 (Laws 2010, Ch. 359, Art. 13, Sec. 11), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended to include as an authorized disbursement annuity purchase, individual retirement account transfers, or Minnesota deferred compensation plan transfers authorized by law and to eliminate the specific payment priority order for the payment of survivor benefits in deference to the priority order specification added to Minnesota Statutes, Sections 424A.016, Subdivision 7, and 424A.02, Subdivision 9.

In 2014 (Laws 2014, Ch. 296, Art. 12, Sec. 11), Minnesota Statutes, Section 424A.05, Subdivision 3, was amended to permit the payment of dues to the Minnesota State Fire Chiefs Association rather than the Minnesota Area Relief Association Coalition.

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- 1.1 ..... moves to amend H.F. No. 826; S.F. No. 884, as follows:
- 1.2 Page 5, line 8, strike everything after "(1) "
- 1.3 Page 5, strike lines 9 to 10
- 1.4 Page 5, line 11, strike everything before the semicolon and insert "levy a civil
- 1.5 penalty on the special fund of the volunteer firefighters relief association in an amount
- 1.6 equal to ... percent of the assets of the special fund as of the end of the preceding calendar
- 1.7 year if the relief association pays a lump sum service pension or equal to ... percent of
- 1.8 the assets of the special fund as of the end of the preceding calendar year if the relief
- 1.9 association pays a monthly benefit service pension"
- 1.10 Page 5, line 15, strike everything after "(b) "
- 1.11 Page 5, line 16, strike "disqualifications" and insert "The civil penalty"
- 1.12 Page 5, delete lines 29 to 35

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1.1 ..... moves to amend H.F. No. 826; S.F. No. 884, as follows:

1.2 Page 5, line 33, before "Notwithstanding" insert "If the state auditor makes  
1.3 a certification under this paragraph, the auditor shall disclose that fact, identifying  
1.4 the municipality or nonprofit firefighting corporation and volunteer firefighters relief  
1.5 association involved and summarizing the particulars of the calculation error and the  
1.6 nature of the error made, in the next financial and investment report of volunteer  
1.7 firefighters relief associations published by the Office of the State Auditor. "

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1.1 ..... moves to amend H.F. No. 826; S.F. No. 884, as follows:

1.2 Page 6, after line 15, insert:

1.3 "Section 1. Minnesota Statutes 2014, section 423A.022, subdivision 5, is amended to  
1.4 read:

1.5 Subd. 5. **Aid termination.** (a) The aid ~~program~~ for the State Patrol retirement  
1.6 plan and for the public employees police and fire retirement plan under this section ends  
1.7 on the December 1 next following the actuarial valuation date on which the assets of  
1.8 the retirement plan on a market value basis equals or exceeds 90 percent of the total  
1.9 actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation  
1.10 prepared under section 356.215 and the Standards for Actuarial Work promulgated by the  
1.11 Legislative Commission on Pensions and Retirement, for the State Patrol retirement plan  
1.12 or the public employees police and fire retirement plan, whichever occurs last.

1.13 (b) The aid for municipalities and nonprofit firefighting corporations associated with  
1.14 volunteer firefighters relief associations under this section does not terminate.

1.15 **EFFECTIVE DATE.** This section is effective the day following final enactment."

1.16 Renumber the sections of the article in sequence

1.17 Amend the title accordingly

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1.1 ..... moves to amend H.F. No. 826; S.F. No. 884, as follows:

1.2 Page 6, after line 15, insert:

1.3 "Section 1. Minnesota Statutes 2014, section 423A.022, subdivision 5, is amended to  
1.4 read:

1.5 Subd. 5. **Aid termination.** (a) The aid ~~program~~ for the State Patrol retirement  
1.6 plan and for the public employees police and fire retirement plan under this section ends  
1.7 on the December 1 next following the actuarial valuation date on which the assets of  
1.8 the retirement plan on a market value basis equals or exceeds 90 percent of the total  
1.9 actuarial accrued liabilities of the retirement plan as disclosed in an actuarial valuation  
1.10 prepared under section 356.215 and the Standards for Actuarial Work promulgated by the  
1.11 Legislative Commission on Pensions and Retirement, for the State Patrol retirement plan  
1.12 or the public employees police and fire retirement plan, whichever occurs last.

1.13 (b) The aid for municipalities and nonprofit firefighting corporations associated with  
1.14 volunteer firefighters relief associations under this section terminates on December 31, .....

1.15 **EFFECTIVE DATE.** This section is effective the day following final enactment."

1.16 Renumber the sections of the article in sequence

1.17 Amend the title accordingly

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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 826

02/12/2015 Authored by Murphy, M.,

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

A bill for an act

relating to retirement; volunteer firefighter relief associations; implementing the recommendations of the state auditor's volunteer firefighter working group; addressing various disbursement and accounting issues; addressing various benefit issues; updating volunteer fire state aid references; addressing various relief association establishment and membership issues; amending Minnesota Statutes 2014, sections 69.051, subdivision 1a; 69.80; 424A.001, by adding a subdivision; 424A.002, subdivision 1; 424A.016, subdivision 4; 424A.02, subdivisions 3, 3a, 9a; 424A.05, subdivisions 2, 3; 424A.092, subdivisions 3, 6; 424A.093, subdivisions 5, 6.

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

ARTICLE 1

DISBURSEMENT AND ACCOUNTING ISSUES

Section 1. Minnesota Statutes 2014, section 69.051, subdivision 1a, is amended to read:

Subd. 1a. **Financial statement.** (a) The board of each volunteer firefighters relief association, as defined in section 424A.001, subdivision 4, that is not required to file a financial report and audit under subdivision 1 must prepare a detailed statement of the financial affairs for the preceding fiscal year of the relief association's special and general funds in the style and form prescribed by the state auditor. The detailed statement must show:

- (1) the sources and amounts of all money received;
- (2) all disbursements, accounts payable and accounts receivable;
- (3) the amount of money remaining in the treasury;
- (4) total assets, including a listing of all investments;
- (5) the accrued liabilities; and

(6) all other items necessary to show accurately the revenues and expenditures and financial position of the relief association.

(b) The detailed financial statement of the special and general funds required under paragraph (a) must be certified by a certified public accountant or by the state auditor. ~~In addition to certifying the financial condition of the special and general funds of the relief association, the accountant or auditor conducting the examination shall give an opinion as to the condition of the special and general funds of the relief association, and shall comment upon any exceptions to the report in accordance with agreed-upon procedures and forms prescribed by the state auditor.~~ The accountant must have at least five years of public accounting, auditing, or similar experience, and must not be an active, inactive, or retired member of the relief association or the fire department.

(c) The detailed financial statement required under paragraph (a) must be countersigned by:

(1) the municipal clerk or clerk-treasurer of the municipality; or

(2) where applicable, by the municipal clerk or clerk-treasurer of the largest municipality in population which contracts with the independent nonprofit firefighting corporation if the relief association is a subsidiary of an independent nonprofit firefighting corporation and by the secretary of the independent nonprofit firefighting corporation; or

(3) by the chief financial official of the county in which the volunteer firefighter relief association is located or primarily located if the relief association is associated with a fire department that is not located in or associated with an organized municipality.

(d) The volunteer firefighters' relief association board must file the detailed financial statement required under paragraph (a) in the relief association office for public inspection and present it to the governing body of the municipality within 45 days after the close of the fiscal year, and must submit a copy of the certified detailed financial statement to the state auditor within 90 days of the close of the fiscal year.

(e) A certified public accountant or auditor who performs the agreed-upon procedures under paragraph (b) is subject to the reporting requirements of section 6.67.

**EFFECTIVE DATE.** This section is effective July 1, 2015, and applies to financial statements prepared for calendar year 2015 and thereafter.

Sec. 2. Minnesota Statutes 2014, section 69.80, is amended to read:

**69.80 AUTHORIZED ADMINISTRATIVE EXPENSES.**

(a) Notwithstanding any provision of law to the contrary, the payment of the following necessary, reasonable and direct expenses of maintaining, protecting and

administering the special fund, when provided for in the bylaws of the association and approved by the board of trustees, constitutes authorized administrative expenses of a volunteer firefighters' relief association organized under any law of this state or the Bloomington Fire Department Relief Association:

(1) office expense, including, but not limited to, rent, utilities, equipment, supplies, postage, periodical subscriptions, furniture, fixtures, and salaries of administrative personnel;

(2) salaries of the officers of the association, or their designees, and salaries of the members of the board of trustees of the association if the salary amounts are approved by the governing body of the entity that is responsible for meeting any minimum obligation under section 424A.092 or 424A.093, or Laws 2013, chapter 111, article 5, sections 31 to 42, and the itemized expenses of relief association officers and board members that are incurred as a result of fulfilling their responsibilities as administrators of the special fund;

(3) tuition, registration fees, organizational dues, and other authorized expenses of the officers or members of the board of trustees incurred in attending educational conferences, seminars, or classes relating to the administration of the relief association;

(4) audit, and audit-related services, and accounting and accounting-related services, actuarial, medical, legal, and investment and performance evaluation expenses;

(5) filing and application fees payable by the relief association to federal or other governmental entities;

(6) reimbursement to the officers and members of the board of trustees, or their designees, for reasonable and necessary expenses actually paid and incurred in the performance of their duties as officers or members of the board; and

(7) premiums on fiduciary liability insurance and official bonds for the officers, members of the board of trustees, and employees of the relief association.

(b) Any other expenses of the relief association must be paid from the general fund of the association, if one exists. If a relief association has only one fund, that fund is the special fund for purposes of this section. If a relief association has a special fund and a general fund, and any expense of the relief association that is directly related to the purposes for which both funds were established, the payment of that expense must be apportioned between the two funds on the basis of the benefits derived by each fund.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2014, section 424A.05, subdivision 3, is amended to read:

Subd. 3. **Authorized disbursements from special fund.** (a) Disbursements from the special fund may not be made for any purpose other than one of the following:

(1) for the payment of service pensions to retired members of the relief association if authorized and paid under law and the bylaws governing the relief association;

(2) for the purchase of an annuity for the applicable person under section 424A.015, subdivision 3, for the transfer of service pension or benefit amounts to the applicable person's individual retirement account under section 424A.015, subdivision 4, or to the applicable person's account in the Minnesota deferred compensation plan under section 424A.015, subdivision 5;

(3) for the payment of temporary or permanent disability benefits to disabled members of the relief association if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(4) for the payment of survivor benefits or for the payment of a death benefit to the estate of the deceased active or deferred firefighter, if authorized and paid under law and specified in amount in the bylaws governing the relief association;

(5) for the payment of the fees, dues and assessments to the Minnesota State Fire Department Association and to the Minnesota State Fire Chiefs Association in order to entitle relief association members to membership in and the benefits of these associations or organizations;

(6) for the payment of insurance premiums to the state Volunteer Firefighters Benefit Association, or an insurance company licensed by the state of Minnesota offering casualty insurance, in order to entitle relief association members to membership in and the benefits of the association or organization; and

(7) for the payment of administrative expenses of the relief association as authorized under section 69.80.

(b) Checks or authorizations for electronic fund transfers for disbursements authorized by this section must be signed by the relief association treasurer and at least one other elected trustee who has been designated by the board of trustees to sign the checks or authorizations. A relief association may make disbursements authorized by this subdivision by electronic funds transfers only if the specific method of payment and internal control policies and procedures regarding the method are approved by the board of trustees.

**EFFECTIVE DATE.** This section is effective July 1, 2015.

## ARTICLE 2

### BENEFIT ISSUES

Section 1. Minnesota Statutes 2014, section 424A.02, subdivision 3a, is amended to read:



Subd. 3a. **Penalty for paying pension greater than applicable maximum.** (a)

If a defined benefit relief association pays a service pension greater than the maximum service pension associated with the applicable average amount of available financing per active covered firefighter under the table in subdivision 3, paragraph (c) or (d), whichever applies, the maximum service pension under subdivision 3, paragraph (f), or the applicable maximum service pension amount specified in subdivision 3, paragraph (g), whichever is less, the state auditor shall:

(1) disqualify the municipality or the nonprofit firefighting corporation associated with the relief association from receiving fire state aid by making the appropriate notification to the municipality and the commissioner of revenue, with the disqualification applicable for the next apportionment and payment of fire state aid; and

(2) order the treasurer of the applicable relief association to recover the amount of the overpaid service pension or pensions from any retired firefighter who received an overpayment.

(b) Fire state aid amounts from disqualified municipalities for the period of disqualifications under paragraph (a), clause (1), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(c) The amount of any overpaid service pension recovered under paragraph (a), clause (2), must be credited to the amount of fire insurance premium tax proceeds available for the next subsequent fire state aid apportionment.

(d) The determination of the state auditor that a relief association has paid a service pension greater than the applicable maximum must be made on the basis of the information filed by the relief association and the municipality with the state auditor under sections 69.011, subdivision 2, and 69.051, subdivision 1 or 1a, whichever applies, and any other relevant information that comes to the attention of the state auditor. The determination of the state auditor is final. An aggrieved municipality, relief association, or person may appeal the determination under section 480A.06.

(e) The state auditor may certify, upon learning that a relief association overpaid a service pension based on an error in the maximum service pension calculation, the municipality or nonprofit firefighting corporation associated with the relief association for fire state aid if (1) there is evidence that the error occurred in good faith, and (2) the relief association has initiated recovery of any overpayment amount. Notwithstanding paragraph (c), all overpayments recovered under this paragraph must be credited to the relief association's special fund.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2014, section 424A.02, subdivision 9a, is amended to read:

Subd. 9a. **Postretirement increases.** Notwithstanding any provision of general or special law to the contrary, a defined benefit relief association paying a monthly service pension may provide a postretirement increase to retired members and ancillary benefit recipients of the relief association if (1) the relief association adopts an appropriate bylaw amendment; and (2) the bylaw amendment is approved by the municipality pursuant to subdivision 10 and section 424A.093, subdivision 6. The postretirement increase is applicable only to retired members and ancillary benefit recipients receiving a monthly service pension or monthly ancillary benefit as of the effective date of the bylaw amendment. The authority to provide a postretirement increase to retired members and ancillary benefit recipients of a relief association contained in this subdivision supersedes any prior special law authorization relating to the provision of postretirement increases.

**EFFECTIVE DATE.** This section is effective the day following final enactment.

### ARTICLE 3

#### STATE AID REFERENCES

Section 1. Minnesota Statutes 2014, section 424A.016, subdivision 4, is amended to read:

Subd. 4. **Individual accounts.** (a) An individual account must be established for each firefighter who is a member of the relief association.

(b) To each individual active member account must be credited an equal share of:

(1) any amounts of fire state aid and police and firefighter retirement supplemental state aid received by the relief association;

(2) any amounts of municipal contributions to the relief association raised from levies on real estate or from other available municipal revenue sources exclusive of fire state aid; and

(3) any amounts equal to the share of the assets of the special fund to the credit of:

(i) any former member who terminated active service with the fire department to which the relief association is associated before meeting the minimum service requirement provided for in subdivision 2, paragraph (b), and has not returned to active service with the fire department for a period no shorter than five years; or

(ii) any retired member who retired before obtaining a full nonforfeitable interest in the amounts credited to the individual member account under subdivision 2, paragraph (b), and any applicable provision of the bylaws of the relief association. In addition, any investment return on the assets of the special fund must be credited in proportion to the

7.1 share of the assets of the special fund to the credit of each individual active member  
7.2 account. Administrative expenses of the relief association payable from the special  
7.3 fund may be deducted from individual accounts in a manner specified in the bylaws of  
7.4 the relief association.

7.5 (c) If the bylaws so permit and as the bylaws define, the relief association may credit  
7.6 any investment return on the assets of the special fund to the accounts of inactive members.

7.7 (d) Amounts to be credited to individual accounts must be allocated uniformly  
7.8 for all years of active service and allocations must be made for all years of service,  
7.9 except for caps on service credit if so provided in the bylaws of the relief association.  
7.10 Amounts forfeited under paragraph (b), clause (3), before a resumption of active service  
7.11 and membership under section 424A.01, subdivision 6, remain forfeited and may not be  
7.12 reinstated upon the resumption of active service and membership. The allocation method  
7.13 may utilize monthly proration for fractional years of service, as the bylaws or articles of  
7.14 incorporation of the relief association so provide. The bylaws or articles of incorporation  
7.15 may define a "month," but the definition must require a calendar month to have at least 16  
7.16 days of active service. If the bylaws or articles of incorporation do not define a "month," a  
7.17 "month" is a completed calendar month of active service measured from the member's  
7.18 date of entry to the same date in the subsequent month.

7.19 (e) At the time of retirement under subdivision 2 and any applicable provision of the  
7.20 bylaws of the relief association, a retiring member is entitled to that portion of the assets  
7.21 of the special fund to the credit of the member in the individual member account which is  
7.22 nonforfeitable under subdivision 3 and any applicable provision of the bylaws of the relief  
7.23 association based on the number of years of service to the credit of the retiring member.

7.24 (f) Annually, the secretary of the relief association shall certify the individual  
7.25 account allocations to the state auditor at the same time that the annual financial statement  
7.26 or financial report and audit of the relief association, whichever applies, is due under  
7.27 section 69.051.

7.28 Sec. 2. Minnesota Statutes 2014, section 424A.02, subdivision 3, is amended to read:

7.29 Subd. 3. **Flexible service pension maximums.** (a) Annually on or before August  
7.30 1 as part of the certification of the financial requirements and minimum municipal  
7.31 obligation determined under section 424A.092, subdivision 4, or 424A.093, subdivision 5,  
7.32 as applicable, the secretary or some other official of the relief association designated in the  
7.33 bylaws of each defined benefit relief association shall calculate and certify to the governing  
7.34 body of the applicable municipality the average amount of available financing per active  
7.35 covered firefighter for the most recent three-year period. The amount of available financing

includes any amounts of fire state aid and police and firefighter retirement supplemental state aid received or receivable by the relief association, any amounts of municipal contributions to the relief association raised from levies on real estate or from other available revenue sources exclusive of fire state aid, and one-tenth of the amount of assets in excess of the accrued liabilities of the relief association calculated under section 424A.092, subdivision 2; 424A.093, subdivisions 2 and 4; or 424A.094, subdivision 2, if any.

(b) The maximum service pension which the defined benefit relief association has authority to provide for in its bylaws for payment to a member retiring after the calculation date when the minimum age and service requirements specified in subdivision 1 are met must be determined using the table in paragraph (c) or (d), whichever applies.

(c) For a defined benefit relief association where the governing bylaws provide for a monthly service pension to a retiring member, the maximum monthly service pension amount per month for each year of service credited that may be provided for in the bylaws is the greater of the service pension amount provided for in the bylaws on the date of the calculation of the average amount of the available financing per active covered firefighter or the maximum service pension figure corresponding to the average amount of available financing per active covered firefighter:

Minimum Average Amount of Available Financing per Firefighter	Maximum Service Pension Amount Payable per Month for Each Year of Service
\$ ...	\$ .25
41	.50
81	1.00
122	1.50
162	2.00
203	2.50
243	3.00
284	3.50
324	4.00
365	4.50
405	5.00
486	6.00
567	7.00
648	8.00
729	9.00
810	10.00
891	11.00
972	12.00
1053	13.00
1134	14.00

9.1	1215	15.00
9.2	1296	16.00
9.3	1377	17.00
9.4	1458	18.00
9.5	1539	19.00
9.6	1620	20.00
9.7	1701	21.00
9.8	1782	22.00
9.9	1823	22.50
9.10	1863	23.00
9.11	1944	24.00
9.12	2025	25.00
9.13	2106	26.00
9.14	2187	27.00
9.15	2268	28.00
9.16	2349	29.00
9.17	2430	30.00
9.18	2511	31.00
9.19	2592	32.00
9.20	2673	33.00
9.21	2754	34.00
9.22	2834	35.00
9.23	2916	36.00
9.24	2997	37.00
9.25	3078	38.00
9.26	3159	39.00
9.27	3240	40.00
9.28	3321	41.00
9.29	3402	42.00
9.30	3483	43.00
9.31	3564	44.00
9.32	3645	45.00
9.33	3726	46.00
9.34	3807	47.00
9.35	3888	48.00
9.36	3969	49.00
9.37	4050	50.00
9.38	4131	51.00
9.39	4212	52.00
9.40	4293	53.00
9.41	4374	54.00
9.42	4455	55.00
9.43	4536	56.00

10.1	4617	57.00
10.2	4698	58.00
10.3	4779	59.00
10.4	4860	60.00
10.5	4941	61.00
10.6	5022	62.00
10.7	5103	63.00
10.8	5184	64.00
10.9	5265	65.00
10.10	5346	66.00
10.11	5427	67.00
10.12	5508	68.00
10.13	5589	69.00
10.14	5670	70.00
10.15	5751	71.00
10.16	5832	72.00
10.17	5913	73.00
10.18	5994	74.00
10.19	6075	75.00
10.20	6156	76.00
10.21	6237	77.00
10.22	6318	78.00
10.23	6399	79.00
10.24	6480	80.00
10.25	6561	81.00
10.26	6642	82.00
10.27	6723	83.00
10.28	6804	84.00
10.29	6885	85.00
10.30	6966	86.00
10.31	7047	87.00
10.32	7128	88.00
10.33	7209	89.00
10.34	7290	90.00
10.35	7371	91.00
10.36	7452	92.00
10.37	7533	93.00
10.38	7614	94.00
10.39	7695	95.00
10.40	7776	96.00
10.41	7857	97.00
10.42	7938	98.00
10.43	8019	99.00

11.1	8100	100.00
11.2	any amount in excess of	
11.3	8100	100.00

11.4 (d) For a defined benefit relief association in which the governing bylaws provide  
 11.5 for a lump-sum service pension to a retiring member, the maximum lump-sum service  
 11.6 pension amount for each year of service credited that may be provided for in the bylaws is  
 11.7 the greater of the service pension amount provided for in the bylaws on the date of the  
 11.8 calculation of the average amount of the available financing per active covered firefighter  
 11.9 or the maximum service pension figure corresponding to the average amount of available  
 11.10 financing per active covered firefighter for the applicable specified period:

11.11	Minimum Average Amount of Available	Maximum Lump-Sum Service
11.12	Financing per Firefighter	Pension Amount Payable for
11.13		Each Year of Service
11.14	\$ ...	\$ 10
11.15	11	20
11.16	16	30
11.17	23	40
11.18	27	50
11.19	32	60
11.20	43	80
11.21	54	100
11.22	65	120
11.23	77	140
11.24	86	160
11.25	97	180
11.26	108	200
11.27	131	240
11.28	151	280
11.29	173	320
11.30	194	360
11.31	216	400
11.32	239	440
11.33	259	480
11.34	281	520
11.35	302	560
11.36	324	600
11.37	347	640
11.38	367	680
11.39	389	720
11.40	410	760
11.41	432	800
11.42	486	900

12.1	540	1000
12.2	594	1100
12.3	648	1200
12.4	702	1300
12.5	756	1400
12.6	810	1500
12.7	864	1600
12.8	918	1700
12.9	972	1800
12.10	1026	1900
12.11	1080	2000
12.12	1134	2100
12.13	1188	2200
12.14	1242	2300
12.15	1296	2400
12.16	1350	2500
12.17	1404	2600
12.18	1458	2700
12.19	1512	2800
12.20	1566	2900
12.21	1620	3000
12.22	1672	3100
12.23	1726	3200
12.24	1753	3250
12.25	1780	3300
12.26	1820	3375
12.27	1834	3400
12.28	1888	3500
12.29	1942	3600
12.30	1996	3700
12.31	2023	3750
12.32	2050	3800
12.33	2104	3900
12.34	2158	4000
12.35	2212	4100
12.36	2265	4200
12.37	2319	4300
12.38	2373	4400
12.39	2427	4500
12.40	2481	4600
12.41	2535	4700
12.42	2589	4800
12.43	2643	4900



13.1	2697	5000
13.2	2751	5100
13.3	2805	5200
13.4	2859	5300
13.5	2913	5400
13.6	2967	5500
13.7	3021	5600
13.8	3075	5700
13.9	3129	5800
13.10	3183	5900
13.11	3237	6000
13.12	3291	6100
13.13	3345	6200
13.14	3399	6300
13.15	3453	6400
13.16	3507	6500
13.17	3561	6600
13.18	3615	6700
13.19	3669	6800
13.20	3723	6900
13.21	3777	7000
13.22	3831	7100
13.23	3885	7200
13.24	3939	7300
13.25	3993	7400
13.26	4047	7500
13.27	4101	7600
13.28	4155	7700
13.29	4209	7800
13.30	4263	7900
13.31	4317	8000
13.32	4371	8100
13.33	4425	8200
13.34	4479	8300
13.35	4533	8400
13.36	4587	8500
13.37	4641	8600
13.38	4695	8700
13.39	4749	8800
13.40	4803	8900
13.41	4857	9000
13.42	4911	9100
13.43	4965	9200

14.1	5019	9300
14.2	5073	9400
14.3	5127	9500
14.4	5181	9600
14.5	5235	9700
14.6	5289	9800
14.7	5343	9900
14.8	5397	10,000
14.9	any amount in excess of	
14.10	5397	10,000

14.11 (e) For a defined benefit relief association in which the governing bylaws provide  
 14.12 for a monthly benefit service pension as an alternative form of service pension payment  
 14.13 to a lump-sum service pension, the maximum service pension amount for each pension  
 14.14 payment type must be determined using the applicable table contained in this subdivision.

14.15 (f) If a defined benefit relief association establishes a service pension in compliance  
 14.16 with the applicable maximum contained in paragraph (c) or (d) and the minimum average  
 14.17 amount of available financing per active covered firefighter is subsequently reduced  
 14.18 because of a reduction in fire state aid or because of an increase in the number of active  
 14.19 firefighters, the relief association may continue to provide the prior service pension  
 14.20 amount specified in its bylaws, but may not increase the service pension amount until  
 14.21 the minimum average amount of available financing per firefighter under the table in  
 14.22 paragraph (c) or (d), whichever applies, permits.

14.23 (g) No defined benefit relief association is authorized to provide a service pension in  
 14.24 an amount greater than the largest applicable flexible service pension maximum amount  
 14.25 even if the amount of available financing per firefighter is greater than the financing  
 14.26 amount associated with the largest applicable flexible service pension maximum.

14.27 (h) The method of calculating service pensions must be applied uniformly for all  
 14.28 years of active service. Credit must be given for all years of active service except for caps  
 14.29 on service credit if so provided in the bylaws of the relief association.

14.30 Sec. 3. Minnesota Statutes 2014, section 424A.05, subdivision 2, is amended to read:

14.31 Subd. 2. **Special fund assets and revenues.** The special fund must be credited  
 14.32 with all fire state aid ~~moneys~~ and police and firefighter retirement supplemental state  
 14.33 aid received under sections 69.011 to 69.051 and 423A.022, all taxes levied by or other  
 14.34 revenues received from the municipality under sections 424A.091 to 424A.096 or any  
 14.35 applicable special law requiring municipal support for the relief association, any ~~moneys~~  
 14.36 funds or property donated, given, granted or devised by any person which is specified for

15.1 use for the support of the special fund and any interest or investment return earned upon  
15.2 the assets of the special fund. The treasurer of the relief association is the custodian of  
15.3 the assets of the special fund and must be the recipient on behalf of the special fund of  
15.4 all revenues payable to the special fund. The treasurer shall maintain adequate records  
15.5 documenting any transaction involving the assets or the revenues of the special fund.  
15.6 These records and the bylaws of the relief association are public and must be open for  
15.7 inspection by any member of the relief association, any officer or employee of the state or  
15.8 of the municipality, or any member of the public, at reasonable times and places.

15.9 Sec. 4. Minnesota Statutes 2014, section 424A.092, subdivision 3, is amended to read:

15.10 Subd. 3. **Financial requirements of relief association; minimum obligation of**  
15.11 **municipality.** (a) During the month of July, the officers of the relief association shall  
15.12 determine the overall funding balance of the special fund for the current calendar year,  
15.13 the financial requirements of the special fund for the following calendar year and the  
15.14 minimum obligation of the municipality with respect to the special fund for the following  
15.15 calendar year in accordance with the requirements of this subdivision.

15.16 (b) The overall funding balance of the special fund for the current calendar year must  
15.17 be determined in the following manner:

15.18 (1) The total accrued liability of the special fund for all active and deferred members  
15.19 of the relief association as of December 31 of the current year must be calculated under  
15.20 subdivisions 2 and 2a, if applicable.

15.21 (2) The total present assets of the special fund projected to December 31 of the  
15.22 current year, including receipts by and disbursements from the special fund anticipated to  
15.23 occur on or before December 31, must be calculated. To the extent possible, for those  
15.24 assets for which a market value is readily ascertainable, the current market value as of the  
15.25 date of the calculation for those assets must be utilized in making this calculation. For any  
15.26 asset for which no market value is readily ascertainable, the cost value or the book value,  
15.27 whichever is applicable, must be utilized in making this calculation.

15.28 (3) The amount of the total present assets of the special fund calculated under clause  
15.29 (2) must be subtracted from the amount of the total accrued liability of the special fund  
15.30 calculated under clause (1). If the amount of total present assets exceeds the amount of  
15.31 the total accrued liability, then the special fund is considered to have a surplus over full  
15.32 funding. If the amount of the total present assets is less than the amount of the total  
15.33 accrued liability, then the special fund is considered to have a deficit from full funding. If  
15.34 the amount of total present assets is equal to the amount of the total accrued liability, then  
15.35 the special fund is considered to be fully funded.

16.1 (c) The financial requirements of the special fund for the following calendar year  
16.2 must be determined in the following manner:

16.3 (1) The total accrued liability of the special fund for all active and deferred members  
16.4 of the relief association as of December 31 of the calendar year next following the current  
16.5 calendar year must be calculated under subdivisions 2 and 2a, if applicable.

16.6 (2) The increase in the total accrued liability of the special fund for the following  
16.7 calendar year over the total accrued liability of the special fund for the current year must  
16.8 be calculated.

16.9 (3) The amount of anticipated future administrative expenses of the special fund  
16.10 must be calculated by multiplying the dollar amount of the administrative expenses of the  
16.11 special fund for the most recent prior calendar year by the factor of 1.035.

16.12 (4) If the special fund is fully funded, the financial requirements of the special fund for  
16.13 the following calendar year are the total of the amounts calculated under clauses (2) and (3).

16.14 (5) If the special fund has a deficit from full funding, the financial requirements of  
16.15 the special fund for the following calendar year are the financial requirements of the  
16.16 special fund calculated as though the special fund were fully funded under clause (4) plus  
16.17 an amount equal to one-tenth of the original amount of the deficit from full funding of the  
16.18 special fund as determined under clause (2) resulting either from an increase in the amount  
16.19 of the service pension occurring in the last ten years or from a net annual investment loss  
16.20 occurring during the last ten years until each increase in the deficit from full funding is  
16.21 fully retired. The annual amortization contribution under this clause may not exceed the  
16.22 amount of the deficit from full funding.

16.23 (6) If the special fund has a surplus over full funding, the financial requirements of  
16.24 the special fund for the following calendar year are the financial requirements of the special  
16.25 fund calculated as though the special fund were fully funded under clause (4) reduced by an  
16.26 amount equal to one-tenth of the amount of the surplus over full funding of the special fund.

16.27 (d) The minimum obligation of the municipality with respect to the special fund is  
16.28 the financial requirements of the special fund reduced by the amount of any fire state aid  
16.29 and police and firefighter retirement supplemental state aid payable under sections 69.011  
16.30 to 69.051 and 423A.022 reasonably anticipated to be received by the municipality for  
16.31 transmittal to the special fund during the following calendar year, an amount of interest on  
16.32 the assets of the special fund projected to the beginning of the following calendar year  
16.33 calculated at the rate of five percent per annum, and the amount of any contributions to  
16.34 the special fund required by the relief association bylaws from the active members of the  
16.35 relief association reasonably anticipated to be received during the following calendar year.

17.1 A reasonable amount of anticipated fire state aid is an amount that does not exceed the fire  
17.2 state aid actually received in the prior year multiplied by the factor 1.035.

17.3 Sec. 5. Minnesota Statutes 2014, section 424A.092, subdivision 6, is amended to read:

17.4 Subd. 6. **Municipal ratification for plan amendments.** If the special fund of the  
17.5 relief association does not have a surplus over full funding under subdivision 3, paragraph  
17.6 (c), clause (5), and if the municipality is required to provide financial support to the special  
17.7 fund of the relief association under this section, the adoption of or any amendment to the  
17.8 articles of incorporation or bylaws of a relief association which increases or otherwise  
17.9 affects the retirement coverage provided by or the service pensions or retirement benefits  
17.10 payable from the special fund of any relief association to which this section applies is not  
17.11 effective until it is ratified by the governing body of the municipality served by the fire  
17.12 department to which the relief association is directly associated or by the independent  
17.13 nonprofit firefighting corporation, as applicable, and the officers of a relief association  
17.14 shall not seek municipal ratification prior to preparing and certifying an estimate of  
17.15 the expected increase in the accrued liability and annual accruing liability of the relief  
17.16 association attributable to the amendment. If the special fund of the relief association  
17.17 has a surplus over full funding under subdivision 3, paragraph (c), clause (5), and if the  
17.18 municipality is not required to provide financial support to the special fund of the relief  
17.19 association under this section, the relief association may adopt or amend its articles of  
17.20 incorporation or bylaws which increase or otherwise affect the retirement coverage  
17.21 provided by or the service pensions or retirement benefits payable from the special fund  
17.22 of the relief association which are effective without municipal ratification so long as this  
17.23 does not cause the amount of the resulting increase in the accrued liability of the special  
17.24 fund of the relief association to exceed 90 percent of the amount of the surplus over full  
17.25 funding reported in the prior year and this does not result in the financial requirements  
17.26 of the special fund of the relief association exceeding the expected amount of the future  
17.27 fire state aid and police and firefighter retirement supplemental state aid to be received  
17.28 by the relief association as determined by the board of trustees following the preparation  
17.29 of an estimate of the expected increase in the accrued liability and annual accruing  
17.30 liability of the relief association attributable to the change. If a relief association adopts or  
17.31 amends its articles of incorporation or bylaws without municipal ratification under this  
17.32 subdivision, and, subsequent to the amendment or adoption, the financial requirements  
17.33 of the special fund of the relief association under this section are such so as to require  
17.34 financial support from the municipality, the provision which was implemented without  
17.35 municipal ratification is no longer effective without municipal ratification and any service

18.1 pensions or retirement benefits payable after that date may be paid only in accordance with  
18.2 the articles of incorporation or bylaws as amended or adopted with municipal ratification.

18.3 Sec. 6. Minnesota Statutes 2014, section 424A.093, subdivision 5, is amended to read:

18.4 Subd. 5. **Minimum municipal obligation.** (a) The officers of the relief association  
18.5 shall determine the minimum obligation of the municipality with respect to the special  
18.6 fund of the relief association for the following calendar year on or before August 1 of each  
18.7 year in accordance with the requirements of this subdivision.

18.8 (b) The minimum obligation of the municipality with respect to the special fund is  
18.9 an amount equal to the financial requirements of the special fund of the relief association  
18.10 determined under subdivision 4, reduced by the estimated amount of any fire state  
18.11 aid and police and firefighter retirement supplemental state aid payable under sections  
18.12 69.011 to 69.051 and 423A.022 reasonably anticipated to be received by the municipality  
18.13 for transmittal to the special fund of the relief association during the following year  
18.14 and the amount of any anticipated contributions to the special fund required by the  
18.15 relief association bylaws from the active members of the relief association reasonably  
18.16 anticipated to be received during the following calendar year. A reasonable amount of  
18.17 anticipated fire state aid is an amount that does not exceed the fire state aid actually  
18.18 received in the prior year multiplied by the factor 1.035.

18.19 (c) The officers of the relief association shall certify the financial requirements of the  
18.20 special fund of the relief association and the minimum obligation of the municipality with  
18.21 respect to the special fund of the relief association as determined under subdivision 4 and  
18.22 this subdivision by August 1 of each year. The certification must be made to the entity that  
18.23 is responsible for satisfying the minimum obligation with respect to the special fund of the  
18.24 relief association. If the responsible entity is a joint powers entity, the certification must be  
18.25 made in the manner specified in the joint powers agreement, or if the joint powers agreement  
18.26 is silent on this point, the certification must be made to the chair of the joint powers board.

18.27 (d) The financial requirements of the relief association and the minimum municipal  
18.28 obligation must be included in the financial report or financial statement under section  
18.29 69.051.

18.30 (e) The municipality shall provide for at least the minimum obligation of the  
18.31 municipality with respect to the special fund of the relief association by tax levy or from  
18.32 any other source of public revenue. The municipality may levy taxes for the payment of the  
18.33 minimum municipal obligation without any limitation as to rate or amount and irrespective  
18.34 of any limitations imposed by other provisions of law or charter upon the rate or amount  
18.35 of taxation until the balance of the special fund or any fund of the relief association has

19.1 attained a specified level. In addition, any taxes levied under this section must not cause  
 19.2 the amount or rate of any other taxes levied in that year or to be levied in a subsequent year  
 19.3 by the municipality which are subject to a limitation as to rate or amount to be reduced.

19.4 (f) If the municipality does not include the full amount of the minimum municipal  
 19.5 obligation in its levy for any year, the officers of the relief association shall certify that  
 19.6 amount to the county auditor, who shall spread a levy in the amount of the minimum  
 19.7 municipal obligation on the taxable property of the municipality.

19.8 (g) If the state auditor determines that a municipal contribution actually made in a  
 19.9 plan year was insufficient under section 424A.091, subdivision 3, paragraph (c), clause  
 19.10 (5), the state auditor may request from the relief association or from the city a copy of  
 19.11 the certifications under this subdivision. The relief association or the city, whichever  
 19.12 applies, must provide the certifications within 14 days of the date of the request from  
 19.13 the state auditor.

19.14 Sec. 7. Minnesota Statutes 2014, section 424A.093, subdivision 6, is amended to read:

19.15 Subd. 6. **Municipal ratification for plan amendments.** If the special fund of the  
 19.16 relief association does not have a surplus over full funding under subdivision 4, and  
 19.17 if the municipality is required to provide financial support to the special fund of the  
 19.18 relief association under this section, the adoption of or any amendment to the articles of  
 19.19 incorporation or bylaws of a relief association which increases or otherwise affects the  
 19.20 retirement coverage provided by or the service pensions or retirement benefits payable from  
 19.21 the special fund of any relief association to which this section applies is not effective until it  
 19.22 is ratified by the governing body of the municipality served by the fire department to which  
 19.23 the relief association is directly associated or by the independent nonprofit firefighting  
 19.24 corporation, as applicable. If the special fund of the relief association has a surplus  
 19.25 over full funding under subdivision 4, and if the municipality is not required to provide  
 19.26 financial support to the special fund of the relief association under this section, the relief  
 19.27 association may adopt or amend its articles of incorporation or bylaws which increase or  
 19.28 otherwise affect the retirement coverage provided by or the service pensions or retirement  
 19.29 benefits payable from the special fund of the relief association which are effective without  
 19.30 municipal ratification so long as this does not cause the amount of the resulting increase in  
 19.31 the accrued liability of the special fund of the relief association to exceed 90 percent of  
 19.32 the amount of the surplus over full funding reported in the prior year and this does not  
 19.33 result in the financial requirements of the special fund of the relief association exceeding  
 19.34 the expected amount of the future fire state aid and police and firefighter retirement  
 19.35 supplemental state aid to be received by the relief association as determined by the

board of trustees following the preparation of an updated actuarial valuation including the proposed change or an estimate of the expected actuarial impact of the proposed change prepared by the actuary of the relief association. If a relief association adopts or amends its articles of incorporation or bylaws without municipal ratification pursuant to this subdivision, and, subsequent to the amendment or adoption, the financial requirements of the special fund of the relief association under this section are such so as to require financial support from the municipality, the provision which was implemented without municipal ratification is no longer effective without municipal ratification and any service pensions or retirement benefits payable after that date may be paid only in accordance with the articles of incorporation or bylaws as amended or adopted with municipal ratification.

Sec. 8. **EFFECTIVE DATE.**

Sections 1 to 7 are effective the day following final enactment.

**ARTICLE 4**

**RELIEF ASSOCIATION ESTABLISHMENT AND MEMBERSHIP ISSUES**

Section 1. Minnesota Statutes 2014, section 424A.001, is amended by adding a subdivision to read:

Subd. 12. **Membership start date.** Membership in a volunteer firefighters relief association begins upon the date of hire by a municipality, a joint powers board, or an independent nonprofit firefighting corporation with which the relief association is directly associated, unless otherwise specified in the relief association bylaws.

**EFFECTIVE DATE.** This section is effective January 1, 2016.

Sec. 2. Minnesota Statutes 2014, section 424A.002, subdivision 1, is amended to read:

Subdivision 1. **Authorization.** A municipal fire department or an independent nonprofit firefighting corporation, with approval by the applicable municipality or municipalities, may establish a new volunteer firefighters relief association or may retain an existing volunteer firefighters relief association. A municipal fire department or an independent nonprofit firefighting corporation may be associated with only one volunteer firefighters relief association at one time.

**EFFECTIVE DATE.** This section is effective the day following final enactment.



APPENDIX  
Article locations in 15-2054

ARTICLE 1	DISBURSEMENT AND ACCOUNTING ISSUES .....	Page.Ln 1.12
ARTICLE 2	BENEFIT ISSUES .....	Page.Ln 4.31
ARTICLE 3	STATE AID REFERENCES .....	Page.Ln 6.14
	RELIEF ASSOCIATION ESTABLISHMENT AND MEMBERSHIP	
ARTICLE 4	ISSUES .....	Page.Ln 20.13