

1.1 A bill for an act

1.2 relating to retirement; voluntary statewide lump-sum volunteer firefighter  
1.3 retirement plan of the Public Employees Retirement Association; amending  
1.4 Minnesota Statutes 2008, sections 69.051, subdivision 3; 353G.05, subdivision  
1.5 2, as added; 353G.09, subdivision 3, as added; 424A.08, as amended; Minnesota  
1.6 Statutes 2009 Supplement, sections 353G.06, subdivision 1; 353G.08; proposing  
1.7 coding for new law in Minnesota Statutes, chapter 353G.

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

1.9 Section 1. Minnesota Statutes 2008, section 69.051, subdivision 3, is amended to read:

1.10 Subd. 3. **Report by certain municipalities.** (a) Each municipality which has  
1.11 an organized fire department but which does not have a firefighters' relief association  
1.12 governed by section 69.77 or sections 69.771 to 69.775 and which is not exempted  
1.13 under paragraph (b) shall annually prepare a detailed financial report of the receipts and  
1.14 disbursements by the municipality for fire protection service during the preceding calendar  
1.15 year, on a form prescribed by the state auditor. The financial report ~~shall~~ must contain any  
1.16 information which the state auditor deems necessary to disclose the sources of receipts  
1.17 and the purpose of disbursements for fire protection service. The financial report ~~shall~~  
1.18 must be signed by the municipal clerk or clerk-treasurer of the municipality. The financial  
1.19 report ~~shall~~ must be filed by the municipal clerk or clerk-treasurer with the state auditor on  
1.20 or before July 1 annually. The state auditor shall forward one copy to the county auditor of  
1.21 the county wherein the municipality is located. The municipality shall not qualify initially  
1.22 to receive, or be entitled subsequently to retain, state aid ~~pursuant to~~ under this chapter if  
1.23 the financial reporting requirement or the applicable requirements of this chapter or any  
1.24 other statute or special law have not been complied with or are not fulfilled.

2.1 (b) Each municipality which has an organized fire department and which provides  
2.2 retirement coverage to its firefighters through the voluntary statewide lump-sum volunteer  
2.3 firefighter retirement plan under chapter 353G qualifies to have fire state aid transmitted  
2.4 to and retained in the statewide lump-sum volunteer firefighter retirement fund without  
2.5 filing a detailed financial report if the executive director of the Public Employees  
2.6 Retirement Association certifies compliance by the municipality with the requirements of  
2.7 sections 353G.04 and 353G.08, paragraph (e), and by the applicable fire chief with the  
2.8 requirements of section 353G.07.

2.9 Sec. 2. Minnesota Statutes 2009 Supplement, section 353G.05, subdivision 2, as added  
2.10 by Laws 2009, chapter 169, article 9, section 14, is amended to read:

2.11 Subd. 2. **Election of coverage.** (a) The process for electing coverage of volunteer  
2.12 firefighters by the retirement plan is initiated by a request to the executive director for a  
2.13 cost analysis of the prospective retirement coverage.

2.14 (b) If the volunteer firefighters are currently covered by a volunteer firefighters' relief  
2.15 association governed by chapter 424A, the cost analysis of the prospective retirement  
2.16 coverage must be requested jointly by the secretary of the volunteer firefighters' relief  
2.17 association, following approval of the request by the board of the volunteer firefighters'  
2.18 relief association, and the chief administrative officer of the entity associated with the  
2.19 relief association, following approval of the request by the governing body of the entity  
2.20 associated with the relief association. If the relief association is associated with more than  
2.21 one entity, the chief administrative officer of each associated entity must execute the  
2.22 request. If the volunteer firefighters are not currently covered by a volunteer firefighters'  
2.23 relief association, the cost analysis of the prospective retirement coverage must be  
2.24 requested by the chief administrative officer of the entity operating the fire department.  
2.25 The request must be made in writing and must be made on a form prescribed by the  
2.26 executive director.

2.27 (c) The cost analysis of the prospective retirement coverage by the statewide  
2.28 retirement plan must be based on the service pension amount under section 353G.11  
2.29 closest to the service pension amount provided by the volunteer firefighters' relief  
2.30 association; ~~if there is one~~ the relief association is a lump-sum defined benefit plan, or  
2.31 the amount equal to 95 percent of the most current average account balance per relief  
2.32 association member if the relief association is a defined contribution plan, or to the  
2.33 lowest service pension amount under section 353G.11 if there is no volunteer firefighters'  
2.34 relief association, rounded up, and any other service pension amount designated by  
2.35 the requester or requesters. The cost analysis must be prepared using a mathematical

3.1 procedure certified as accurate by an approved actuary retained by the Public Employees  
3.2 Retirement Association.

3.3 (d) If a cost analysis is requested and a volunteer firefighters' relief association exists  
3.4 that has filed the information required under section 69.051 in a timely fashion, upon  
3.5 request by the executive director, the state auditor shall provide the most recent data  
3.6 available on the financial condition of the volunteer firefighters' relief association, the most  
3.7 recent firefighter demographic data available, and a copy of the current relief association  
3.8 bylaws. If a cost analysis is requested, but no volunteer firefighters' relief association  
3.9 exists, the chief administrative officer of the entity operating the fire department shall  
3.10 provide the demographic information on the volunteer firefighters serving as members  
3.11 of the fire department requested by the executive director.

3.12 (e) If a cost analysis is requested, the executive director of the State Board of  
3.13 Investment shall review the investment portfolio of the relief association, if applicable,  
3.14 for compliance with the applicable provisions of chapter 11A and for appropriateness  
3.15 for retention under the established investment objectives and investment policies of the  
3.16 State Board of Investment. If the prospective retirement coverage change is approved  
3.17 under paragraph (f), the State Board of Investment may require that the relief association  
3.18 liquidate any investment security or other asset which the executive director of the State  
3.19 Board of Investment has determined to be an ineligible or inappropriate investment for  
3.20 retention by the State Board of Investment. The security or asset liquidation must occur  
3.21 before the effective date of the transfer of retirement plan coverage. If requested to do  
3.22 so by the chief administrative officer of the relief association, the executive director of  
3.23 the State Board of Investment shall provide advice about the best means to conduct the  
3.24 liquidation.

3.25 (f) Upon receipt of the cost analysis, the governing body of the municipality or  
3.26 independent nonprofit firefighting corporation associated with the fire department shall  
3.27 approve or disapprove the retirement coverage change within 90 days. If the retirement  
3.28 coverage change is not acted upon within 90 days, it is deemed to be disapproved. If the  
3.29 retirement coverage change is approved by the applicable governing body, coverage by  
3.30 the voluntary statewide lump-sum volunteer firefighter retirement plan is effective on the  
3.31 next following January 1.

3.32 Sec. 3. Minnesota Statutes 2009 Supplement, section 353G.06, subdivision 1, is  
3.33 amended to read:

3.34 Subdivision 1. **Special fund disestablishment.** ~~(a)~~ On the date immediately prior  
3.35 to the effective date of the coverage change, the special fund of the applicable volunteer

4.1 firefighters' relief association, if one exists, ceases to exist as a pension fund of the  
4.2 association and legal title to the assets of the special fund transfers to the State Board of  
4.3 Investment, with the beneficial title to the assets of the special fund remaining in the  
4.4 applicable volunteer firefighters.

4.5 ~~(b) If the market value of the special fund of the volunteer firefighters' relief~~  
4.6 ~~association for which retirement coverage changed under this chapter declines in the~~  
4.7 ~~interval between the date of the most recent financial report or statement, and the special~~  
4.8 ~~fund disestablishment date, the applicable municipality shall transfer an additional amount~~  
4.9 ~~to the State Board of Investment equal to that decline. If more than one municipality is~~  
4.10 ~~responsible for the direct management of the fire department, the municipalities shall~~  
4.11 ~~allocate the additional transfer amount among the various applicable municipalities~~  
4.12 ~~one-half in proportion to the population of each municipality and one-half in proportion~~  
4.13 ~~to the market value of each municipality.~~

4.14 Sec. 4. Minnesota Statutes 2009 Supplement, section 353G.08, is amended to read:

4.15 **353G.08 RETIREMENT PLAN FUNDING; DISBURSEMENTS.**

4.16 Subdivision 1. Annual funding requirements. (a) Annually, the executive director  
4.17 shall determine the funding requirements of each account in the voluntary statewide  
4.18 lump-sum volunteer firefighter retirement plan on or before August 1. The funding  
4.19 requirements as directed under this section, must be determined using a mathematical  
4.20 procedure developed and certified as accurate by an approved actuary retained by the  
4.21 Public Employees Retirement Association and based on present value factors using a six  
4.22 percent interest rate, without any decrement assumptions. The funding requirements  
4.23 must be certified to the entity or entities associated with the fire department whose active  
4.24 firefighters are covered by the retirement plan.

4.25 (b) The overall funding balance of each account for the current calendar year must  
4.26 be determined in the following manner:

4.27 (1) The total accrued liability for all active and deferred members of the account as  
4.28 of December 31 of the current year must be calculated based on the good time service  
4.29 credit of active and deferred members as of that date.

4.30 (2) The total present assets of the account projected to December 31 of the current  
4.31 year, including receipts by and disbursements from the account anticipated to occur on or  
4.32 before December 31, must be calculated. To the extent possible, the market value of assets  
4.33 must be utilized in making this calculation.

4.34 (3) The amount of the total present assets calculated under clause (2) must be  
4.35 subtracted from the amount of the total accrued liability calculated under clause (1). If the

5.1 amount of total present assets exceeds the amount of the total accrued liability, then the  
5.2 account is considered to have a surplus over full funding. If the amount of the total present  
5.3 assets is less than the amount of the total accrued liability, then the account is considered  
5.4 to have a deficit from full funding. If the amount of total present assets is equal to the  
5.5 amount of the total accrued liability, then the special fund is considered to be fully funded.

5.6 (c) The financial requirements of each account for the following calendar year must  
5.7 be determined in the following manner:

5.8 (1) The total accrued liability for all active and deferred members of the account  
5.9 as of December 31 of the calendar year next following the current calendar year must be  
5.10 calculated based on the good time service used in the calculation under paragraph (b),  
5.11 clause (1), increased by one year.

5.12 (2) The increase in the total accrued liability of the account for the following calendar  
5.13 year over the total accrued liability of the account for the current year must be calculated.

5.14 (3) The amount of anticipated future administrative expenses of the account must be  
5.15 calculated by multiplying the dollar amount of the administrative expenses for the most  
5.16 recent prior calendar year by the factor of 1.035.

5.17 (4) If the account is fully funded, the financial requirement of the account for the  
5.18 following calendar year is the total of the amounts calculated under clauses (2) and (3).

5.19 (5) If the account has a deficit from full funding, the financial requirement of the  
5.20 account for the following calendar year is the total of the amounts calculated under clauses  
5.21 (2) and (3) plus an amount equal to one-tenth of the amount of the deficit from full  
5.22 funding of the account.

5.23 (6) If the account has a surplus over full funding, the financial requirement of  
5.24 the account for the following calendar year is the financial requirement of the account  
5.25 calculated as though the account was fully funded under clause (4) and, if the account has  
5.26 also had a surplus over full funding during the prior two years, additionally reduced by an  
5.27 amount equal to one-tenth of the amount of the surplus over full funding of the account.

5.28 (d) The required contribution of the entity or entities associated with the fire  
5.29 department whose active firefighters are covered by the retirement plan is the annual  
5.30 financial requirements of the account of the retirement plan under paragraph (c) reduced  
5.31 by the amount of any fire state aid payable under sections 69.011 to 69.051 reasonably  
5.32 anticipated to be received by the retirement plan attributable to the entity or entities during  
5.33 the following calendar year, and an amount of interest on the assets projected to be  
5.34 received during the following calendar year calculated at the rate of six percent per annum.  
5.35 The required contribution must be allocated between the entities if more than one entity

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

6.3 (e) The required contribution calculated in paragraph (d) must be paid to the  
6.4 retirement plan on or before December 31 of the year for which it was calculated. If  
6.5 the contribution is not received by the retirement plan by December 31, it is payable  
6.6 with interest at an annual compound rate of six percent from the date due until the date  
6.7 payment is received by the retirement plan. If the entity does not pay the full amount of  
6.8 the required contribution, the executive director shall collect the unpaid amount under  
6.9 section 353.28, subdivision 6.

6.10 (f)

6.11 Subd. 2. **Cash flow funding requirement.** If the executive director determines that  
6.12 an account in the voluntary statewide lump-sum volunteer firefighter retirement plan has  
6.13 insufficient assets to meet the service pensions determined payable from the account,  
6.14 the executive director shall certify the amount of the potential service pension shortfall  
6.15 to the municipality or municipalities and the municipality or municipalities shall make  
6.16 an additional employer contribution to the account within ten days of the certification.  
6.17 If more than one municipality is associated with the account, unless the municipalities  
6.18 agree to a different allocation, the municipalities shall allocate the additional employer  
6.19 contribution one-half in proportion to the population of each municipality and one-half in  
6.20 proportion to the market value of the property of each municipality.

6.21 Subd. 3. **Authorized Account Disbursements.** The assets of the retirement fund  
6.22 may only be disbursed for:

- 6.23 (1) the administrative expenses of the retirement plan;  
6.24 (2) the investment expenses of the retirement fund;  
6.25 (3) the service pensions payable under section 353G.10, 353G.11, 353G.14, or  
6.26 353G.15; ~~and~~  
6.27 (4) the survivor benefits payable under section 353G.12; and  
6.28 (5) the disability benefit coverage insurance premiums under section 353G.115.

6.29 Sec. 5. Minnesota Statutes 2009 Supplement, section 353G.09, subdivision 3, as added  
6.30 by Laws 2009, chapter 169, article 9, section 18, is amended to read:

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

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

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

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

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

7.10 (b) If retirement coverage prior to statewide retirement plan coverage was provided  
7.11 by a defined benefit plan volunteer firefighters relief association, the alternative lump-sum  
7.12 service pension is the service pension amount specified in the bylaws of the applicable  
7.13 former volunteer firefighters' relief association either as of the date immediately prior to  
7.14 the election of the retirement coverage change or as of the date immediately before the  
7.15 termination of firefighting services, whichever is earlier, multiplied by the total number  
7.16 of years of service as a member of that volunteer firefighters' relief association and as  
7.17 a member of the retirement plan. If retirement coverage prior to statewide retirement  
7.18 plan coverage was provided by a defined contribution plan volunteer firefighters relief  
7.19 association, the alternative lump-sum service pension is an amount equal to the person's  
7.20 account balance as of the date immediately prior to the date on which statewide retirement  
7.21 plan coverage was first provided to the person plus six percent annual compound interest  
7.22 from that date until the date immediately prior to the date of retirement.

7.23 Sec. 6. **[353G.115] DISABILITY BENEFIT COVERAGE; AUTHORITY FOR**  
7.24 **CASUALTY INSURANCE.**

7.25 (a) Except as provided in paragraph (b), no disability benefit is payable from the  
7.26 statewide retirement plan.

7.27 (b) If the board approves the arrangement, disability coverage for statewide  
7.28 retirement plan members may be provided through a group disability insurance policy  
7.29 obtained from an insurance company licensed to do business in this state. The voluntary  
7.30 statewide lump-sum volunteer retirement plan is authorized to pay the premium for the  
7.31 disability insurance authorized by this paragraph. The proportional amount of the total  
7.32 annual disability insurance premium must be added to the required contribution amount  
7.33 determined under section 353G.08.

8.1 Sec. 7. Minnesota Statutes 2008, section 424A.08, as amended by Laws 2009, chapter  
8.2 169, article 10, section 45, is amended to read:

8.3 **424A.08 MUNICIPALITY WITHOUT RELIEF ASSOCIATION;**  
8.4 **AUTHORIZED DISBURSEMENTS.**

8.5 (a) Any qualified municipality which is entitled to receive fire state aid but which  
8.6 has no volunteer firefighters' relief association directly associated with its fire department  
8.7 and which has no full-time firefighters with retirement coverage by the public employees  
8.8 police and fire retirement plan shall deposit the fire state aid in a special account  
8.9 established for that purpose in the municipal treasury. Disbursement from the special  
8.10 account may not be made for any purpose except:

8.11 (1) payment of the fees, dues and assessments to the Minnesota State Fire  
8.12 Department Association and to the state Volunteer Firefighters' Benefit Association in  
8.13 order to entitle its firefighters to membership in and the benefits of these state associations;

8.14 (2) payment of the cost of purchasing and maintaining needed equipment for the  
8.15 fire department; and

8.16 (3) payment of the cost of construction, acquisition, repair, or maintenance of  
8.17 buildings or other premises to house the equipment of the fire department.

8.18 (b) A qualified municipality which is entitled to receive fire state aid, which has no  
8.19 volunteer firefighters' relief association directly associated with its fire department, which  
8.20 does not participate in the voluntary lump-sum volunteer firefighter retirement plan under  
8.21 chapter 353G, and which has full-time firefighters with retirement coverage by the public  
8.22 employees police and fire retirement plan may disburse the fire state aid as provided in  
8.23 paragraph (a), for the payment of the employer contribution requirement with respect to  
8.24 firefighters covered by the public employees police and fire retirement plan under section  
8.25 353.65, subdivision 3, or for a combination of the two types of disbursements.

8.26 (c) A municipality which has no volunteer firefighters' relief association directly  
8.27 associated with it and which participates in the voluntary lump-sum volunteer firefighter  
8.28 retirement plan under chapter 353G shall transmit any fire state aid that it receives to the  
8.29 voluntary lump-sum volunteer firefighter retirement fund.

8.30 Sec. 8. **EFFECTIVE DATE.**

8.31 Sections 1 to 7 are effective the day following final enactment and are retroactive  
8.32 to January 1, 2010.