



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Susan Lenczewski, Executive Director
RE: Revisor #17-4474: Transfers out of the PERA Voluntary Statewide Volunteer Firefighter Retirement Plan to a Volunteer Firefighter Relief Association
DATE: April 18, 2017

Introduction

Revisor #17-4474 adds a new section to Chapter 353G of the Minnesota Statutes, which governs the voluntary statewide volunteer firefighter retirement plan (“Statewide Firefighter Plan”) administered by the Public Employees Retirement Association (“PERA”). The new section sets forth procedures that will allow a group of firefighters to withdraw from the Statewide Firefighter Plan and have their benefits and corresponding assets transferred to a volunteer firefighter relief association (“relief association”).

The need for this new section originated with the cities of Cromwell and Wright, which wish to consolidate retirement benefits for their firefighters into the existing relief association affiliated with the City of Cromwell. These cities have entered into a joint powers agreement to provide coordinated fire protection services and are in the process of establishing a joint powers fire district. The City of Cromwell provides lump sum pension benefits to its firefighters through a relief association. In 2014, Wright’s firefighters joined the Statewide Firefighter Plan and the relief association affiliated with Wright was dissolved.

Fire state aid funds retirement benefits for firefighters. Current law does not permit fire state aid to be split between a relief association and the Statewide Firefighter Plan. Representatives of the affected cities, fire departments and the Cromwell relief association determined that the preferred outcome would be to continue the Cromwell relief association, expand coverage to include the Wright firefighters, and transfer assets and benefit liabilities from the Statewide Firefighter Plan to the Cromwell relief association, if the law could be amended to permit such transfers.

Representatives of Cromwell contacted PERA to determine whether and how the Wright firefighters could withdraw from the Statewide Firefighter Plan. Recognizing the need to permit withdrawals in the case of Cromwell and Wright and in other future cases, PERA staff convened a meeting of the Statewide Voluntary Firefighters Retirement Plan Advisory Board on February 2, 2017, to seek advice on the topic. The Advisory Board recommended that the governing statutes be amended to permit withdrawal.

The recommendations of the Advisory Board were considered by the PERA Board of Trustees at its meeting on February 9, 2017. The PERA board of trustees adopted the recommendations of the Advisory Board.

The bill also makes other unrelated changes to the statutes governing the Statewide Firefighter Plan recommended by the Advisory Board.

All sections in the bill take effect the day following enactment.

Section-by-Section Summary of Revisor #17-4474

Sections 1 and 2: Amends the definitions section of Chapter 353G by revising the definition of “municipality” and adding a new definition for “relief association.”

Section 3: Amends Section 353G.03 to expand the number of members on the Advisory Board from eight to ten by adding two additional representatives who are members covered by the lump sum benefit provisions of the Statewide Firefighter Plan appointed by the Minnesota State Fire Departments Association.

Section 4: Amends Section 353G.08, which lists when assets may be disbursed from the Statewide Firefighter Plan, to add transfer of assets under the new withdrawal procedures.

Section 5: Amends Section 353G.11, which sets a minimum and maximum on the lump sum benefit that may be paid out per year of service, to adjust as the maximum under Section 424A.02, Subdivision 3, Paragraph (d), adjusts. Paragraph (d) sets the maximum lump sum benefit for volunteer firefighter relief associations.

Section 6: Adds new Section 353G.17, which sets forth the procedures and requirements in five subdivisions for withdrawing from the Statewide Firefighter Plan. Withdrawal is also referred to as a transfer.

Subdivision 1. Entity to initiate transfer. Subdivision 1 describes the first step in the process which is the filing of a notice of intent to transfer and other information with the executive director of PERA. The filing is made by the entity operating the fire department that has the members in the Statewide Firefighter Plan that are proposing to leave the Plan. The section specifies that transfers are effective only as of a January 1 that is at least 120 days after the filing of the notice.

Subdivision 2. Approval by the relief association. Subdivision 2 describes the second step in the process which is the approval of resolutions by the board of trustees of the relief association that is proposing to accept the assets and liabilities related to the pension benefits of the withdrawing firefighters. The resolutions are to be filed with the executive director of PERA. In addition, the board of trustees of the relief association is required to file the resolutions, various governing documents and other information with the state auditor, who, upon receipt of all required documents and information, is to issue confirmation of that fact to the executive director of PERA and the relief association.

Subdivision 3. Approval by the firefighters. Subdivision 3 describes the third step in the process which is to obtain the approval of the firefighters by a vote conducted by the

executive director of PERA. To ensure the firefighters receive information sufficient to cast an informed vote, the executive director is to provide documents and information along with a voting ballot and voting instructions.

Subdivision 4. Transfer process. Subdivision 4 describes the process for transferring records, assets and liabilities from the Statewide Firefighter Plan to the relief association that will cover the firefighters.

Subdivision 5. Relief association obligations and rights upon transfer from the retirement plan. This subdivision provides that the relief association receives ownership of the assets being transferred along with responsibility for the pension benefits of the firefighters.

Subdivision 6. Failure to obtain approvals, certification or verification. Subdivision 6 states that if any step in the withdrawal process is not satisfied or any approval not obtained, the transfer of records, assets and liabilities shall not occur.

Section 7: States that all sections are effective the day following final enactment.