



Document LCPR09-081

Executive Summary of Commission Staff Materials

<i>Affected Pension Plan(s):</i>	PERA Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan
<i>Relevant Provisions of Law:</i>	Minnesota Statutes, Section 353G.11, Subdivision 1
<i>General Nature of Proposal:</i>	Increased number of plan service pension levels
<i>Date of Summary:</i>	February 2, 2010

Specific Proposed Changes

Amends the voluntary statewide lump-sum volunteer firefighter retirement plan service pension levels by:

- Eliminating one service pension level (\$750)
- Adding five new service pension levels (\$600, \$700, \$800, \$900, \$1,250)
- Grandparenting any fire department that recently selected the eliminated service pension level.

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of additional modest amount service pension levels.
2. Appropriateness of adding a mid-level service pension level.
3. Appropriateness of grandparenting the current \$750 service pension level proposed for elimination.

Potential Amendments

There are no proposed amendments.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *LAM*
RE: Document LCPR09-081: PERA Volunteer Fire; Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan Additional Service Pension Levels
DATE: February 4, 2010

Summary of Document LCPR09-081

Document LCPR09-081 contains a recommendation of the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan Advisory Board and amends Minnesota Statutes, Section 353G.11, Subdivision 1, the service pension levels of the voluntary statewide lump-sum volunteer firefighter retirement plan and makes the following changes to the service pension levels available to fire departments electing retirement coverage under the voluntary statewide lump-sum volunteer firefighter retirement plan:

1. Addition of Four Modest Amount Service Pension Levels. The current \$750 service pension level between the \$500 service pension level and the \$1000 service pension level is replaced by four intermediate levels, with a \$600 service pension level, a \$700 service pension level, an \$800 service pension level, and a \$900 service pension level. (*Section 1*)
2. Addition of One Mid-Level Amount Service Pension Level. An additional \$1,250 service pension level is included between the \$1,000 service pension level and the \$1,500 service pension level. (*Section 1*)
3. Grandparenting of Any January 1, 2010, Plan Entrants at the \$750 Service Pension Level. If any municipality and fire department enters the retirement plan on January 1, 2010, at the \$750 service pension level permitted under the 2009 legislation, the \$750 service pension level is continued for that municipality and fire department. (*Section 2*)

Discussion and Analysis

Document LCPR09-081 amends the service pension levels provision of the voluntary statewide lump-sum volunteer firefighter retirement plan by eliminating one service pension level, by adding five new service pension levels, and by grandparenting the eliminated service pension level for any municipality or fire department that selected that service pension level for January 1, 2010. The change is a recommendation of the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan Advisory Board.

Document LCPR09-081 raises a number of pension and related public policy issues for Commission consideration and potential discussion, as follows:

1. Appropriateness of Additional Modest Amount Service Pension Levels. The policy issue is the appropriateness of the elimination of one current voluntary statewide lump-sum volunteer firefighter retirement plan service pension level and the addition of four new service pension levels. The Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan, created in 2009, currently provide 16 levels of potential service pension, from a low of \$500 per year of service to a high of \$7,500 per year of service, increasing at increments of \$250 per year of service for the first three levels and increasing at increments of \$500 per year of service for the remaining 13 levels. The elimination of a \$750 per year of service service pension level and the addition of a \$600 per year of service service pension level, and \$800 per year of service service pension level, and a \$900 per year of service service pension level. The new levels were recommended by the Voluntary Statewide Volunteer Firefighter Retirement Plan Advisory Board in order to make the plan more attractive to the volunteer fire departments providing retirement coverage currently at the lower service pension levels. The advisory board made the recommendation in early December 2009, potentially without considerable input from interested parties. To gauge the level of interest in an expansion of modest service pension amount levels, the Commission should consider taking public testimony about this level expansion.

2. Appropriateness of Adding a Mid-Level Service Pension Level. The policy issue is the appropriateness of adding a \$1,200 per year of service pension level to the current set of service pension levels, bringing the total number of service pension levels, in combination with the level additions in issue #1, to 20 service pension levels. The addition of a \$1,250 service pension level reduces the incremental jump above \$1,000 per year of service credit from \$500 to \$250. Akin to issue #1, the Commission should consider attempting, through public testimony, the interest among municipalities and volunteer firefighters for the expansion.

3. Appropriateness of Grandparenting the Current \$750 Service Pension Level Proposed for Elimination. The policy issue is the appropriateness of grandparenting the \$750 per year of service service pension level that is proposed for elimination. The potential grandfather was intended to cover the situation where some fire departments selected the level for January 1, 2010, and then have the service pension level eliminated. Since all of the fire departments entering the plan for 2010 is now known by Public Employees Retirement Association (PERA), the actual need for the grandparenting provision is known and the provision can be retained or removed based on the information from PERA.

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 2009 Supplement, section 353G.11, subdivision 1, by adding
 1.5 a subdivision.

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

1.7 Section 1. Minnesota Statutes 2009 Supplement, section 353G.11, subdivision 1,
 1.8 is amended to read:

1.9 Subdivision 1. **Levels.** The retirement plan provides the following levels of service
 1.10 pension amounts to be selected at the election of coverage, or, if fully funded, thereafter:

1.11	Level A	\$500 per year of good time service credit
1.12	Level B	\$750 <u>\$600</u> per year of good time service credit
1.13	<u>Level C</u>	<u>\$700 per year of good time service credit</u>
1.14	<u>Level D</u>	<u>\$800 per year of good time service credit</u>
1.15	<u>Level E</u>	<u>\$900 per year of good time service credit</u>
1.16	Level E <u>F</u>	\$1,000 per year of good time service credit
1.17	<u>Level G</u>	<u>\$1,250 per year of good time service credit</u>
1.18	Level D <u>H</u>	\$1,500 per year of good time service credit
1.19	Level E <u>I</u>	\$2,000 per year of good time service credit
1.20	Level F <u>J</u>	\$2,500 per year of good time service credit
1.21	Level G <u>K</u>	\$3,000 per year of good time service credit
1.22	Level H <u>L</u>	\$3,500 per year of good time service credit
1.23	Level I <u>M</u>	\$4,000 per year of good time service credit
1.24	Level J <u>N</u>	\$4,500 per year of good time service credit
1.25	Level K <u>O</u>	\$5,000 per year of good time service credit
1.26	Level L <u>P</u>	\$5,500 per year of good time service credit
1.27	Level M <u>Q</u>	\$6,000 per year of good time service credit

2.1	Level N <u>R</u>	\$6,500 per year of good time service credit
2.2	Level O <u>S</u>	\$7,000 per year of good time service credit
2.3	Level P <u>T</u>	\$7,500 per year of good time service credit

2.4 **EFFECTIVE DATE.** This section is effective July 1, 2010.

2.5 Sec. 2. Minnesota Statutes 2009 Supplement, section 353G.11, is amended by adding a
2.6 subdivision to read:

2.7 Subd. 1a. Continuation of prior service pension levels. If a municipality or
2.8 independent nonprofit firefighting corporation elects to be covered by the retirement
2.9 plan prior to January 1, 2010, and selects the \$750 per year of good time service credit
2.10 service pension amount effective for January 1, 2010, that level continues for the volunteer
2.11 firefighters of that municipality or independent nonprofit firefighting corporation until a
2.12 different service pension amount is selected under subdivision 2 after January 1, 2010.

2.13 **EFFECTIVE DATE.** This section is effective July 1, 2010.