



H.F. 1204
(O'Driscoll)

S.F. 1140
(Pappas)

Executive Summary of Commission Staff Materials

<u><i>Affected Pension Plan(s):</i></u>	Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan (PERA-SVFRP)
<u><i>Relevant Provisions of Law:</i></u>	Minnesota Statutes, Chapter 353G
<u><i>General Nature of Proposal:</i></u>	PERA Volunteer Fire Advisory Board recommendations
<u><i>Date of Summary:</i></u>	March 4, 2015

Specific Proposed Changes

- Implements the June 2014 recommendations of the Public Employees Retirement Association Volunteer Fire Advisory Board, which are:
 - Clarification of short service defined contribution plan alternative benefit. (*Sec. 1*)
 - Expansion of available retirement plan service pension levels. (*Sec. 2-3*)
 - Revised time frame and deadline date for service pension level change elections. (*Sec. 4*)
 - Clarification of portable service pension eligibility and computation. (*Sec. 6-7*)

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of proposed change in short statewide retirement plan service duration alternative benefit. (*Sec. 1*)
2. Appropriateness of the increased multiplicity of service pension levels. (*Sec. 2-3*)
3. Appropriateness of benefit increase approval deadline extension. (*Sec. 4*)
4. Appropriateness of proposed portability changes. (*Sec. 6-7*)

Potential Amendments

No suggested amendments by Commission staff.

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TO: Members of the Legislative Commission on Pensions and Retirement

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

RE: H.F. 1204 (O'Driscoll); S.F. 1140 (Pappas): Statewide Volunteer Fire Plan;
Plan Modifications Recommended by the PERA Volunteer Fire Advisory Board

DATE: March 4, 2015

General Summary of H.F. 1204 (O'Driscoll); S.F. 1140 (Pappas)

H.F. 1204 (O'Driscoll); S.F. 1140 (Pappas) amends portions of Minnesota Statutes, Chapter 353G, the governing law for the Statewide Lump-Sum Volunteer Firefighter Retirement Plan administered by the Public Employees Retirement Association (PERA-SVF), to implement the June 2014 recommendations of the PERA Volunteer Fire Advisory Board, which are the following:

1. Clarification of Short Service Defined Contribution Plan Alternative Benefit. For active statewide plan members entering the statewide plan from a prior defined contribution volunteer firefighter relief association and who retire before acquiring five years of good time service credit that is required to receive the retirement plan's service pension level selected by the applicable municipality or fire department, the calculation of the alternative service pension is clarified to be the vested portion of the member's prior defined contribution account amount rather than the full account amount (Sec. 1);
2. Expansion of Available Retirement Plan Service Pension Levels. The number of service pension levels available for election under the statewide retirement plan was expanded from the current 20 levels to 71 levels, set at \$100 increments between \$500 per year of service credit and \$7,500 per year of service credit, with fire departments currently operating under a service pension level proposed for discontinuation grandfathered in until a different available service pension level is selected (Sec. 2-3);
3. Revised Time Frame and Deadline Date for Service Pension Level Change Elections. The period that a municipality or nonprofit firefighting corporation has to act on a proposed service pension level increase is extended from 90 days to 120 days, the annual deadline for municipal or corporate action of April 30 is eliminated, the effective date for the service pension level increase is permitted to be delayed one year if the municipality or corporation so specifies in its approval document, and provision is made for a recalculation of the account funding requirements by PERA if the increase proposal will be considered after April 30 (Sec. 4); and
4. Clarification of Portable Service Pension Eligibility and Computation. The vesting requirement for a portable service pension for service credited by more than one account in the retirement plan is clarified not to apply to concurrent service in multiple fire departments and the portable service pension calculation provision is clarified by specifying that the vesting percentages of the retirement plan for service less than 20 years applies in the event of a portable service pension based on the total service in all accounts in the plan in which the person has credit (Sec. 6-7).

Section-by-Section Summary

A section-by-section summary of H.F. 1204 (O'Driscoll); S.F. 1140 (Pappas) is attached.

Background Information on Relevant Topics

Attached is information that may be relevant to Commission members when considering the legislation:

- **Attachment A:** Background information on the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan of the Public Employees Retirement Association

Discussion and Analysis

H.F. 1204 (O'Driscoll); S.F. 1140 (Pappas), the recommendations of the Public Employees Retirement Association (PERA) Volunteer Fire Advisory Board, clarifies the short service former defined contribution retirement plan alternative benefit for members of defined contribution volunteer firefighters

relief associations that recently joined the statewide volunteer firefighter retirement plan, expands from 20 to 71 the number of lump sum retirement benefit levels available to be selected by the fire department on or after joining the plan, revises the timeframe and deadline date for electing retirement benefit level changes, and clarifies the eligibility for and computation of portable retirement benefits.

The proposed legislation raises several pension and related public policy issues for consideration by and possible discussion between members of the Commission, including the following:

1. Appropriateness of Proposed Change in Short Statewide Retirement Plan Service Duration Alternative Benefit. (Sec. 1) The policy issue is whether it is appropriate to limit to the vested benefit the alternative benefit payable to a retiring firefighter in a fire department with a prior defined contribution volunteer firefighter relief association when firefighter service ends before acquiring five years of credit in the statewide plan. Current law provides a benefit equal to the person's account balance and the proposed legislation would clarify that the amount is that for which the terminating firefighter is vested. Seven former defined contribution volunteer firefighter relief associations have joined the statewide plan, all with prorated service pension amounts if their service length is under 20 years. Making the proposed change would remove a potential incentive for firefighters in these seven fire departments who are age 50 to leave the fire department before completing five years in the statewide plan to obtain an alternative benefit amount equal to their full account balance rather than reduced based on the vesting schedule.
2. Appropriateness of the Increased Multiplicity of Service Pension Levels. (Sec. 2-3) The policy issue is whether or not it is appropriate to expand the current range of service pension levels provided by the statewide retirement plan from 20 to 71. The Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan is an agent multiple-employer retirement plan, meaning that the plan uses a common plan administration covering firefighters from a number of fire departments, but each fire department has a separate account with a separate amount of pension liability and credit for a separate amount of assets, which are invested in common. This differs from a cost-sharing multiple employer retirement plan, as the other defined benefit retirement plans administered by the Public Employees Retirement Association (PERA) are. An agent multiple-employer retirement plan gains some economies of scale and professionalism of plan administration, but does not obtain the funding economy of scale from utilizing a large risk pool that a cost-sharing multiple-employer retirement plan. The current set of service pension levels provided by the statewide plan could be a step, but is not necessarily a step, toward a cost-sharing retirement plan. Increasing the range of service pension levels reduces any potential for more uniformity in retirement benefits for firefighters across the state. Currently, whether firefighter pension coverage is provided by local volunteer firefighter relief associations or by the agent statewide retirement plan, service pension benefits cover a relatively broad range. This primarily reflects the variability in the funding available for firefighter pension coverage on a per firefighter basis. The largest source of funding for volunteer firefighter pension coverage is state aid, Fire State Aid since the 1880s and Police and Fire Retirement Supplemental State Aid since 2013. Because of the minimum fire state aid program, enacted in 1996 (Laws 1996, Ch. 438, Art. 4, Sec. 2, 9), all volunteer firefighters with pension coverage receive at least a minimum amount of fire state aid transmitted to their retirement plans on their behalf. For the October 1, 2014, fire state aid distribution, the minimum fire state aid amount, applicable to over one-half of the volunteer fire retirement plans, was \$455.54 per firefighter. In 2014, 29 municipalities or independent nonprofit firefighting corporations received fire state aid in excess of \$4,000.00 per firefighter, as follows:

Municipality/NPFC	Per FF \$ Amount	Municipality/NPFC	Per FF \$ Amount	Municipality/NPFC	Per FF \$ Amount
Apple Valley	6,973.79	Elk River	4,423.80	Owatonna	4,156.89
Bemidji	4,960.81	Grand Rapids	4,019.91	Plymouth	12,045.49
Brainerd	5,451.28	Hastings	4,390.67	Prior Lake	5,238.95
Brooklyn Park	9,893.84	Inver Grove Heights	4,821.61	Ramsey	4,740.94
Chanhassen	4,334.37	Lake Johanna	7,049.97	Roseville	5,599.33
Coon Rapids	7,890.77	Lakeville	8,388.53	Shakopee	6,016.59
Cottage Grove	4,718.53	Maple Grove	10,113.13	Spring Lake Park	10,501.40
Eagan	9,909.44	Maplewood	5,752.55	West Metro Fire	5,420.45
Eden Prairie	11,120.84	Minnetonka	9,259.95	White Bear Lake	5,819.03
Edina	10,080.27	Northfield	4,099.64		

In addition to fire state aid, under the Police and Fire Retirement Supplemental State Aid Program, municipalities also received an additional amount equal to 24.19% of their fire state aid amount.

Volunteer fire pension funding, based to some degree on the population and the property value of the area served by the fire department, has some correlation with the need for firefighters and firefighting services, although how strong the correlation is remains unstudied and uncertain.

3. Appropriateness of Benefit Increase Approval Deadline Extension. (Sec. 4) The policy issue is whether or not it is appropriate to extend the period that the municipality or municipalities associated with the fire department have to approve a proposed service pension increase from 90 days to 120 days. The deadline for the approval of the initial action to transfer retirement coverage from the local volunteer firefighter relief association to the statewide retirement plan was increased from 90 days to 120 days in 2013. The plan has had only limited expansion with benefit increase actions, but have had problems with timely municipal action when increases have been requested. The problem giving rise to missing a three-month deadline could be a carryover from the operation of the predecessor local volunteer firefighter relief association period, where no deadline is specified in statute, that will correct itself with time or that the fire departments joining the statewide retirement plan to date are from more rural parts of the state, where city councils may meet less frequently than in larger municipalities.

4. Appropriateness of Proposed Portability Changes. (Sec. 6-7) The policy issue is whether or not the clarifications proposed by the statewide retirement plan advisory board to the portability provision of the plan are appropriate. The statewide attempts to make retirement coverage portable for firefighters with at least five years of coverage in total in the statewide retirement plan with fire departments covered by the statewide plan. The Public Employees Retirement Association (PERA) has identified a lack of specificity in the portability provision with respect to how the vesting schedule is to be applied in a portability situation and with respect to how the mechanism applies to a firefighter with concurrent service in two or more fire department covered by the retirement plan. The advisory board, after reviewing various examples of potential benefit calculations prepared by PERA, concluded that the vesting schedule should not apply to concurrent fire department service situations, but should apply to non-concurrent service in more than one fire department based on the total service credited by the plan rather than in each isolated instance.

Section-by-Section Summary of H.F. 1204 (O'Driscoll); S.F. 1140 (Pappas)

Sec.	Pg.Ln	Stat. Provision	General Topic	Summary
1	1.11	353G.09, Subd. 3	Pension amount during first five years	Clarifies, for former members of a defined contribution volunteer firefighter relief association, the amount of the alternative service pension for active members retiring before obtaining at least five years of good time service credit covered by the retirement plan as the vested pre-plan benefit.
2	2.13	353G.11, Subd. 1	Service pension levels	Eliminates the current 20 service pension levels, with \$100 increments under \$1,000 per year of service, \$250 increments between \$1000 and \$1,500 per year of service, and \$500 increments above \$1,500 per year of service, with 72 levels of service pensions at \$100 increments between \$500 and \$7,500 per year of service.
3	3.6	353G.11, Subd. 1a	Grandparented non-conforming service pension levels	Designates the grandparented \$750 service pension level eliminated in 2010 as paragraph (a) and adds, as paragraph (b), a grandparenting of any service pension levels in effect at the time the change in section 2 is enacted.
4	3.19	353G.11, Subd. 2	Time limit and effective date for service pension level change	Extends the time period deadline for municipal consideration of a service pension change from 90 days to 120 days, sets the default effective date for the level change to the next following January 1 unless the municipality specifies a one-year delay, and provides for a recalculation and recertification of municipal funding requirements for service level change approvals later than April 30.
5	4.1	353G.11, Subd. 4	Ancillary benefit prohibition	Specifies an exception by cross-reference for disability coverage provided through insurance.
6	4.5	353G.13, Subd. 1	Portability service pension eligibility	Clarifies that eligibility for a service pension with good time service involving more than one participating fire department is based on non-concurrent service periods.
7	4.13	353G.13, Subd. 2	Portable service pension computation	Clarifies that the portability service pension must be calculated recognizing the plan's vesting percentage provision.
8	4.22	--	Effective date	Sets a July 1, 2015, effective date.

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**Background Information on the
Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan
of the Public Employees Retirement Association**

1. Creation; Establishment. After several years of discussion and study, in 2009 (Laws 2009, Ch. 169, Art. 9), the Legislature created the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan.
2. Approach. The Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan is not a cost-sharing multiple employer retirement plan, but is an aggregation of liability and funding requirement-distinct former volunteer firefighter relief associations that operate under a single benefit plan, wholly set forth in statute, administered by a single retirement plan administration, the Public Employees Retirement Association (PERA), invested by a single investment agency, the State Board of Investment, and represented in legal affairs by a single counsel, the Attorney General of Minnesota.
3. Management; Administration. The Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan is administered by the local government statewide retirement plan administration, the Public Employees Retirement Association (PERA). The PERA board of trustees exercises the policy-making, management, and administrative functions related to the retirement plan, conducted by the PERA executive director and the PERA administrative staff. In undertaking its duties, the PERA board of trustees and the PERA executive director are governed by state law, the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan law, Minnesota Statutes, Chapter 353G, and the Public Pension Fiduciary Responsibility law, Minnesota Statutes, Chapter 356A.

To assist the PERA board of trustees and the PERA executive director, Minnesota Statutes, Section 353.03, establishes an advisory board, which is to advise the PERA board about the retirement coverage needs of volunteer firefighters and about the legislative and administrative changes that would assist the retirement plan in accommodating volunteer firefighters who are not members of the plan.

The advisory board consists of seven members:

- one representative from townships, appointed by the Minnesota Association of Townships
- two representatives from Minnesota cities, appointed by the League of Minnesota Cities
- one Fire Chief, appointed by the Minnesota State Fire Chiefs Association
- two volunteer firefighters, appointed by the Minnesota State Fire Departments Association
- one representative of the State Auditor's Office, designated by the state auditor.

The initial terms on the advisory board for the Minnesota townships representative and the Minnesota fire chiefs' representative are one year. The initial terms on the advisory board for one of the Minnesota cities representatives and one of the Minnesota active volunteer firefighter representatives are two years. The initial terms on the advisory board for the other Minnesota cities representative and the other Minnesota active volunteer firefighter representative are three years. The term for the Office of the State Auditor representative is determined by the state auditor. Subsequent terms on the advisory board other than the Office of the State Auditor representative are three years.

The administrative expenses of PERA with respect to the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan have been as follows.

<u>Year</u>	<u>Total Amount</u>	<u>Per Firefighter</u>
FY2011	\$7,709	\$30
FY2012	\$21,000	\$30
FY2013	\$38,000	\$30
FY2014	\$71,000	\$30

4. Membership. Membership by volunteer firefighters in the voluntary statewide lump-sum volunteer firefighter retirement plan is a function of an election by municipalities or independent nonprofit firefighting corporations, which applies to all firefighters providing employment on an emergency on-call basis in the fire department associated with the electing municipality or nonprofit corporation.

The municipality or independent nonprofit firefighting corporation can elect coverage by the statewide plan. The process is initiated by requesting a cost analysis, to be based on the service pension level closest to the relief association's current level rounded up, using financial and demographic information available from the State Auditor. If there is no relief association, the cost analysis is based on the lowest service pension level provided in the statewide plan. The election of coverage provision, as it relates to defined contribution plans, was revised by providing that the service pension level cost estimate for an association contemplating coverage by statewide volunteer fire retirement plan is the

service pension amount of the available levels that is closest to 95% of the current average account balance of the defined contribution plan members. The State Board of Investment will review the association's portfolio for consistency with permissible investment law and the State Board of Investment investment policy. The municipality or independent nonprofit firefighting corporation has 90 days from the date the cost analysis becomes available to approve or disapprove coverage by the statewide plan. If approved, the local relief association special fund is dissolved as of December 31, statewide plan coverage commences and special fund assets are transferred to an account in the statewide plan fund. Statewide plan coverage commences on January 1. The voluntary statewide plan is the successor in interest to the local volunteer firefighter relief association.

5. Benefit Plan; Service Credit; Vesting; Lump Sum Service Pensions

- a. Service Crediting. "Good time service credit" is the length of the service credit for an active firefighter as reported by the respective fire chief based on the minimum firefighter activity standards of the fire department, either monthly or annually, as determined by the respective fire chief. The fire chief is required to notify individuals about the determination of good time service credit for the prior year by late January, with individuals having 60 days to contest any determinations. By March 31, the fire chief must provide the good time service credit determinations to PERA. Individuals providing military service must be credited with a full year of good time service credit for each year of service, up to the applicable limits under the Uniformed Service Employment and Reemployment Rights Act (USERRA). If the individual fails to return to provide fire services within the timelines required by USERRA, the applicable service credit is forfeited.
- b. Vesting. Volunteer firefighters with at least five years of good time service credit who are at least age 50 and who separated from active fire department service for at least 30 days may apply for a benefit. Firefighters partially vest with five years of good time service credit and fully vest with at least 20 years of good time service credit. For plan members who retire before rendering at least five years of service under the statewide plan, a service pension calculated at the benefit level of the prior volunteer fire relief association is payable as an alternative amount. For plan members who previously were covered by local defined contribution plans and who retire within five years of commencing coverage under the statewide plan, the alternative service pension amount is the retiring member's account balance as of first coverage by the statewide plan plus 6% annual compound interest from that date until retirement.
- c. Deferred Service Pension. Volunteer firefighters who vest for a service pension but are under age 50 when terminating active fire department service are entitled to a deferred service pension, payable without any interest over the deferral period.
- d. Benefit Levels, Ancillary Benefits, and Changing Benefit Levels. The statewide plan offers 20 levels of service pension, from a low of \$500 per year of good time service credit to a high of \$7,500 per year of good time service credit. Annually, after obtaining a cost estimate from PERA for a new service pension level, the governing body of the entity operating the fire department may approve the selection of a higher service pension level. Retiring volunteer firefighters also qualify for the state supplemental volunteer fire lump-sum benefit established in 1988. The ancillary benefit the plan initially offered was a survivor benefit in an amount equal to a service pension assuming the member had died at age 50. The plan may provide disability coverage through outside casualty insurance.
- e. Pension Portability. A volunteer firefighter with at least five years of good time service credit in two or more accounts in the statewide plan can receive a combined service pension based on all good time service credit periods, with the total benefit amount equal to the sum of the benefit amounts payable from each applicable account.
- f. Purchase of Annuity Contracts. In lieu of a direct receipt of a lump-sum service pension, a retiring volunteer firefighter may request that the voluntary statewide lump-sum volunteer firefighter retirement plan purchase an annuity contract from an insurance company if the insurance company is licensed to do business in Minnesota and if the annuity payments do not begin before age 50.
- g. Transfers to Individual Retirement Account (IRA) Permitted. In lieu of direct receipt, a retiring volunteer firefighter who is at least age 50 may elect to have the service pension amount transferred on an institution-to-institution basis to an individual retirement account.
- h. Exemption from Garnishment. The voluntary statewide lump-sum volunteer firefighter retirement plan assets and benefits are exempt from assignment or garnishment, except in cases of marital dissolutions.

6. Retirement Fund. A separate fund was created in the State Treasury, to voluntary statewide lump-sum volunteer firefighter retirement fund, to contain the assets related to the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan.
7. Contributions. Annually, PERA determines the funding requirements of each volunteer firefighter account in the voluntary statewide lump-sum volunteer firefighter retirement fund. The requirements are the sum of the account’s annual accruing liability, a proportional portion of the plan’s administrative expenses, and the account’s amortization contribution, with the amortization contributions set at one-tenth of the unfunded actuarial accrued liability of the account. The special additional municipal contribution initially required to offset any decline in the asset value of the relief association special fund prior to joining the statewide plan was eliminated. If there are three years of funding surpluses, a credit of one-tenth of the surplus is taken to reduce the contribution requirement. The required contribution is the amount of the funding requirements in excess of the most recent fire state aid amount attributable to the fire department. A special municipal contribution requirement was added if a statewide plan account has insufficient assets to cover current benefit payments. Unpaid required contributions are subject to regular PERA collection procedures.
8. Investment. The Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan is invested exclusively in the Volunteer Firefighter Account of the Minnesota Supplemental Investment Fund. The Volunteer Firefighter Account uses a balanced asset mix investment approach to provide long-term returns by investing in a diversified mix of domestic stock, international stock, bonds and money market securities. While holdings will vary day to day, the targeted asset mix is 35% domestic stocks, 15% international stocks, 45% fixed income, and 5% cash.

The domestic stock segment is passively managed and is indexed to the Russell 3000, a market index that reflects the broad U.S. stock market. The international stock segment is actively and passively managed and is invested primarily in large, developed international markets such as Japan, the United Kingdom, Canada, France, Germany, and Australia, with a portion invested in developing countries, or emerging markets, in Asia, Latin America, Eastern Europe, the Middle East and Africa. The fixed income segment is actively managed and includes high-quality corporate bonds and mortgage securities as well as U.S. Government issues. The cash segment is invested in a short-term fund of high-quality money market instruments.

The investment performance for the period that the Volunteer Firefighter Account has been in existence is as follows:

Calendar Year	Total Time-Weighted Rate of Return
2010	12.3%
2011	1.1%
2012	11.6%
2013	13.0%
2014	6.5%

The target rate of return for the Volunteer Firefighter Account is 6.5%.

9. Participating Fire Departments. Since January 1, 2010, 92 municipal fire departments or independent nonprofit firefighting corporations have joined the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan, as follows:

Year	Number
1/1/2010	6
1/1/2011	12
1/1/2012	17
1/1/2013	28
1/1/2014	16
1/1/2015	13

The following are the individual municipality or nonprofit firefighting corporation results for the voluntary statewide lump-sum volunteer firefighter retirement plan as of June 30, 2014:

<div>FIRE DEPARTMENT</div>	Active Members	Benefit Per Year of Service	Net Assets	Accrued Liability	Funding Ratio	Normal Cost (CY14)	2014 Fire State Aid	2015 Required Contrib.
Albert Lea (Township)	21	\$2,000	\$206,359	\$226,109	91%	\$25,512	\$ 7,355	\$13,826
Alborn (Township)	22	500	180,926	118,061	153%	8,363	11,881	0
Alden (City)	25	500	174,915	140,937	124%	10,846	13,578	0
Ashby (City)	28	700	356,738	281,819	127%	16,815	13,321	0
Barnum (City)	26	700	261,714	134,723	194%	13,921	13,012	0
Biwabik (Township)	21	900	213,856	171,781	124%	11,005	12,447	0
Brandon (City)	29	1,000	262,945	253,871	104%	22,924	13,183	0
Breitung (Township)	22	1,000	275,091	180,554	152%	14,420	12,447	0
Brevator (Township)	18	700	206,142	166,077	124%	11,022	6,789	0
Buyck VFD	12	500	66,916	24,807	270%	3,884	8,185	0
Canby (City)	27	1,250	406,283	224,766	181%	23,647	24,985	0
Carsonville (Township)	31	500	169,262	80,387	211%	9,508	17,657	0
Central Lakes VFD	20	500	0	3,290	0%	5,464	11,315	6,580
Clifton (Township)	26	1,250	331,415	194,264	171%	18,973	12,584	0
Colvill VFD	16	500	94,059	65,261	144%	7,347	9,549	0
Crane Lake VFD	12	700	108,276	74,268	146%	8,893	8,408	0
Dalbo VFD	21	1,500	403,936	363,538	111%	29,291	15,583	0
DeGraff (City)	13	500	19,031	14,476	131%	4,396	6,223	0
Dent (City)	34	900	334,916	341,921	98%	18,847	17,997	0
Eagle's Nest (Township)	13	500	0	1,764	0%	3,739	7,355	362
Echo (City)	19	700	259,311	206,820	125%	13,060	9,889	0
Elbow Tulaby Lakes VFD	13	600	92,777	66,068	140%	6,388	9,773	0
Ellsburg VFD	15	900	96,902	69,820	139%	8,884	4,774	477
Embarrass Region VFD	29	500	186,087	100,067	186%	7,800	10,231	0
Emmons (City)	23	700	344,209	223,686	154%	14,035	10,749	0
Evergreen VFD	13	500	0	2,179	0%	3,625	7,355	4,357
Fairfax (City)	26	1,500	315,100	260,074	121%	22,841	23,593	0
Federal Dam VFD	12	500	116,004	47,385	245%	3,091	7,503	0
Fredenberg VFD	22	1,000	257,049	241,837	106%	15,448	10,913	0
Gilbert (City)	22	1,250	246,566	237,313	104%	22,543	11,315	0
Gnesen VFD	28	1,500	232,124	289,221	80%	26,632	16,311	11,126
Grand Lake (Township)	31	1,500	397,603	336,436	118%	24,319	20,462	0
Grand Marais (City)	25	1,250	339,134	283,413	120%	21,685	19,338	0
Granite Falls (City)	34	1,500	436,102	411,776	106%	41,744	28,807	0
Hardwick (City)	27	500	137,364	114,733	120%	9,317	12,171	0
Hewitt (City)	17	700	149,132	125,774	119%	9,261	8,486	0
Houston (City)	28	1,250	368,439	321,794	114%	30,978	15,772	0
Hovland VFD	13	1,250	143,230	53,259	269%	11,068	9,100	0
Industrial VFD	19	1,000	295,476	275,242	107%	14,833	10,913	0
Lake Bronson (City)	28	500	126,147	78,272	161%	10,278	14,144	0
Lakeland VFD	23	1,000	277,914	216,710	128%	17,506	11,595	0
Le Sueur (City)	27	3,500	871,713	813,265	107%	78,008	39,003	190
Lester Prairie (City)	29	1,000	308,900	356,193	87%	28,476	15,841	0
Lexington (City)	25	3,000	489,936	421,383	116%	49,187	10,749	11,666
Linwood (Township)	31	2,000	685,506	543,558	126%	50,733	25,072	0
Lutsen (Township)	21	1,500	202,146	196,336	103%	23,264	15,918	0
Mahtowa (Township)	24	500	162,229	97,064	167%	10,410	12,447	0
Manchester (City)	15	1,000	131,995	33,126	398%	9,980	9,052	0
Mayer (City)	35	2,000	657,182	575,136	114%	53,557	15,275	3,979
McKinley (City)	13	600	107,386	84,527	127%	6,715	7,921	0
Melrose (City)	29	1,500	395,703	342,318	116%	30,436	30,049	0
Mountain Iron (City)	22	2,000	321,972	259,826	124%	29,118	13,871	0
Normanna (Township)	13	500	53,022	25,338	209%	4,772	4,073	0
North Star (Township)	24	500	73,670	75,072	98%	8,885	9,052	0
Northhome (City)	20	700	141,459	153,003	92%	11,110	9,618	0
Norwood								
Young America (City)	34	2,000	591,627	659,846	90%	59,760	26,230	18,780
Oak Grove (City)	46	2,500	1,201,019	1,074,419	112%	86,310	86,310	0
Oakdale VFD	45	5,000	2,311,392	1,870,067	124%	183,046	173,417	0
Ogilvie (City)	30	1,250	280,191	316,165	89%	33,800	17,173	11,100
Osakis (City)	21	3,000	563,493	528,260	107%	52,926	26,618	2,496
Ottertail (City)	24	750	467,869	292,885	160%	13,522	17,179	0
Palo VFD	20	1,000	312,731	229,685	136%	17,664	12,447	0
Pennock (City)	24	900	320,065	253,672	126%	19,944	17,129	0
Pequaywan Lake VFD	15	500	68,205	51,151	133%	5,973	8,867	0
Porter (City)	28	500	497,296	257,445	193%	11,101	13,578	0
Rice Lake (Township)	19	2,000	600,274	508,446	118%	36,197	19,564	0
Scandia (City)	25	2,500	690,898	628,882	110%	53,659	30,263	0
Scandia Valley (Township)	22	1,250	335,917	263,081	128%	18,692	14,682	0
Shevlin (City)	19	800	262,732	192,979	136%	12,686	9,052	0
Shenburg (City)	25	500	160,060	144,645	111%	11,933	13,012	0
Tower (City)	22	600	142,857	77,915	183%	9,933	8,486	0
Twin Valley (City)	27	1,000	348,347	284,772	122%	17,135	11,881	0
Ulen (City)	26	700	201,532	189,207	107%	15,492	13,578	0
Victoria (City)	45	3,000	916,358	979,981	94%	81,081	54,409	0
Waite Park (City)	31	2,500	837,948	865,705	97%	60,278	38,066	0
Warba - Feeley - Sago (City/Twp)	21	600	183,134	108,779	168%	11,571	10,749	0
Willmar (City)	45	2,500	1,062,242	927,267	115%	86,391	98,932	0
Wolf Lake (City)	31	1,000	220,322	194,400	113%	14,404	13,226	0
Wright (City)	19	1,250	139,047	79,906	174%	11,005	7,355	0

The figures are unaudited. Net assets represent the market value of investments in each entity's account. Accrued liabilities and normal cost are approximations based on spreadsheets approved by PERA's actuary, but are not calculated by the actuary.

Fire State Aid and Police and Fire Retirement Supplemental State Aid are paid by the state and deposited into each fire department's account on October 1, annually.

Required contributions are due from the entity sponsoring each fire department by December 31, annually.

Source: PERA FY2014 Comprehensive Annual Financial Report, pp. 82-83

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1204

02/25/2015 Authored by O'Driscoll

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; voluntary statewide lump-sum volunteer firefighter retirement plan; clarifying the calculation of the short service alternative pension computation for former defined contribution relief association members; adding additional service pension levels; relaxing certain deadlines for approval of service pension level increases; clarifying the application of the vesting provisions for portable service pensions; amending Minnesota Statutes 2014, sections 353G.09, subdivision 3; 353G.11, subdivisions 1, 1a, 2, 4; 353G.13, subdivisions 1, 2.

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

Section 1. Minnesota Statutes 2014, section 353G.09, subdivision 3, is amended to read:

Subd. 3. **Alternative pension eligibility and computation.** (a) An active member of the retirement plan is entitled to an alternative lump-sum service pension from the retirement plan if the person:

(1) has separated from active service with the fire department for at least 30 days;

(2) has attained the age of at least 50 years or the age for receipt of a service pension under the benefit plan of the applicable former volunteer firefighters relief association as of the date immediately ~~prior to~~ before the election of the retirement coverage change, whichever is later;

(3) has completed at least five years of active service with the fire department and at least five years in total as a member of the applicable former volunteer firefighters relief association or of the retirement plan, but has not rendered at least five years of good time service credit as a member of the retirement plan; and

(4) applies in a manner prescribed by the executive director for the service pension.

(b) If retirement coverage ~~prior to~~ before statewide retirement plan coverage was provided by a defined benefit plan volunteer firefighters relief association, the alternative

lump-sum service pension is the service pension amount specified in the bylaws of the applicable former volunteer firefighters relief association either as of the date immediately ~~prior to~~ before the election of the retirement coverage change or as of the date immediately before the termination of firefighting services, whichever is earlier, multiplied by the total number of years of service as a member of that volunteer firefighters relief association and as a member of the retirement plan. If retirement coverage ~~prior to~~ before statewide retirement plan coverage was provided by a defined contribution plan volunteer firefighters relief association, the alternative lump-sum service pension is an amount equal to that portion of the person's account balance that the person was vested for as of the date immediately ~~prior to~~ before the date on which statewide retirement plan coverage was first provided to the person plus six percent annual compound interest from that date until the date immediately ~~prior to~~ before the date of retirement.

Sec. 2. Minnesota Statutes 2014, section 353G.11, subdivision 1, is amended to read:

Subdivision 1. **Service pension levels.** (a) Except as provided in subdivision 1a, the retirement plan provides the following levels of service pension amounts per full year of good time service credit to be selected at the election of coverage, ~~or, if fully funded, thereafter:~~

Level A	\$500 per year of good time service credit
Level B	\$600 per year of good time service credit
Level C	\$700 per year of good time service credit
Level D	\$800 per year of good time service credit
Level E	\$900 per year of good time service credit
Level F	\$1,000 per year of good time service credit
Level G	\$1,250 per year of good time service credit
Level H	\$1,500 per year of good time service credit
Level I	\$2,000 per year of good time service credit
Level J	\$2,500 per year of good time service credit
Level K	\$3,000 per year of good time service credit
Level L	\$3,500 per year of good time service credit
Level M	\$4,000 per year of good time service credit
Level N	\$4,500 per year of good time service credit
Level O	\$5,000 per year of good time service credit
Level P	\$5,500 per year of good time service credit
Level Q	\$6,000 per year of good time service credit
Level R	\$6,500 per year of good time service credit
Level S	\$7,000 per year of good time service credit
Level T	\$7,500 per year of good time service credit

(1) a minimum service pension level of \$500 per year;

3.1 (2) a maximum service pension level of \$7,500 per year; and
 3.2 (3) 69 service pension levels between the minimum level and the maximum level
 3.3 in \$100 increments.

3.4 (b) If the applicable retirement plan account is fully funded, the service pension
 3.5 levels in paragraph (a) apply.

3.6 Sec. 3. Minnesota Statutes 2014, section 353G.11, subdivision 1a, is amended to read:

3.7 Subd. 1a. **Continuation of prior service pension levels.** (a) If a municipality or
 3.8 independent nonprofit firefighting corporation elects to be covered by the retirement plan
 3.9 prior to before January 1, 2010, and selects the \$750 per year of good time service credit
 3.10 service pension amount effective for January 1, 2010, that level continues for the volunteer
 3.11 firefighters of that municipality or independent nonprofit firefighting corporation until a
 3.12 different service pension amount is selected under subdivision 2 after January 1, 2010.

3.13 (b) If a municipality or independent nonprofit firefighting corporation elected to be
 3.14 covered by the retirement plan before January 1, 2015, and selected a service pension
 3.15 level under subdivision 1, other than a good time service credit service pension amount
 3.16 under subdivision 1, that level continues for the volunteer firefighters of the municipality
 3.17 or independent nonprofit firefighting corporation until a different service pension amount
 3.18 is selected under subdivision 2 after January 1, 2014.

3.19 Sec. 4. Minnesota Statutes 2014, section 353G.11, subdivision 2, is amended to read:

3.20 Subd. 2. **Level selection.** ~~At the time of~~ After the election to transfer of retirement
 3.21 coverage, or on April 30 thereafter to the retirement plan, the governing body or bodies of
 3.22 the entity or entities operating the fire department whose firefighters are covered by the
 3.23 retirement plan may request a cost estimate from the executive director of an increase in
 3.24 the service pension level applicable to the active firefighters of the fire department. Within
 3.25 ~~90~~ 120 days of the receipt of the cost estimate prepared by the executive director using a
 3.26 procedure certified as accurate by the approved actuary retained by the Public Employees
 3.27 Retirement Association, the governing body or bodies may approve the service pension
 3.28 level change, effective for January 1 of the following calendar year unless the governing
 3.29 body or bodies specify in the approved document an effective date as the January 1 of the
 3.30 second year following the level increase approval. If the approval occurs after April 30,
 3.31 the required municipal contribution for the following calendar year must be recalculated
 3.32 and the results reported to the municipality or municipalities. If not approved in a timely
 3.33 fashion, the service pension level change is considered to have been disapproved.

4.1 Sec. 5. Minnesota Statutes 2014, section 353G.11, subdivision 4, is amended to read:

4.2 Subd. 4. **Ancillary benefits.** Other than as provided under section 353G.115, no
4.3 disability, death, funeral, or other ancillary benefit beyond a service pension or a survivor
4.4 benefit is payable from the retirement plan.

4.5 Sec. 6. Minnesota Statutes 2014, section 353G.13, subdivision 1, is amended to read:

4.6 Subdivision 1. **Eligibility.** An active firefighter who is a member of the retirement
4.7 plan who also renders firefighting service and has good time service credit in the
4.8 retirement plan from another fire department, if the number of years of good time service
4.9 credit in the plan from a combination of nonconcurrent periods totals at least five years,
4.10 is eligible, upon complying with the other requirements of section 353G.09, to receive
4.11 a service pension upon filing an application in the manner prescribed by the executive
4.12 director, computed as provided in subdivision 2.

4.13 Sec. 7. Minnesota Statutes 2014, section 353G.13, subdivision 2, is amended to read:

4.14 Subd. 2. **Combined service pension computation.** The service pension payable to
4.15 a firefighter who qualifies under subdivision 1 is the per year of good time service credit
4.16 service pension amount in effect for each account in which the firefighter has one or more
4.17 years of good time service credit as of the date on which the firefighter terminated active
4.18 service with the fire department associated with the applicable account, multiplied by
4.19 the number of years of good time service credit that the firefighter has in the applicable
4.20 account and adjusted for the vesting percentage based on the total number of years of good
4.21 time service covered in the applicable accounts.

4.22 Sec. 8. **EFFECTIVE DATE.**

4.23 Sections 1 to 7 are effective July 1, 2015.